

Fortune Information Systems Corporation

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

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Fortune Information Systems Corp.

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of

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

The descriptions of the key audit matters of the 2023 financial statements are as follows:

#### Recognition of System Integration Revenue

The the Company 's main revenue is derived from system integration, and the recognition of revenue is based on the percentage of completion method, which measures the degree of completion of the contract based on the ratio of costs incurred to the estimated total costs of the contract. As the estimated total costs are based on management's judgment of the nature of different contracts, as well as internal and external information and evidence, revenue from certain customers that meet specific indicators may have a significant impact on the accuracy of the recognition of system integration revenue, and therefore, the recognition of system integration revenue from these specific customers is considered a key audit matter.

We designed our audit procedures to address the above key audit matter, including understanding and evaluating the processes related to the accuracy of recognition of system integration revenue, performing detailed testing of incomplete contracts at the end of the period to verify the accuracy of costs incurred, and reviewing whether there were any significant adjustments to the total contract costs and completion percentage after the reporting period.

#### **Emphasis of Matter Paragraph**

As disclosed in Note 11 of the financial statements, the Company resolved at its board meeting in November, 2023 to merger, through a simplified merger, its wholly-owned subsidiary, IPAC TECHNOLOGY CO., LTD. This merger constitutes an organizational restructuring under joint control. In accordance with the IFRS Q&A and relevant interpretations published by the Chinese Institute of Certified Public Accountants, when preparing the comparative individual financial statements, the merger should be treated as having been acquired from the beginning, and the individual financial statements for the comparative period should be restated accordingly. For details on the impact of restating the comparative period, please refer to Note 11. The auditor has not

modified the audit opinion due to this matter.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated**

Financial Statements Management is responsible for the preparation and fair presentation of The individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the audit committee) are responsible for overseeing the FIS's financial reporting process.

### **Auditors' Responsibilities for the Audit of The individual financial statements**

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

As part of an audit in accordance with the auditing standards generally accepted in the ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of The individual financial statements, whether due to fraud or error, design and perform audit

procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of The individual financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cai, You-Ling and Lin, Wen-Qin

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
Mar. 14, 2024

#### **Notice to Readers**

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and

the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

## FORTUNE INFORMATION SYSTEMS CORP.

## BALANCE SHEETS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

| Code | ASSETS                                                                             | December 31, 2023   |            | December 31, 2022<br>(Restatement) |            |
|------|------------------------------------------------------------------------------------|---------------------|------------|------------------------------------|------------|
|      |                                                                                    | Amount              | %          | Amount                             | %          |
|      | <b>CURRENT ASSETS</b>                                                              |                     |            |                                    |            |
| 1100 | Cash and cash equivalents ( Note 6 )                                               | \$ 298,263          | 17         | \$ 117,191                         | 6          |
| 1120 | Financial assets at fair value through other comprehensive income ( Note 7 and 8 ) | -                   | -          | 6,147                              | -          |
| 1140 | Contract assets ( Note 19 )                                                        | 279,505             | 16         | 365,055                            | 19         |
| 1150 | Notes receivable ( Note 9 )                                                        | 885                 | -          | 17,166                             | 1          |
| 1172 | Trade receivables ( Note 9, 19 and 25 )                                            | 118,672             | 7          | 264,419                            | 14         |
| 1200 | Other receivables ( Note 9 and 25 )                                                | 38,618              | 2          | 29,929                             | 2          |
| 130X | Inventories ( Note 10 )                                                            | 67,221              | 4          | 159,916                            | 8          |
| 1410 | Prepayments                                                                        | 30,325              | 2          | 33,903                             | 2          |
| 1470 | Other current assets                                                               | 2,024               | -          | 3,531                              | -          |
| 11XX | Total current assets                                                               | <u>835,513</u>      | <u>48</u>  | <u>997,257</u>                     | <u>52</u>  |
|      | <b>Non-current assets</b>                                                          |                     |            |                                    |            |
| 1550 | Investment accounted for using equity method ( Note 11 )                           | 516,128             | 30         | 491,501                            | 26         |
| 1600 | Property, plant and equipment ( Note 12 )                                          | 214,680             | 12         | 216,774                            | 12         |
| 1755 | Right-of-use assets ( Note 13 )                                                    | 9,321               | 1          | 16,155                             | 1          |
| 1760 | Investment property ( Note 14 )                                                    | 60,917              | 4          | 61,701                             | 3          |
| 1780 | Other intangible assets                                                            | 229                 | -          | 298                                | -          |
| 1840 | Deferred tax assets ( Note 21 )                                                    | 834                 | -          | 907                                | -          |
| 1920 | Refundable deposits                                                                | 78,000              | 4          | 100,522                            | 5          |
| 1930 | Long-term receivables ( Note 9 )                                                   | 7,997               | -          | -                                  | -          |
| 1975 | Net defined benefit assets ( Note 17 )                                             | 20,763              | 1          | 22,395                             | 1          |
| 15XX | Total non-current assets                                                           | <u>908,869</u>      | <u>52</u>  | <u>910,253</u>                     | <u>48</u>  |
| 1XXX | TOTAL                                                                              | <u>\$ 1,744,382</u> | <u>100</u> | <u>\$ 1,907,510</u>                | <u>100</u> |
|      | <b>LIABILITIES AND EQUITY</b>                                                      |                     |            |                                    |            |
|      | <b>CURRENT LIABILITIES</b>                                                         |                     |            |                                    |            |
| 2100 | Short-term borrowings ( Note 15 )                                                  | \$ -                | -          | \$ 65,000                          | 3          |
| 2110 | Short-term bills payable ( Note 15 )                                               | -                   | -          | 59,740                             | 3          |
| 2130 | Contract liability ( Note 19 )                                                     | 49,844              | 3          | 74,836                             | 4          |
| 2150 | Notes payable                                                                      | 20                  | -          | 20                                 | -          |
| 2170 | Trade payables (Note 25)                                                           | 293,938             | 17         | 340,174                            | 18         |
| 2219 | Other payables ( Note 16 and 25 )                                                  | 129,208             | 7          | 125,362                            | 7          |
| 2230 | Current tax liabilities                                                            | 6,513               | -          | 3,279                              | -          |
| 2280 | Lease liabilities ( Note 13 and 25 )                                               | 7,321               | 1          | 8,004                              | -          |
| 2300 | Other current liabilities                                                          | 13,536              | 1          | 16,061                             | 1          |
| 21XX | Total current liabilities                                                          | <u>500,380</u>      | <u>29</u>  | <u>692,476</u>                     | <u>36</u>  |
|      | <b>Non-current liabilities</b>                                                     |                     |            |                                    |            |
| 2570 | Deferred tax liabilities ( Note 21 )                                               | 4,153               | -          | 4,534                              | -          |
| 2580 | Lease liabilities ( Note 13 and 25 )                                               | 2,098               | -          | 8,244                              | 1          |
| 2600 | Other non-current liabilities                                                      | 4,130               | -          | 4,161                              | -          |
| 25XX | Total non-current liabilities                                                      | <u>10,381</u>       | <u>-</u>   | <u>16,939</u>                      | <u>1</u>   |
| 2XXX | Total liabilities                                                                  | <u>510,761</u>      | <u>29</u>  | <u>709,415</u>                     | <u>37</u>  |
|      | <b>EQUITY ATTRIBUTABLE ( Note 18 )</b>                                             |                     |            |                                    |            |
| 3110 | Common stock                                                                       | 699,612             | 40         | 699,612                            | 37         |
| 3200 | Capital surplus                                                                    | 62,361              | 4          | 62,361                             | 3          |
|      | Retained earnings                                                                  |                     |            |                                    |            |
| 3310 | Legal reserve                                                                      | 182,351             | 10         | 175,261                            | 9          |
| 3320 | Special reserve                                                                    | 3,279               | -          | 9,690                              | 1          |
| 3350 | Undistributed earnings                                                             | 289,498             | 17         | 254,449                            | 13         |
| 3300 | Total retained earnings                                                            | 475,128             | 27         | 439,400                            | 23         |
| 3400 | Other equity interests                                                             | ( 3,480 )           | -          | ( 3,278 )                          | -          |
| 3XXX | Total equity interests                                                             | <u>1,233,621</u>    | <u>71</u>  | <u>1,198,095</u>                   | <u>63</u>  |
|      | TOTAL                                                                              | <u>\$ 1,744,382</u> | <u>100</u> | <u>\$ 1,907,510</u>                | <u>100</u> |

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

Chairman: SU, MEI-CHUN

General Manager: TANG, YU-HUA, YANG, ZHENG-NING

Principal accounting officer: CHEN, XIU-YUE

## FORTUNE INFORMATION SYSTEMS CORP.

## STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| Code |                                                                                      | 2023             |           | 2022<br>( Restatement ) |           |
|------|--------------------------------------------------------------------------------------|------------------|-----------|-------------------------|-----------|
|      |                                                                                      | Amount           | %         | Amount                  | %         |
| 4000 | OPERATING REVENUES<br>( Note 19 and 25 )                                             | \$ 1,428,000     | 100       | \$ 1,497,876            | 100       |
| 5000 | OPERATING COSTS ( Note 10,<br>20 and 25 )                                            | <u>1,269,887</u> | <u>89</u> | <u>1,337,740</u>        | <u>89</u> |
| 5900 | GROSS PROFIT FROM<br>OPERATIONS                                                      | 158,113          | 11        | 160,136                 | 11        |
| 6000 | OPERATING EXPENSES ( Note<br>20 and 25 )                                             | <u>121,959</u>   | <u>9</u>  | <u>130,866</u>          | <u>9</u>  |
| 6900 | NET OPERATING INCOME                                                                 | <u>36,154</u>    | <u>2</u>  | <u>29,270</u>           | <u>2</u>  |
|      | NON-OPERATING INCOME<br>AND EXPENSES ( Note 20<br>and 25 )                           |                  |           |                         |           |
| 7100 | Interest income                                                                      | 1,265            | -         | 2,651                   | -         |
| 7010 | Other income                                                                         | 10,144           | 1         | 5,790                   | -         |
| 7020 | Other gains and losses                                                               | 289              | -         | 9,301                   | 1         |
| 7050 | Finance costs                                                                        | ( 1,691 )        | -         | ( 2,279 )               | -         |
| 7070 | Share of profit of<br>subsidiaries accounted<br>for using equity method<br>(Note 11) | <u>42,824</u>    | <u>3</u>  | <u>27,931</u>           | <u>2</u>  |
| 7000 | Total non-operating<br>income and<br>expenses                                        | <u>52,831</u>    | <u>4</u>  | <u>43,394</u>           | <u>3</u>  |
| 7900 | PROFIT BEFORE TAX                                                                    | 88,985           | 6         | 72,664                  | 5         |
| 7950 | INCOME TAX EXPENSE ( Note<br>21 )                                                    | <u>10,607</u>    | <u>1</u>  | <u>9,134</u>            | <u>1</u>  |
| 8200 | NET PROFIT                                                                           | <u>78,378</u>    | <u>5</u>  | <u>63,530</u>           | <u>4</u>  |

( Continued )

| Code |                                                                                                                            | 2023             |          | 2022<br>( Restatement ) |          |
|------|----------------------------------------------------------------------------------------------------------------------------|------------------|----------|-------------------------|----------|
|      |                                                                                                                            | Amount           | %        | Amount                  | %        |
|      | OTHER COMPREHENSIVE<br>INCOME (LOSS) ( Note 17<br>and 21 )                                                                 |                  |          |                         |          |
| 8310 | Items that will not be<br>reclassified<br>subsequently to profit<br>or loss:                                               |                  |          |                         |          |
| 8311 | Remeasurements of<br>defined benefit<br>plans                                                                              | ( \$ 674 )       | -        | \$ 7,373                | 1        |
| 8360 | Items that may be<br>reclassified<br>subsequently to profit<br>or loss:                                                    |                  |          |                         |          |
| 8361 | Exchange<br>differences on<br>translating<br>foreign<br>operations                                                         | ( 197 )          | -        | 6,723                   | -        |
| 8367 | Unrealized loss on<br>investments in<br>equity<br>instruments at fair<br>value through<br>other<br>comprehensive<br>income | ( 5 )            | -        | ( 311 )                 | -        |
| 8300 | Other<br>comprehensive<br>income (loss)<br>(after tax)                                                                     | ( 876 )          | -        | 13,785                  | 1        |
| 8500 | TOTAL COMPREHENSIVE<br>INCOME                                                                                              | <u>\$ 77,502</u> | <u>5</u> | <u>\$ 77,315</u>        | <u>5</u> |
|      | EARNINGS PER SHARE<br>( Note 22 )                                                                                          |                  |          |                         |          |
| 9710 | Basic earnings per share                                                                                                   | <u>\$ 1.12</u>   |          | <u>\$ 0.91</u>          |          |
| 9810 | Diluted earnings per<br>share                                                                                              | <u>\$ 1.12</u>   |          | <u>\$ 0.90</u>          |          |

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

Chairman: SU, MEI-CHUN

General Manager: TANG, YU-HUA, YANG, ZHENG-NING

Principal accounting officer: CHEN, XIU-YUE

## FORTUNE INFORMATION SYSTEMS CORP.

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

|      |                                                                                   |                                |            |                 |                   |                 | Other Equity Interest                                                  |                                                                                                                 |              |              |
|------|-----------------------------------------------------------------------------------|--------------------------------|------------|-----------------|-------------------|-----------------|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Code |                                                                                   | Common Stock                   |            | Capital Surplus | Retained Earnings |                 | E x c h a n g e<br>differences<br>on translating<br>foreign operations | Unrealized<br>Gain (Loss)<br>Financial Assets<br>at Fair Value<br>Through Other<br>Comprehensive<br>I n c o m e | Total Equity |              |
|      |                                                                                   | Shares ( thousands<br>shares ) | Capital    |                 | Legal Reserve     | Special Reserve |                                                                        | Unappropriated                                                                                                  |              |              |
| A1   | BALANCE, JAN. 1, 2022                                                             | 69,961                         | \$ 699,612 | \$ 62,361       | \$ 171,120        | \$ 6,960        | \$ 218,401                                                             | (\$ 10,006)                                                                                                     | \$ 316       | \$ 1,148,764 |
|      | Appropriation of 2021 earnings                                                    |                                |            |                 |                   |                 |                                                                        |                                                                                                                 |              |              |
| B1   | Legal Reserve                                                                     | -                              | -          | -               | 4,141             | -               | ( 4,141 )                                                              | -                                                                                                               | -            | -            |
| B3   | Special Reserve                                                                   | -                              | -          | -               | -                 | 2,730           | ( 2,730 )                                                              | -                                                                                                               | -            | -            |
| B5   | Cash dividends                                                                    | -                              | -          | -               | -                 | -               | ( 27,984 )                                                             | -                                                                                                               | -            | ( 27,984 )   |
| D1   | Profit for the year ended Dec. 31, 2022                                           | -                              | -          | -               | -                 | -               | 63,530                                                                 | -                                                                                                               | -            | 63,530       |
| D3   | Other comprehensive income (loss) for the<br>year ended Dec. 31, 2022             | -                              | -          | -               | -                 | -               | 7,373                                                                  | 6,723                                                                                                           | ( 311 )      | 13,785       |
| D5   | Total comprehensive income (loss) for the<br>year ended Dec. 31, 2022             | -                              | -          | -               | -                 | -               | 70,903                                                                 | 6,723                                                                                                           | ( 311 )      | 77,315       |
| Z1   | BALANCE, DEC. 31, 2022                                                            | 69,961                         | 699,612    | 62,361          | 175,261           | 9,690           | 254,449                                                                | ( 3,283 )                                                                                                       | 5            | 1,198,095    |
|      | Distribution of 2022 earnings                                                     |                                |            |                 |                   |                 |                                                                        |                                                                                                                 |              |              |
| B1   | Legal reserve                                                                     | -                              | -          | -               | 7,090             | -               | ( 7,090 )                                                              | -                                                                                                               | -            | -            |
| B3   | Special reserve                                                                   | -                              | -          | -               | -                 | ( 6,411 )       | 6,411                                                                  | -                                                                                                               | -            | -            |
| B5   | Cash dividends                                                                    | -                              | -          | -               | -                 | -               | ( 41,976 )                                                             | -                                                                                                               | -            | ( 41,976 )   |
| D1   | Profit for the year ended Dec. 31, 2023                                           | -                              | -          | -               | -                 | -               | 78,378                                                                 | -                                                                                                               | -            | 78,378       |
| D3   | Other comprehensive income (loss) (after<br>tax) for the year ended Dec. 31, 2023 | -                              | -          | -               | -                 | -               | ( 674 )                                                                | ( 197 )                                                                                                         | ( 5 )        | ( 876 )      |
| D5   | Total comprehensive income (loss) for the<br>year ended Dec. 31, 2023             | -                              | -          | -               | -                 | -               | 77,704                                                                 | ( 197 )                                                                                                         | ( 5 )        | 77,502       |
| Z1   | BALANCE, DEC. 31, 2022                                                            | 69,961                         | \$ 699,612 | \$ 62,361       | \$ 182,351        | \$ 3,279        | \$ 289,498                                                             | (\$ 3,480)                                                                                                      | \$ -         | \$ 1,233,621 |

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

Chairman: SU, MEI-CHUN

General Manager: TANG, YU-HUA, YANG, ZHENG-NING

Principal accounting officer: CHEN, XIU-YUE

FORTUNE INFORMATION SYSTEMS CORP.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)

| Code   |                                                                              | 2023           | 2022<br>( Restatement ) |
|--------|------------------------------------------------------------------------------|----------------|-------------------------|
|        | CASH FLOWS FROM OPERATING ACTIVITIES                                         |                |                         |
| A10000 | Profit before tax                                                            | \$ 88,985      | \$ 72,664               |
| A20010 | Adjustments to reconcile profit (loss)                                       |                |                         |
| A20100 | Depreciation expense                                                         | 14,606         | 13,355                  |
| A20200 | Amortization expense                                                         | 479            | 959                     |
| A20300 | Expected credit impairment (gain) loss                                       | ( 12 )         | -                       |
| A20900 | Finance costs                                                                | 1,691          | 2,279                   |
| A21200 | Interest income                                                              | ( 1,265 )      | ( 2,651 )               |
| A22400 | Share of profit of subsidiaries accounted for using equity method            | ( 42,824 )     | ( 27,931 )              |
| A22500 | (Gain) loss on disposal and retirement of property, plant and equipment, net | ( 458 )        | ( 6 )                   |
| A23700 | Inventory falling price loss                                                 | ( 360 )        | 8                       |
| A24100 | Foreign exchange (gains) loss                                                | 152            | ( 7,881 )               |
| A30000 | Changes in operating assets and liabilities                                  |                |                         |
| A31125 | Contract assets                                                              | 85,550         | ( 27,773 )              |
| A31130 | Notes receivable                                                             | 16,281         | 1,477                   |
| A31150 | Accounts receivable                                                          | 137,760        | ( 13,067 )              |
| A31180 | Other receivables                                                            | ( 8,879 )      | ( 26,915 )              |
| A31200 | Inventories                                                                  | 92,323         | ( 67,227 )              |
| A31230 | Prepayments                                                                  | 3,578          | 47,986                  |
| A31240 | Other current assets                                                         | 1,507          | 2,556                   |
| A31990 | Net defined benefit assets                                                   | 790            | ( 81 )                  |
| A32125 | Contract liabilities                                                         | ( 24,992 )     | 19,723                  |
| A32150 | Accounts payable                                                             | ( 46,290 )     | 129,697                 |
| A32180 | Other payables                                                               | 3,902          | 39,932                  |
| A32230 | Other current liabilities                                                    | ( 2,525 )      | ( 1,487 )               |
| A33000 | Cash inflows generated from operating activities                             | 319,999        | 155,617                 |
| A33100 | Interest received                                                            | 1,455          | 2,889                   |
| A33300 | Interest paid                                                                | ( 1,487 )      | ( 2,223 )               |
| A33500 | Income taxes paid                                                            | ( 7,512 )      | ( 10,899 )              |
| AAAA   | Net cash inflows generated from operating activities                         | <u>312,455</u> | <u>145,384</u>          |

( Continued )

| Code   |                                                                                     | 2023               | 2022<br>( Restatement ) |
|--------|-------------------------------------------------------------------------------------|--------------------|-------------------------|
|        | CASH FLOWS FROM INVESTING<br>ACTIVITIES                                             |                    |                         |
| B00020 | Acquisition of financial assets at fair value<br>through other comprehensive income | \$ 6,062           | \$ 7,308                |
| B00040 | Acquisition of financial assets measured at<br>amortized cost                       | -                  | ( 382,684 )             |
| B00050 | Proceeds from financial assets measured at<br>amortized cost                        | -                  | 455,451                 |
| B01800 | Acquisition of investments accounted for<br>using equity method                     | -                  | ( 200,000 )             |
| B02700 | Acquisition of property, plant and<br>equipment                                     | ( 2,663 )          | ( 2,436 )               |
| B02800 | Proceeds from disposal of property, plant<br>and equipment                          | 460                | 6                       |
| B03700 | Decrease in refundable deposits                                                     | 22,522             | 13,176                  |
| B04500 | Acquisition of intangible assets                                                    | ( 356 )            | ( 657 )                 |
| B07600 | Collection cash dividends of                                                        | 18,000             | -                       |
| BBBB   | Net cash used in investing activities                                               | <u>44,025</u>      | <u>( 109,836 )</u>      |
|        | CASH FLOWS FROM FINANCING<br>ACTIVITIES                                             |                    |                         |
| C00100 | Increase (decrease) in short-term<br>borrowings                                     | ( 65,000 )         | 15,000                  |
| C00500 | Increase (decrease) in short-term notes and<br>bills payable                        | ( 60,000 )         | ( 61,617 )              |
| C04020 | Repayment of the principal portion of lease<br>liabilities                          | ( 8,330 )          | ( 7,717 )               |
| C04300 | Decrease (increase) in other non-current<br>liabilities                             | ( 31 )             | 691                     |
| C04500 | Cash dividends paid                                                                 | ( <u>41,976</u> )  | ( <u>27,984</u> )       |
| CCCC   | Net cash flows used in financing<br>activities                                      | ( <u>175,337</u> ) | ( <u>81,627</u> )       |
| DDDD   | EFFECT OF EXCHANGE RATE CHANGES<br>ON CASH AND CASH EQUIVALENTS                     | ( <u>71</u> )      | <u>5,533</u>            |
| EEEE   | Net decrease in cash and cash equivalents                                           | 181,072            | ( 40,546 )              |
| E00100 | Cash and cash equivalents at beginning of year                                      | <u>117,191</u>     | <u>157,737</u>          |
| E00200 | Cash and cash equivalents at end of year                                            | <u>\$ 298,263</u>  | <u>\$ 117,191</u>       |

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

Chairman: SU, MEI-CHUN

General Manager: TANG, YU-HUA, YANG, ZHENG-NING

Principal accounting officer: CHEN, XIU-YUE

FORTUNE INFORMATION SYSTEMS CORP. AND SUBSIDIARIES  
NOTES TO INDIVIDUAL FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

**1. ORGANIZATION**

Fortune Information Systems Corp. (the Company) was established on April 11, 1977 in Taipei City. Its main business activities include: (1) buying, selling, leasing and repairing office machines, office automation equipment, computers and other information equipment, computer peripherals, microfilm equipment, devices, and their parts, accessories and supplies; (2) system analysis and programming of computer and other information software; (3) data processing services for clients, etc.

The Company's stock has been traded on the Taipei Exchange since September 17, 2001, after being listed on the Taipei Exchange for Over-the-Counter Securities on December 4, 1999.

As of December 31, 2023, the Company has four branches located in Taoyuan, Hsinchu, Taichung, and Kaohsiung.

The Company merged, through a simplified merger, its wholly-owned subsidiary, IPAC TECHNOLOGY CO., LTD. in Dec. 31, 2023. Therefore, the comparative financial statements are restatement.

The individual financial statements are expressed in the functional currency of the Company, which is New Taiwan Dollar.

**2. APPROVAL OF THE INDIVIDUAL FINANCIAL STATEMENTS**

The Board of Directors approved the individual financial statements on Mar. 14, 2024.

**3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

- a. Application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company's accounting policies.

Revision of IAS 1 "Disclosure of Accounting Policies"

When applying this revision, the parent company determines the significant accounting policy information to be disclosed based on the definition of significance. If the accounting policy information can reasonably be expected to influence the decisions of the primary users of the general-purpose financial statements made on the basis of those financial statements, then that accounting policy information is considered significant. Additionally:

- Accounting policy information related to immaterial transactions, other matters, or circumstances is considered immaterial, and the Company is not required to disclose such information.
- The Company may deem related accounting policy information to be significant due to the nature of transactions, other matters, or circumstances, even if the amounts are not significant.
- Not all accounting policy information related to significant transactions, other matters, or circumstances is considered significant.

If the accounting policy information is related to significant transactions, other matters, or circumstances, and any of the following situations exist, that information may be significant:

- (1) The Company changes its accounting policy during the reporting period, and this change results in a significant change in the financial statement information.
- (2) The Company selects its applicable accounting policies from options permitted by the standard.
- (3) Due to the lack of specific provisions in the standard, the Company establishes accounting policies in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors."
- (4) The Company discloses the relevant accounting policies determined by significant judgments or assumptions.

(5) It involves complex accounting treatment requirements, and financial statement users rely on such information to understand significant transactions, other matters, or circumstances.

Please refer to Note 4 for disclosure of relevant accounting policies.

- b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2024.

| New IFRSs                                                                     | Effective Date Announced<br>by IASB ( Note 1 ) |
|-------------------------------------------------------------------------------|------------------------------------------------|
| Amendments to IFRS 16 " Lease liabilities in sale and leaseback arrangements" | 1 January 2024 ( Note 2 )                      |
| Amendments to IAS 1 " Liabilities are classified as current or non-current"   | 1 January 2024                                 |
| Amendments to IAS 1 " Non-current liabilities with contractual terms "        | 1 January 2024                                 |
| Amendments to IAS 7 and IFRS 7 " financing arrangement"                       | 1 January 2024 ( Note 3 )                      |

Note 1: Unless otherwise stated, the aforementioned new, rectified and amended regulations and interpretations to standards or interpretations shall be effective for annual reporting periods beginning on or after their respective effective dates.

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

Note 3: When first applying this amendment, certain disclosure requirements are exempted.

Up to the date of the report printed, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

- c. The new IFRS rules announced by IASB but not endorsed by FSC.

| New IFRSs                                                                                                                    | Effective Date Announced<br>by IASB ( Note 1 ) |
|------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| Amendments of IFRS 10 and IAS 28 about Asset sales or contributions between investors and their associates or joint ventures | Not decided yet                                |
| Insurance contract under IFRS 17                                                                                             | 1 January 2023                                 |
| Amendments of IFRS 17                                                                                                        | 1 January 2023                                 |
| Amendment of IFRS 17 about first be applied to IFRS 17 and IFRS 9-comparasion information                                    | 1 January 2023                                 |
| Amendment of IAS 21 about Lack of convertibility                                                                             | 1 January 2025 ( Note 2 )                      |

Note 1: Unless otherwise stated, the aforementioned new, rectified and amended regulations and interpretations to standards or interpretations shall be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: Applicable for annual reporting periods beginning on or after January 1, 2025. Upon initial application of this amendment, the impact on the numbers shall be recognized in retained earnings as of the initial application date. When the consolidated company expresses its currency in non-functional currency, the adjustment to the exchange differences of foreign operations under equity on the initial application date shall be affected.

Up to the date of the report printed, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

##### **Statement of Compliance**

The individual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### **Basis of Preparation**

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

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

When preparing the Company individual financial statements, the Company accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to owners of the parent in the individual financial statements, the differences of the accounting treatment between the Company individual basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the Company individual financial statements.

#### **Classification of current and non-current items in assets and liabilities**

Current assets include:

1. Asset held mainly for trading purpose.
2. Assets that are expected to be realized within 12 months from the end of the financial reporting period.
3. Cash and cash equivalents (excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the end of the financial reporting period.)

Current liabilities include:

1. Liabilities arising mainly from trading activities.
2. Liabilities that are to be paid off within 12 months from the end of the financial reporting period (even the liabilities are refinanced or restructured after the reporting date of the balance sheet); and
3. Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the end of the financial reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets and liabilities, if not classified as mentioned above, are classified as non-current assets and noncurrent liabilities.

#### **Organizational Restructuring under Joint Control**

The Company adopts the equity method to account for organizational restructuring under joint control.

**Foreign Currencies**

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of the reporting period, foreign currency monetary items are reported using the closing rate. Exchange differences in the period on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

When preparing the individual financial statements, the assets and liabilities of foreign operations are translated to NTD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity attributed to the owners of the Company and non-controlling interests as appropriate.

On the disposal of the Company's entire interest in a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

**Inventories**

Inventories are measured at the lower of cost or net realizable value. Inventories are assessed item by item, except those with similar characteristics which are assessed collectively. Net realizable value is the estimated selling price in the ordinary course of business less the

estimated costs or selling expenses. The weighted-average method is used in the calculation of cost.

### **Investments in Subsidiaries**

The Company uses the equity method to account for its investments in subsidiaries.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary equals or exceeds its interest of that subsidiary, including carrying amount of its subsidiaries in the equity method and other long-term interests of net Investments in that subsidiary, the Company continues recognizing its losses from its existing ownership percentage.

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

### **Property, Plant and Equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land has an unlimited useful life and therefore is not depreciated.

The fixed-rate progressive decrease method is adopted to the depreciation of miscellaneous equipment, air conditioning systems and renovation. The straight-line method is adopted to the depreciation of the other over its useful life. Each significant item should be

depreciated separately. Depreciation methods, useful lives, and residual values are reviewed at the end of each reporting period. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit and loss.

### **Investment Properties**

Investment properties are properties held to earn rental and/or for capital appreciation, including land held for a currently undetermined future use.

Investment properties are measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. The straight-line method is adopted to the depreciation of the building. The fixed-rate progressive decrease method is adopted to the other.

Property, plant and equipment should transfer to investment properties base on its carrying amount when end of owner-occupation.

The gain or loss arising from the derecognition of an item of investment properties shall be determined as the difference between the net disposal proceeds.

### **Intangible Assets**

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

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

**Property, plant, and equipment, right-of-use assets, investment properties, intangible assets, and incremental costs of obtaining a contract**

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

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

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the asset, cash-generating unit or contract cost is increased to the revised estimate of its recoverable amount, but only to the extent of the

carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or contract cost in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **Financial Instruments**

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

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

### **a. Financial assets**

The Company adopts trade-date accounting to recognize and derecognize financial assets.

#### **1) Measurement category**

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

##### **a) Financial assets at amortized cost**

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash, cash equivalents, notes, accounts receivable, other receivables, other financial assets and refundable deposits, etc., are measured at amortized cost, which equal to gross carrying amount determined by the effective interest method less any impairment loss, except for short-term receivables when the recognition of interest is immaterial. Exchange differences are recognized in profit or loss.

Interest revenue is calculated by applying the effective interest rate method to the gross carrying amount.

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

b) Investments in equity instruments at FVTOCI

A debt instrument that meets the following two conditions must be measured at FVTOCI:

- i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

2) Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including receivables), investments in equity instruments at FVTOCI and contract assets.

The loss allowances for receivables and contract assets are measured at an amount equal to lifetime ECLs. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECLs. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECLs.

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Overdue for more than 365 days, unless there is reasonable and corroborated information that shows that the delayed default basis is more appropriate.

The impairment loss of all financial assets is reduced by the allowance account to reduce its carrying amount, but the loss allowance of debt instrument investment through other

comprehensive income measured at fair value is recognized in other comprehensive income, and its carrying amount is not reduced.

3) Derecognition of financial asset

The Company only derecognizes the financial asset when the contractual rights to cash flows from the financial asset lapse, or the financial asset has been transferred and almost all the risks and rewards of the asset's ownership have been transferred to other companies.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b. Equity instruments

Equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

c. Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

**Provisions**

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provision for the expected cost of warranty obligations is recognized at the date of sale of the relevant products, at the Company's best estimate of the expenditure required to settle the obligation.

### **Revenue recognition**

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

a. Revenue from the sale of goods

Sales revenue comes from sales of computer hardware and software. Sales of computer hardware and software are recognized as receivable and contract assets when the goods are delivered to the customers and the customers have full discretion over the price to sell the goods, right to use the goods, and bears the risk of obsolescence, and recognizes revenue when performance obligations are satisfied. The transaction price received under the conditions of a contract is recognized as a contract liability until the goods have been delivered to the customer.

b. Revenue from rendering of services

Service revenue comes from system integration and maintenance of computer hardware and software.

As the Company provides service, customers simultaneously receive and consume the benefits provided by the Company's performance. Consequently, the related revenue is recognized when services are rendered. Because the contract stipulates that the customers make payment after completion of acceptance, the company recognizes the contract asset upon providing the service, and recognizes accounts receivable upon completion of acceptance.

### **Leases**

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

a. The Company as lessor

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

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

b. The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier dates of the end of the useful lives of the right-of-use assets or the end of the lease term. Lease liabilities are initially measured at the present value of the lease payments (fixed payments). The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the

Company remeasures the lease liability with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of a right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

### **Cost of Borrowings**

Cost of borrowings is recognized in profit or loss directly.

### **Government Grants**

Government grants are recognized only when it is virtually certain that the company will comply with the conditions attached to the grant and that the grant will be received.

Government grants related to income are recognized as other income on a systematic basis over the periods in which the related costs that the grants are intended to compensate for are recognized as expenses by the company.

### **Employee Benefits**

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

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

#### **b. Retirement benefits**

Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which services are rendered by employees.

The defined benefit costs (including service cost, net interest, and remeasurement) of defined benefit plan use the projected unit credit method for the actuarial valuation. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized under employee benefit expense as they occur. Remeasurement (including actuarial gains and losses and the return on plan assets, excluding amounts included in net interest) is recognized in other comprehensive

income (loss) in retained earnings as it occurs, and is not reclassified to profit or loss subsequently.

Net defined benefit asset represents the surplus of defined benefit plans. IAS 19 requires the Company to limit the carrying amount of a net defined benefit asset so that it does not exceed the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

### **Income Tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **a. Current taxes**

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

Income tax on unappropriated earnings is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

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

#### **b. Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in The individual financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from

deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

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

c. Current and deferred tax for the year

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

When adopting accounting policies, the management of the Company must make judgments, estimates, and assumptions based on historical experience and other relevant factors for information that is not readily

available from other sources. The resulting accounting estimates and assumptions might be different from the actual results.

When the Company is developing significant accounting estimates, it incorporates the potential impact into considerations for significant estimates related to cash flow projections, growth rates, discount rates, profitability, and other relevant factors. The management will continuously review estimates and underlying assumptions.

## 6. CASH AND CASH EQUIVALENTS

|                                                                 | December 31,<br>2023 | December 31,<br>2022 |
|-----------------------------------------------------------------|----------------------|----------------------|
| Cash on hand and revolving funds                                | \$ 381               | \$ 392               |
| Checking accounts and demand deposits                           | 108,364              | 55,056               |
| Cash equivalents                                                |                      |                      |
| Time deposits with original<br>maturities of less than 3 months | -                    | 2,000                |
| Repurchase Agreement                                            | <u>189,518</u>       | <u>59,743</u>        |
|                                                                 | <u>\$ 298,263</u>    | <u>\$ 117,191</u>    |
| Interest rate during reporting period                           |                      |                      |
|                                                                 | December 31,<br>2023 | December 31,<br>2022 |
| Time deposits with original<br>maturities of less than 3 months | -                    | 0.98%                |
| Repurchase Agreement                                            | 1.00%                | 0.88%                |

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

|                                                    | December 31,<br>2023 | December 31,<br>2022 |
|----------------------------------------------------|----------------------|----------------------|
| <u>Foreign debt instrument<br/>    investments</u> |                      |                      |
| Current                                            | <u>\$ -</u>          | <u>\$ 6,147</u>      |

Refer to Note 8 for information relating to the credit risk management and expected credit loss for financial assets at FVTOCI.

## 8. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are financial assets at FVTOCI and financial assets at amortized cost.

December 31, 2023: None.

December 31, 2022

|                               | FVTOCI          | Amortized cost |
|-------------------------------|-----------------|----------------|
| Gross carrying amount         | \$ 6,143        | \$ -           |
| Allowance for impairment loss | ( 2)            | -              |
| Amortized cost                | 6,141           | \$ -           |
| Fair value measurement        | 6               |                |
|                               | <u>\$ 6,147</u> |                |

The policy adopted by the Company is to only invest in debt instruments with credit ratings of investment grade or above (inclusive), and those with low credit risk in impairment assessments. Credit rating information is provided by independent rating agencies. The Company's exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Company considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses.

The current credit risk assessment policies are as follows:

| Category  | Description                                                                                                                                                 | Basis for Recognizing Expected Credit Loss        |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
| Normal    | The counterparty has a low risk of default and a strong capacity to meet contractual cash flow. The bond credit rating of Moody's is high than B grade.     | 12 months expected credit loss                    |
| Abnormal  | The credit risk of a financial instrument has increased significantly since initial recognition. The bond credit rating of Moody's diminishes lower than B. | Lifetime expected credit loss-not credit impaired |
| Default   | There is evidence in credit-impaired. The bond credit rating of Moody's is Ca or below.                                                                     | Lifetime expected credit loss-credit impaired     |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery                        | Amount is written off                             |

The total of book value in debt instruments investment and expected ratio of credit loss:

December 31, 2023: None.

December 31, 2022

| Category  | Expected Credit Loss<br>Ratio | Gross Carrying Amount |                |
|-----------|-------------------------------|-----------------------|----------------|
|           |                               | FVTOCI                | Amortized cost |
| Normal    | 0.03%                         | \$ 6,147              | \$ -           |
| Abnormal  | -                             | -                     | -              |
| Default   | -                             | -                     | -              |
| Write-off | -                             | -                     | -              |

## 9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLE

|                                            | <u>December 31, 2021</u> | <u>December 31, 2022</u> |
|--------------------------------------------|--------------------------|--------------------------|
| <u>Notes receivable</u>                    |                          |                          |
| Gross carrying amount at amortized cost    | <u>\$ 885</u>            | <u>\$ 17,166</u>         |
| <u>Accounts receivable</u>                 |                          |                          |
| Gross carrying amount at amortized cost    | \$ 127,067               | \$ 264,579               |
| Less: Unrealized interest income           | ( 248 )                  | -                        |
| Less: Allowance for impairment loss        | ( <u>150</u> )           | ( <u>160</u> )           |
|                                            | <u>\$ 126,669</u>        | <u>\$ 264,419</u>        |
| Current                                    | <u>\$ 118,672</u>        | <u>\$ 264,419</u>        |
| Noncurrent                                 | <u>\$ 7,997</u>          | <u>\$ -</u>              |
| <u>Other receivables</u>                   |                          |                          |
| Receivable for payment on behalf of others | \$ 36,816                | \$ 28,270                |
| Other                                      | <u>1,802</u>             | <u>1,659</u>             |
|                                            | <u>\$ 38,618</u>         | <u>\$ 29,929</u>         |

The average credit period of receivable was 60 to 120 days. In order to mitigate credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure the recoverability of receivables. In addition, the Company reviews the recoverable amount of trade receivables at balance sheet dates to ensure that adequate allowance is provided for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk could be reasonably reduced.

The Company provides for expected credit losses which permits the use of lifetime expected loss provision for all receivable. The expected credit losses on receivable are estimated using a provision matrix by reference to the past default experience of the debtor, the debtor's current financial position, economic condition of the industry in which the debtor operates, as well as the GDP forecasts and industry outlook. According to loss patterns for different customer segment, the provision of loss allowance is based on past due status.

The Company writes off a trade receivable when there are evidences indicating that the counterparty is in severe financial difficulty and the trade receivable is considered uncollectible. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of receivables based on the Company's provision matrix.

#### December 31, 2023

|                                                                    | Not Past<br>Due   | Overdue<br>1 to 60 days | Overdue<br>61 to 90<br>days | Overdue<br>91 to 120<br>days | Overdue<br>Over 120<br>days | Total             |
|--------------------------------------------------------------------|-------------------|-------------------------|-----------------------------|------------------------------|-----------------------------|-------------------|
| Gross carrying amount<br>(including unrealized<br>interest income) | \$ 122,236        | \$ 4,458                | \$ -                        | \$ -                         | \$ 1,010                    | \$ 127,704        |
| Loss allowance (Lifetime<br>ECLs)                                  | ( <u>22</u> )     | <u>-</u>                | <u>-</u>                    | <u>-</u>                     | ( <u>128</u> )              | ( <u>150</u> )    |
| Amortized cost                                                     | <u>\$ 122,214</u> | <u>\$ 4,458</u>         | <u>\$ -</u>                 | <u>\$ -</u>                  | <u>\$ 882</u>               | <u>\$ 127,554</u> |

#### December 31, 2022

|                                                                    | Not Past<br>Due   | Overdue<br>1 to 60 days | Overdue<br>61 to 90<br>days | Overdue<br>91 to 120<br>days | Overdue<br>Over 120<br>days | Total             |
|--------------------------------------------------------------------|-------------------|-------------------------|-----------------------------|------------------------------|-----------------------------|-------------------|
| Gross carrying amount<br>(including unrealized<br>interest income) | \$ 270,024        | \$ 10,142               | \$ 857                      | \$ 722                       | \$ -                        | \$ 281,745        |
| Loss allowance (Lifetime<br>ECLs)                                  | ( <u>160</u> )    | <u>-</u>                | <u>-</u>                    | <u>-</u>                     | <u>-</u>                    | ( <u>160</u> )    |
| Amortized cost                                                     | <u>\$ 269,864</u> | <u>\$ 10,142</u>        | <u>\$ 857</u>               | <u>\$ 722</u>                | <u>\$ -</u>                 | <u>\$ 281,585</u> |

The movements of the loss allowance of receivable were as follow:

|                                    | 2023          | 2022          |
|------------------------------------|---------------|---------------|
| Balance at January 1               | \$ 160        | \$ 158        |
| Add: Reversal of impairment losses | ( <u>10</u> ) | <u>2</u>      |
| Balance, end of year               | <u>\$ 150</u> | <u>\$ 160</u> |

## 10. INVENTORIES

|             | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------|--------------------------|--------------------------|
| Merchandise | <u>\$ 67,221</u>         | <u>\$ 159,916</u>        |

For the years ended December 31, 2023 and 2022, the cost of goods sold related to inventories amounted to \$1,070,529 thousand and 1,149,644 thousand. For the years ended December 31, 2023 and 2022, the inventory write-down amounted to \$(360) thousand and \$8 thousand.

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

|                                        | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------------------|--------------------------|--------------------------|
| <u>Investee subsidiary</u>             |                          |                          |
| Fortune Information System (In') LTD.  |                          |                          |
| (HK FIS)                               | \$ 57,737                | \$ 56,907                |
| SBAS (HK) LTD.                         |                          |                          |
| (SBAS)                                 | 14,862                   | 13,001                   |
| Fortune Technology System Corp. (FTSC) | <u>443,529</u>           | <u>421,593</u>           |
|                                        | <u>\$ 516,128</u>        | <u>\$ 491,501</u>        |

On reporting day, percentage of ownership and voting rights held by the Company are as below:

|        | <u>% of Ownership</u>    |                          |
|--------|--------------------------|--------------------------|
|        | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
| HK FIS | 100%                     | 100%                     |
| SBAS   | 100%                     | 100%                     |
| FTSC   | 100%                     | 100%                     |

The Company invested to establish FTSC in January 2021. On August 8, 2022, the board of directors resolved to increase investment in FTSC by \$200 million, which will be fully invested by the Company. After the capital increase, FTSC's paid-in capital will be \$400 million.

Note 1. The Company resolved at its board meeting in Nov. 12, 2023 to merger, through a simplified merger, its wholly-owned subsidiary, IPAC, in Dec. 31 2023. Therefore, the comparative financial statements are restatement.

The restatments of balance sheets in Dec.31, 2022 and statements of comprehensive income is as follow:

Balance sheets

| Item                   | Before              | Effect           | Restatement         |
|------------------------|---------------------|------------------|---------------------|
| <u>Assets</u>          |                     |                  |                     |
| Current assets         | \$ 969,147          | \$ 28,110        | \$ 997,257          |
| Non-current assets     | <u>928,262</u>      | <u>( 18,009)</u> | <u>910,253</u>      |
| Total                  | <u>\$ 1,897,409</u> | <u>\$ 10,101</u> | <u>\$ 1,907,510</u> |
| <u>Liabilites</u>      |                     |                  |                     |
| Current liabilites     | \$ 682,375          | \$ 10,101        | \$ 692,476          |
| Non-current liabilites | <u>16,939</u>       | <u>-</u>         | <u>16,939</u>       |
| Total                  | <u>\$ 699,314</u>   | <u>\$ 10,101</u> | <u>\$ 709,415</u>   |
| <u>Equity</u>          |                     |                  |                     |
| Common stock           | \$ 699,612          | \$ -             | \$ 699,612          |
| Capital surplus        | 62,361              | -                | 62,361              |
| Retained earnings      | 439,400             | -                | 439,400             |
| Other equity           | <u>( 3,278)</u>     | <u>-</u>         | <u>( 3,278)</u>     |
| Total                  | <u>\$ 1,198,095</u> | <u>\$ -</u>      | <u>\$ 1,198,095</u> |

Statements of comprehensive income

| Item                              | Before           | Effect        | Restatement      |
|-----------------------------------|------------------|---------------|------------------|
| Operating revenues                | \$ 1,477,054     | \$ 20,822     | \$ 1,497,876     |
| Operating costs                   | ( 1,319,811)     | ( 17,929)     | ( 1,337,740)     |
| Operating expenses                | ( 130,144)       | ( 722)        | ( 130,866)       |
| Non-operating income and expenses | 45,137           | ( 1,743)      | 43,394           |
| Income tax                        | <u>( 8,706)</u>  | <u>( 428)</u> | <u>( 9,134)</u>  |
| Net profit                        | 63,530           | -             | 63,530           |
| Other comprehensive income        | <u>13,785</u>    | <u>-</u>      | <u>13,785</u>    |
| Total                             | <u>\$ 77,315</u> | <u>\$ -</u>   | <u>\$ 77,315</u> |

## 12. PROPERTY, PLANT AND EQUIPMENT

|                                          | Land              | Building and<br>improvements | Miscellaneous<br>equipment | Total             |
|------------------------------------------|-------------------|------------------------------|----------------------------|-------------------|
| <u>Cost</u>                              |                   |                              |                            |                   |
| Balance at January 1, 2021               | \$ 137,657        | \$ 125,134                   | \$ 48,967                  | \$ 311,758        |
| Additions                                | -                 | -                            | 2,663                      | 2,663             |
| Disposals                                | -                 | -                            | ( 6,910 )                  | ( 6,910 )         |
| Reclassification                         | -                 | -                            | 651                        | 651               |
| Balance at December 31,<br>2021          | <u>\$ 137,657</u> | <u>\$ 125,134</u>            | <u>\$ 45,371</u>           | <u>\$ 308,162</u> |
| <u>Accumulated depreciation</u>          |                   |                              |                            |                   |
| Balance at January 1, 2021               | \$ -              | \$ 49,757                    | \$ 45,227                  | \$ 94,984         |
| Depreciation expense                     | -                 | 2,144                        | 3,343                      | 5,487             |
| Disposals                                | -                 | -                            | ( 6,908 )                  | ( 6,908 )         |
| Reclassification                         | -                 | -                            | ( 81 )                     | ( 81 )            |
| Balance at December 31,<br>2021          | <u>\$ -</u>       | <u>\$ 51,901</u>             | <u>\$ 41,581</u>           | <u>\$ 93,482</u>  |
| Carrying amount at December<br>31, 2021  | <u>\$ 137,657</u> | <u>\$ 73,233</u>             | <u>\$ 3,790</u>            | <u>\$ 214,680</u> |
| <u>Cost</u>                              |                   |                              |                            |                   |
| Balance at January 1, 2022               | \$ 172,042        | \$ 162,877                   | \$ 50,197                  | \$ 385,116        |
| Additions                                | -                 | -                            | 2,436                      | 2,436             |
| Disposals                                | -                 | -                            | ( 4,451 )                  | ( 4,451 )         |
| Reclassification                         | -                 | -                            | 785                        | 785               |
| Reclassified as investment<br>properties | ( 34,385 )        | ( 37,743 )                   | -                          | ( 72,128 )        |
| Balance at December 31,<br>2022          | <u>\$ 137,657</u> | <u>\$ 125,134</u>            | <u>\$ 48,967</u>           | <u>\$ 311,758</u> |
| <u>Accumulated depreciation</u>          |                   |                              |                            |                   |
| Balance at January 1, 2022               |                   |                              |                            |                   |
| Depreciation expense                     | \$ -              | \$ 57,566                    | \$ 46,841                  | \$ 104,407        |
| Disposals                                | -                 | 2,533                        | 2,934                      | 5,467             |
| Reclassification                         | -                 | -                            | ( 4,451 )                  | ( 4,451 )         |
| Reclassified as investment<br>properties | -                 | -                            | ( 97 )                     | ( 97 )            |
| Balance at December 31,<br>2022          | <u>-</u>          | <u>( 10,342 )</u>            | <u>-</u>                   | <u>( 10,342 )</u> |
|                                          | <u>\$ -</u>       | <u>\$ 49,757</u>             | <u>\$ 45,227</u>           | <u>\$ 94,984</u>  |
| Carrying amount at December<br>31, 2022  |                   |                              |                            |                   |

As of December 31, 2023, and 2022, the above-mentioned property and equipment have no signs of impairments.

The methods that property, plant and equipment are depreciated over the estimated useful life of the asset are as below:

|                                            | Depreciation method             | Useful life    |
|--------------------------------------------|---------------------------------|----------------|
| Building and improvements                  |                                 |                |
| Main building                              | Straight-line                   | 50 to 60 years |
| Air conditioning systems and<br>renovation | Fixed-rate progressive decrease | 10 to 15 years |
| Decoration equipment                       | Straight-line                   | 5 years        |
| Miscellaneous equipment                    | Fixed-rate progressive decrease | 3 to 20 years  |

As of December 31, 2023, and 2022, the above-mentioned property and equipment do not involve collateral.

### 13. LEASE ARRANGEMENTS

#### Right-of-use assets

|                                             | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------------------|--------------------------|--------------------------|
| Carrying amount                             |                          |                          |
| Land                                        | \$ 424                   | \$ 1,271                 |
| Building                                    | 7,730                    | 14,884                   |
| Machine equipment                           | <u>1,167</u>             | <u>-</u>                 |
|                                             | <u>\$ 9,321</u>          | <u>\$ 16,155</u>         |
|                                             |                          |                          |
|                                             | <u>2023</u>              | <u>2022</u>              |
| Addition                                    | <u>\$ 1,501</u>          | <u>\$ 2,974</u>          |
|                                             |                          |                          |
| Depreciation charge for right-of-use assets |                          |                          |
| Land                                        | \$ 847                   | \$ 846                   |
| Building                                    | 7,154                    | 6,957                    |
| Machine equipment                           | <u>334</u>               | <u>-</u>                 |
|                                             | <u>\$ 8,335</u>          | <u>\$ 7,803</u>          |

Except for the aforementioned additions and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2023 and 2022.

#### Lease liabilities

|                  | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------|--------------------------|--------------------------|
| Carrying amounts |                          |                          |
| Current          | <u>\$ 7,321</u>          | <u>\$ 8,004</u>          |
| Noncurrent       | <u>\$ 2,098</u>          | <u>\$ 8,244</u>          |

Ranges of discount rates for lease liabilities are as follows:

|                   | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------|--------------------------|--------------------------|
| Land              | 0.88%                    | 0.88%                    |
| Building          | 0.88%~1.19%              | 0.88%~1.19%              |
| Machine equipment | 1.90%                    | -                        |

#### Material lease-in activities and terms

The Company leases offices and warehouses with most of the lease terms ranging from 3 to 5 years. The Company does not have bargain purchase options to acquire the leasehold assets at the end of the lease

terms. In addition, the Company applies the recognition exemption to leases of building and office equipment as short-term lease and certain photocopier qualifying as low-value asset leases and does not recognize right-of-use assets and lease liabilities for these leases. Other material information for leases is as follow:

|                                                                   | <u>2023</u>       | <u>2022</u>       |
|-------------------------------------------------------------------|-------------------|-------------------|
| Expenses relating to short-term leases and low-value asset leases | <u>\$ 1,202</u>   | <u>\$ 1,332</u>   |
| Total cash flow for leases                                        | <u>(\$ 9,656)</u> | <u>(\$ 9,264)</u> |

#### 14. INVESTMENT PROPERTIES

##### 2023

|                                     | <u>Land</u>      | <u>Building and structures</u> | <u>Total</u>     |
|-------------------------------------|------------------|--------------------------------|------------------|
| <u>Cost</u>                         |                  |                                |                  |
| Balance at Jan. 1 and Dec. 31, 2023 | <u>\$ 34,385</u> | <u>\$ 37,743</u>               | <u>\$ 72,128</u> |
| <u>Accumulated depreciation</u>     |                  |                                |                  |
| Balance at January 1, 2023          | \$ -             | \$ 10,427                      | \$ 10,427        |
| Depreciation expenses               | <u>-</u>         | <u>784</u>                     | <u>784</u>       |
| Balance at December 31, 2023        | <u>\$ -</u>      | <u>\$ 11,211</u>               | <u>\$ 11,211</u> |
| Carrying amount, December 31, 2023  | <u>\$ 34,385</u> | <u>\$ 26,532</u>               | <u>\$ 60,917</u> |

##### 2022

|                                    |                  |                  |                  |
|------------------------------------|------------------|------------------|------------------|
| <u>Cost</u>                        |                  |                  |                  |
| Balance at January 1, 2022         | \$ -             | \$ -             | \$ -             |
| From property, plant and equipment | <u>34,385</u>    | <u>37,743</u>    | <u>72,128</u>    |
| Balance at December 31, 2022       | <u>\$ 34,385</u> | <u>\$ 37,743</u> | <u>\$ 72,128</u> |
| <u>Accumulated depreciation</u>    |                  |                  |                  |
| Balance at January 1, 2022         | \$ -             | \$ -             | \$ -             |
| Depreciation expenses              | -                | 85               | 85               |
| From property, plant and equipment | <u>-</u>         | <u>10,342</u>    | <u>10,342</u>    |
| Balance at December 31, 2022       | <u>\$ -</u>      | <u>\$ 10,427</u> | <u>\$ 10,427</u> |
| Carrying amount, December 31, 2022 | <u>\$ 34,385</u> | <u>\$ 27,316</u> | <u>\$ 61,701</u> |

Depreciation expenses are recognized according to depreciation methods and useful life as follow:

|                                         | <u>Depreciation method</u>      | <u>Useful life</u> |
|-----------------------------------------|---------------------------------|--------------------|
| Main building                           | Straight-line                   | 50 years           |
| Air conditioning systems and renovation | Fixed-rate progressive decrease | 5 to 15 years      |

The fair values of investment properties were measured using Level 3 inputs, arising from direct capitalization method of income approach and comparative approach adopted by a third party real estate appraiser, ZHANG,FANG-QING. The key unobservable inputs adopted is discount rate. The fair values were measured as follow:

|               | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------|--------------------------|--------------------------|
| Fair value    | <u>\$258,291</u>         | <u>\$257,212</u>         |
| Discount rate | 1.65%                    | 1.65%                    |

All investment properties are own right and interest.

## 15. BORROWINGS

### a. Short-term borrowings

|                 | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-----------------|--------------------------|--------------------------|
| Unsecured loans | <u>\$ -</u>              | <u>\$ 65,000</u>         |

For the years ended December 31, 2022, the annual interest rates of bank unsecured loans are 1.98%.

### b. Short-term bills payable

December 31, 2023: None.

December 31, 2022

| <u>Guarantor /<br/>accepting<br/>institution</u> | <u>Face amount</u> | <u>Discount</u> | <u>Carrying<br/>amount</u> | <u>Interest rate</u> |
|--------------------------------------------------|--------------------|-----------------|----------------------------|----------------------|
| <u>Commercial paper<br/>payable</u>              |                    |                 |                            |                      |
| Ta Ching Bill                                    | <u>\$ 60,000</u>   | <u>\$ 260</u>   | <u>\$ 59,740</u>           | 2.03%                |

## 16. OTHER LIABILITIES

|                                            | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------------------------|--------------------------|--------------------------|
| Payables for employees' salaries and bonus | \$ 52,291                | \$ 53,953                |
| Payables for receipts under custody        | 40,836                   | 36,917                   |
| Payables for annual leave                  | 11,846                   | 13,197                   |
| Payables for insurance                     | 4,859                    | 4,445                    |
| Others                                     | <u>19,376</u>            | <u>16,850</u>            |
|                                            | <u>\$129,208</u>         | <u>\$125,362</u>         |

## 17. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

The defined benefit plan adopted by the Company of the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of length of service and average monthly salaries of the six months before retirement. These entities contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

|                                              | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------------------------|--------------------------|--------------------------|
| Present value of defined benefit obligations | \$ 19,628                | \$ 62,690                |
| Fair value of plan assets                    | ( 40,391)                | ( 85,085)                |
| Net defined benefit liabilities              | ( \$ 20,763)             | ( \$ 22,395)             |

Movements in net defined benefit assets were as follows:

|                                                                       | Present Value<br>of the Defined<br>Benefit<br>Obligation | Fair Value of<br>the Plan Assets | Net Defined<br>Benefit Asset |
|-----------------------------------------------------------------------|----------------------------------------------------------|----------------------------------|------------------------------|
| Balance at January 1, 2023                                            | <u>\$ 62,690</u>                                         | <u>( \$ 85,085)</u>              | <u>( \$ 22,395)</u>          |
| Service cost                                                          |                                                          |                                  |                              |
| Current service cost                                                  | 2,624                                                    | -                                | 2,624                        |
| Repayment                                                             | ( 45,049)                                                | 43,523                           | ( 1,526)                     |
| Net interest expense (income)                                         | <u>862</u>                                               | <u>( 1,170)</u>                  | <u>( 308)</u>                |
| Recognized in profit or loss                                          | <u>( 41,563)</u>                                         | <u>42,353</u>                    | <u>790</u>                   |
| Remeasurement                                                         |                                                          |                                  |                              |
| Return on plan assets (excluding<br>amounts included in net interest) | -                                                        | ( 284)                           | ( 284)                       |
| Actuarial profit or loss                                              |                                                          |                                  |                              |
| Changes in financial assumptions                                      | 800                                                      | -                                | 800                          |
| experience adjustments                                                | <u>326</u>                                               |                                  | <u>326</u>                   |
| Recognized in other comprehensive<br>income                           | <u>1,126</u>                                             | <u>( 284)</u>                    | <u>842</u>                   |
| Paid from defined benefit obligations                                 | <u>( 2,625)</u>                                          | <u>2,625</u>                     | <u>-</u>                     |
| Balance at December 31, 2023                                          | <u>\$ 19,628</u>                                         | <u>( \$ 40,391)</u>              | <u>( \$ 20,763)</u>          |
| Balance at January 1, 2022                                            | \$ 68,768                                                | ( \$ 81,866)                     | ( \$ 13,098)                 |
| Service cost                                                          |                                                          |                                  |                              |
| Current service cost                                                  | -                                                        | -                                | -                            |
| Net interest expense (income)                                         | 431                                                      | ( 512)                           | ( 81)                        |
| Recognized in profit or loss                                          | 431                                                      | ( 512)                           | ( 81)                        |
| Remeasurement                                                         |                                                          |                                  |                              |
| Return on plan assets (excluding amounts<br>included in net interest) | -                                                        | ( 5,985)                         | ( 5,985)                     |
| Actuarial profit or loss                                              |                                                          |                                  |                              |
| Changes in financial assumptions                                      | ( 5,213)                                                 | -                                | ( 5,213)                     |
| experience adjustments                                                | 1,982                                                    | -                                | 1,982                        |
| Recognized in other comprehensive<br>income                           | ( 3,231)                                                 | ( 5,985)                         | ( 9,216)                     |
| Paid from defined benefit obligations                                 | ( 3,278)                                                 | 3,278                            | -                            |
| Balance at December 31, 2022                                          | \$ 62,690                                                | ( \$ 85,085)                     | ( \$ 22,395)                 |

Through the defined benefit plan under the Labor Standards Law, the Company is exposed to the following risks:

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

- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial present values of the defined benefit obligation were carried out by the chartered actuary. The principal assumptions used for the purpose of the actuarial valuations were as follows:

|                                   | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-----------------------------------|--------------------------|--------------------------|
| Discount rate                     | 1.25%                    | 1.38%                    |
| Expected rates of salary increase | 3.00%                    | 3.00%                    |

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

|                                   | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-----------------------------------|--------------------------|--------------------------|
| Discount rate                     |                          |                          |
| 0.25% increase                    | <u>(\$ 403)</u>          | <u>(\$ 1,616)</u>        |
| 0.25% decrease                    | <u>\$ 416</u>            | <u>\$ 1,674</u>          |
| Expected rates of salary increase |                          |                          |
| 0.25% increase                    | <u>\$ 402</u>            | <u>\$ 1,618</u>          |
| 0.25% decrease                    | <u>(\$ 392)</u>          | <u>(\$ 1,570)</u>        |

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

|                                                      | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------------------------------------------|--------------------------|--------------------------|
| Expected contributions to the plan for the next year | <u>\$ 338</u>            | <u>\$ -</u>              |
| Average duration of the defined benefit obligation   | 8.3 years                | 10.5 years               |

## 18. EQUITY

### a. Common shares

|                                                       | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------------------------------|--------------------------|--------------------------|
| Number of authorized shares (in thousands)            | <u>107,000</u>           | <u>107,000</u>           |
| Amount of authorized shares                           | <u>\$ 1,070,000</u>      | <u>\$ 1,070,000</u>      |
| Number of issued and fully paid shares (in thousands) | <u>69,961</u>            | <u>69,961</u>            |
| Amount of issued and fully paid shares                | <u>\$ 699,612</u>        | <u>\$ 699,612</u>        |

### b. Capital surplus

|                                             | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------------------|--------------------------|--------------------------|
| Recognized from issuance of common shares   | \$ 37,105                | \$ 37,105                |
| Recognized from treasury share transactions | <u>25,256</u>            | <u>25,256</u>            |
|                                             | <u>\$ 62,361</u>         | <u>\$ 62,361</u>         |

Capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital and treasury stock transactions, may be applied to make-up accumulated deficit, if any, or be transferred to capital as stock dividends, or be distributed as cash dividends when there is no accumulated deficit, and this transfer is restricted to a certain percentage of the paid-in capital.

### c. Appropriation of earnings and dividend policy

The Company's Articles of Incorporation provide that appropriation for legal reserve should be made at 10% of annual net income, less any accumulated deficit. From the remainder of the net income, appropriation for special reserve will be made based on relevant laws and regulations, and then any remaining profit together with any undistributed retained earnings may be appropriated and distributed. Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board of Directors for approval at a stockholders' meeting. For the policies on distribution compensation of employees, please refer to Note 20.

The Company is currently in the growth phase of its industry life cycle, and in order to consider the future funding needs of the Company and meet the needs of shareholders for cash inflows, if there are undistributed profits after the annual settlement, not less than 60% of the post-tax net profit shall be distributed as dividends to shareholders, of which cash dividends shall not exceed 50% of the total cash and stock dividends paid out during the year. However, when the earnings per share for the year are less than NT\$ 3, the proportion of cash dividends paid out may be increased to a maximum of 100%.

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

Under Rule No. 1090150022 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from special reserve.

The appropriations of earnings for 2022 and 2021 which have been resolved in the shareholders' meetings on June 19, 2023 and July 24, 2022, respectively, were as follows:

|                 | <u>Appropriation of Earnings</u> |          | <u>Dividend Per Share (NT\$)</u> |        |
|-----------------|----------------------------------|----------|----------------------------------|--------|
|                 | 2022                             | 2021     | 2022                             | 2021   |
| Legal reserve   | \$ 7,090                         | \$ 4,141 |                                  |        |
| Special reserve | ( 6,411)                         | 2,730    |                                  |        |
| Cash dividends  | 41,976                           | 27,984   | \$ 0.6                           | \$ 0.4 |

The appropriation of earnings for 2023, which was proposed by the Company's board of directors was as follows:

|                             | <u>Appropriation of Earnings</u> | <u>Dividend Per Share (NT\$)</u> |
|-----------------------------|----------------------------------|----------------------------------|
| Legal reserve               | \$ 7,770                         |                                  |
| Reversal of special reserve | 202                              |                                  |
| Cash dividends              | 55,969                           | \$ 0.8                           |

The appropriation of earnings for 2023 will be resolved by the shareholders in their meeting to be held on June 18, 2024.

## 19. REVENUE

### a. Contract balances

|                                  | December 31,<br>2023 | December 31,<br>2022 | January 1, 2022   |
|----------------------------------|----------------------|----------------------|-------------------|
| Accounts receivables<br>(Note 9) | <u>\$ 126,669</u>    | <u>\$ 264,419</u>    | <u>\$ 251,354</u> |
| Contract assets                  | <u>\$ 279,505</u>    | <u>\$ 365,055</u>    | <u>\$ 337,282</u> |
| Contract liability               | <u>\$ 49,844</u>     | <u>\$ 74,836</u>     | <u>\$ 55,113</u>  |

The Company measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk as the trade receivables. Therefore, the Company concluded that the expected loss rates for trade receivables can be applied to the contract assets.

|                       | December 31, 2023 | December 31, 2022 |
|-----------------------|-------------------|-------------------|
| Gross carrying amount | \$ 279,505        | \$ 365,055        |
| Provision             | <u>-</u>          | <u>-</u>          |
|                       | <u>\$ 279,505</u> | <u>\$ 365,055</u> |

### b. Contract information

| Item                                                     | 2023                | 2022                |
|----------------------------------------------------------|---------------------|---------------------|
| Revenue from the sale of goods<br>and system integration | \$ 1,206,959        | \$ 1,283,226        |
| Revenue from rendering of<br>services                    | <u>221,041</u>      | <u>214,650</u>      |
|                                                          | <u>\$ 1,428,000</u> | <u>\$ 1,497,876</u> |

## 20. NET PROFIT

### a. Other gains and losses

|                                                      | 2023          | 2022            |
|------------------------------------------------------|---------------|-----------------|
| Net foreign exchange gains<br>(losses)               | (\$ 171)      | \$ 9,293        |
| Gain on disposal of property,<br>plant and equipment | 458           | 6               |
| Other                                                | <u>2</u>      | <u>2</u>        |
|                                                      | <u>\$ 289</u> | <u>\$ 9,301</u> |

### b. Interest income

|                                                 | 2023              | 2022              |
|-------------------------------------------------|-------------------|-------------------|
| Bank deposits                                   | \$ 930            | \$ 289            |
| Debt instrument at FVTOCI                       | 21                | 531               |
| Financial assets at amortized cost              | -                 | 1,030             |
| Other                                           | 314               | 801               |
|                                                 | <u>\$ 1,265</u>   | <u>\$ 2,651</u>   |
| c. Finance costs                                |                   |                   |
|                                                 | 2023              | 2022              |
| Interest on lease liabilities                   | \$ 129            | \$ 172            |
| Interest on bank loans                          | 1,562             | 2,107             |
|                                                 | <u>\$ 1,691</u>   | <u>\$ 2,279</u>   |
| d. Depreciation and amortization                |                   |                   |
|                                                 | 2023              | 2022              |
| Property, plant and equipment                   | \$ 5,487          | \$ 5,467          |
| Right-of-use assets                             | 8,335             | 7,803             |
| Investment properties                           | 784               | 85                |
| Other intangible assets                         | 479               | 959               |
| Total                                           | <u>\$ 15,085</u>  | <u>\$ 14,314</u>  |
| Depreciation expenses<br>summarized by function |                   |                   |
| Operating costs                                 | \$ 7,612          | \$ 7,254          |
| Operating expenses                              | 6,994             | 6,101             |
|                                                 | <u>\$ 14,606</u>  | <u>\$ 13,355</u>  |
| Amortization expenses<br>summarized by function |                   |                   |
| Operating costs                                 | \$ 75             | \$ 67             |
| Operating expenses                              | 404               | 892               |
|                                                 | <u>\$ 479</u>     | <u>\$ 959</u>     |
| e. Employee benefits expenses                   |                   |                   |
|                                                 | 2023              | 2022              |
| Short-term employee benefits                    |                   |                   |
| Payroll                                         | \$ 227,486        | \$ 232,823        |
| Labor and health insurance                      | 22,817            | 22,164            |
| Other employee benefits                         | 11,146            | 10,681            |
|                                                 | <u>261,449</u>    | <u>265,668</u>    |
| Post-employment benefits(Note17)                |                   |                   |
| Defined contribution plans                      | 10,706            | 10,697            |
| Defined benefit plans                           | 790               | ( 81)             |
|                                                 | <u>11,496</u>     | <u>10,616</u>     |
| Total employee benefits expenses                | <u>\$ 272,945</u> | <u>\$ 276,284</u> |
| Employee benefits expenses by<br>function       |                   |                   |
| Operating costs                                 | \$ 172,295        | \$ 166,221        |
| Operating expenses                              | 100,650           | 110,063           |
|                                                 | <u>\$ 272,945</u> | <u>\$ 276,284</u> |

f. Compensation of employees

According to the Company's Articles of Incorporation, the Company do not have to accrue remuneration of directors. The compensation of employees is accrued at the rate of 6% of net profit before income tax. The compensation of employees for 2023 and 2022 which have been resolved by the Board of Directors on March 14, 2024 and March 24, 2023, respectively, was as follows:

|                                   | 2023            |   | 2022            |   |
|-----------------------------------|-----------------|---|-----------------|---|
|                                   | Cash            | % | Cash            | % |
| Profit sharing bonus to employees | <u>\$ 5,680</u> | 6 | <u>\$ 4,611</u> | 6 |

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

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

The information about the appropriations of profit sharing bonus to employees is available at the Market Observation Post System website.

## 21. INCOME TAXES

a. The major components of income tax recognized in profit or loss

|                                         | 2023             | 2022            |
|-----------------------------------------|------------------|-----------------|
| Current tax                             |                  |                 |
| In respect of the current year          | \$ 9,366         | \$ 8,434        |
| Income tax on unappropriated earnings   | 1,412            | 214             |
| Adjustments for prior year              | ( <u>32</u> )    | ( <u>11</u> )   |
|                                         | <u>10,746</u>    | <u>8,637</u>    |
| Deferred tax                            |                  |                 |
| In respect of the current year          | ( <u>139</u> )   | <u>497</u>      |
| Income tax recognized in profit or loss | <u>\$ 10,607</u> | <u>\$ 9,134</u> |

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

|                                                      | 2023             | 2022             |
|------------------------------------------------------|------------------|------------------|
| Profit before tax                                    | <u>\$ 88,985</u> | <u>\$ 72,664</u> |
| Income tax expense at the statutory rate             | \$ 17,797        | \$ 14,533        |
| Items to be adjusted when determining taxable income | 201              | 342              |
| Tax-exempt income                                    | ( 8,188)         | ( 5,399)         |
| Unrecognized temporary difference                    | 1,412            | 214              |
| Unrecognized loss deduction                          | ( 583)           | ( 545)           |
| Adjustments from previous years                      | ( <u>32</u> )    | ( <u>11</u> )    |
| Income tax expenses recognized in profit or loss     | <u>\$ 10,607</u> | <u>\$ 9,134</u>  |

b. Income tax recognized in other comprehensive income

|                                                      | 2023              | 2022            |
|------------------------------------------------------|-------------------|-----------------|
| <u>Current deferred tax</u>                          |                   |                 |
| Unrealized gain (loss) on financial assets at FVTOCI | (\$ 1)            | (\$ 78)         |
| Remeasurements of defined benefit plans              | ( <u>168</u> )    | <u>1,843</u>    |
| Income tax recognized in other comprehensive income  | ( <u>\$ 169</u> ) | <u>\$ 1,765</u> |

c. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

2023

|                                       | Opening<br>Balance | Recognized in     |                                         | Closing<br>Balance |
|---------------------------------------|--------------------|-------------------|-----------------------------------------|--------------------|
|                                       |                    | Profit or Loss    | Other<br>Comprehensive<br>Income (Loss) |                    |
| <u>Deferred tax assets</u>            |                    |                   |                                         |                    |
| Temporary difference                  |                    |                   |                                         |                    |
| Allowance for loss on inventories     | \$ 903             | (\$ 73)           | \$ -                                    | \$ 830             |
| Unrealized loss on foreign exchange   | <u>4</u>           | <u>-</u>          | <u>-</u>                                | <u>4</u>           |
| Loss allowance                        | <u>\$ 907</u>      | ( <u>\$ 73</u> )  | <u>\$ -</u>                             | <u>\$ 834</u>      |
| <u>Deferred tax liabilities</u>       |                    |                   |                                         |                    |
| Temporary difference                  | \$ 54              | (\$ 54)           | \$ -                                    | \$ -               |
| Unrealized profit on foreign exchange | 4,479              | ( 158)            | ( 168)                                  | 4,153              |
| Defined benefit plans                 | <u>1</u>           | <u>-</u>          | ( <u>1</u> )                            | <u>-</u>           |
| Financial assets at FVTOCI            | <u>\$ 4,534</u>    | ( <u>\$ 212</u> ) | ( <u>\$ 169</u> )                       | <u>\$ 4,153</u>    |

## 2022

|                                          |                    | Recognized in     |                                         |                    |
|------------------------------------------|--------------------|-------------------|-----------------------------------------|--------------------|
|                                          | Opening<br>Balance | Profit or Loss    | Other<br>Comprehensive<br>Income (Loss) | Closing<br>Balance |
| <u>Deferred tax assets</u>               |                    |                   |                                         |                    |
| Temporary difference                     |                    |                   |                                         |                    |
| Allowance for loss<br>on inventories     | \$ 902             | \$ 1              | \$ -                                    | \$ 903             |
| Unrealized loss on<br>foreign exchange   | 430                | ( 426 )           | -                                       | 4                  |
| Loss allowance                           | <u>1</u>           | ( <u>1</u> )      | -                                       | -                  |
|                                          | <u>\$ 1,333</u>    | ( <u>\$ 426</u> ) | <u>\$ -</u>                             | <u>\$ 907</u>      |
| <u>Deferred tax liabilities</u>          |                    |                   |                                         |                    |
| Temporary difference                     |                    |                   |                                         |                    |
| Unrealized profit on<br>foreign exchange | \$ -               | \$ 54             | \$ -                                    | \$ 54              |
| Defined benefit<br>plans                 | 2,619              | 17                | 1,843                                   | 4,479              |
| Financial assets at<br>FVTOCI            | <u>79</u>          | <u>-</u>          | ( <u>78</u> )                           | <u>1</u>           |
|                                          | <u>\$ 2,698</u>    | <u>\$ 71</u>      | <u>\$ 1,765</u>                         | <u>\$ 4,534</u>    |

### d. Income tax assessment

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

## 22. EARNINGS PER SHARE

Net income and weighted average number of common shares used for calculation of earnings per share are as follows:

### Net income

|                                                                                                | 2023             | 2022             |
|------------------------------------------------------------------------------------------------|------------------|------------------|
| Net income of common shares<br>used for calculation of basic<br>and diluted earnings per share | <u>\$ 78,378</u> | <u>\$ 63,530</u> |

### Number of share (in thousands)

|                                                                                                      | 2023          | 2022          |
|------------------------------------------------------------------------------------------------------|---------------|---------------|
| Weighted average number of<br>common shares used for<br>calculation of basic earnings per<br>share   | 69,961        | 69,961        |
| Effect of potentially dilutive<br>common shares:                                                     |               |               |
| Employees' compensation                                                                              | <u>234</u>    | <u>243</u>    |
| Weighted average number of<br>common shares used for<br>calculation of diluted earnings<br>per share | <u>70,195</u> | <u>70,204</u> |

Since the Company has the discretion to settle the employees' compensation by cash or stock, the Company should presume that the entire amount of the compensation will be settled in stock, and the potential stock dilution should be included in the weighted-average number of stock outstanding used in the calculation of diluted EPS, provided there is a dilutive effect. Such dilutive effect of the potential stock needs to be included in the calculation of diluted EPS until employees' compensation is approved in the following year.

## 23. CAPITAL RISK MANAGEMENT

The Company manages capital management under the precondition for sustainable development to ensure that it is able to maximize the benefit for its shareholders by optimizing debt and equity.

The capital structure of the Company is composed of equities attributable to the Company (capital, capital reserve, retained earnings, and other equity items).

The Company is not subject to any other external capital requirements.

## 24. FINANCIAL INSTRUMENTS

- a. Information on fair value — Financial instruments not measured at fair value

The Company considers that the carrying amount of financial assets and liabilities that are not at fair value is close to the fair value.

- b. Information on fair value — Fair value of financial instruments that are measured at fair value on a recurring basis

- 1) Fair value level

December 31, 2023 : None.

December 31, 2022

|                                 | Level 1 | Level 2  | Level 3 | Total    |
|---------------------------------|---------|----------|---------|----------|
| <u>Financial Assets at Fair</u> |         |          |         |          |
| <u>Value through Other</u>      |         |          |         |          |
| <u>Comprehensive Income</u>     |         |          |         |          |
| Debt instrument                 |         |          |         |          |
| investments                     |         |          |         |          |
| — Foreign Bond                  | \$ -    | \$ 6,147 | \$ -    | \$ 6,147 |

There was no transfer between Level 1 and Level 2 fair value measurements in 2023 and 2022.

- 2) Valuation techniques and inputs of Level 2 fair value measurement:

| <u>Financial instruments</u> | <u>Valuation techniques and inputs</u>                                                                                                               |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Foreign Bond                 | The valuation of corporate bonds is obtained by adjusting the quoted or transaction prices among participants in various securities trading markets. |

- c. Category of financial instruments

|                              | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------------------|--------------------------|--------------------------|
| <u>Financial assets</u>      |                          |                          |
| Amortized cost ( Note 1 )    | \$ 542,435               | \$ 529,227               |
| FVTOCI                       | -                        | 6,147                    |
| <u>Financial liabilities</u> |                          |                          |
| Amortized cost ( Note 2 )    | 423,927                  | 591,057                  |

Note 1. The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, note receivables, account receivables (including noncurrent), other receivables, and refundable deposits.

Note 2. The balance includes financial liabilities measured at amortized cost such as short-term borrowings, accounts payables, other payables, long-term payables, and deposited margins.

- d. Financial risk management objectives and policies

The main financial instruments of the Company include debt instrument investments, notes and account receivables, account payables, loans, and lease liabilities. The financial management department of the Company provides services for the business units, coordinates the operation of the domestic financial market, and supervises and manages financial risks related to the operation of the Company by analyzing the internal risk reports of the risks according to the level and scope of risks. Such risks include market risk (foreign exchange risk and interest rate risk), credit risk, and liquidity risk.

1) Market risk

The main financial risks that the Company's operating activities make the Company bear are the risk of changes in foreign currency exchange rates and the risk of changes in interest rates.

a) Foreign exchange risk

The Company's exchange rate risk arising from the foreign financial instrument investments.

For the monetary assets and liabilities of the Company denominated in non-functional currencies on the balance sheet date, refer to Notes 27.

Sensitivity analysis

The Company is mainly exposed to USD fluctuations.

When the New Taiwan Dollar and the Hong Kong Dollar (functional currencies) appreciate/depreciate by 5% against the US Dollar, the combined company's pre-tax net profit for 2023 and 2022 will decrease/increase by NT\$177 thousands and NT\$322 thousands, respectively. A sensitivity rate of 5% is used internally when foreign exchange risk is reported to the management. It also represents the management's assessment on the reasonably possible scope of foreign exchange rates. Sensitivity analysis only includes monetary items in foreign currencies in circulation and forward foreign exchange contracts designated as cash flow hedging, and the conversion at the end of the period is adjusted with a change in exchange rate of 5%. The Company's sensitivity analysis of foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period.

b) Interest rate risk

The interest rate risk insurance was incurred because of the deposit of entities in the Company at fixed and floating interest rate at the same time. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite,

ensuring the most cost-effective hedging strategies are applied

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rate risk at the end of the reporting period were as follows:

|                               | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------|--------------------------|--------------------------|
| Fair value interest rate risk |                          |                          |
| — Financial assets            | \$ 189,518               | \$ 67,890                |
| — Financial liabilities       | 9,419                    | 140,988                  |
| Cash flow interest rate risk  |                          |                          |
| — Financial assets            | 21,506                   | 10,637                   |

#### Sensitivity analysis

If interest rates had been 5% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would decrease/increase by NT\$1,075 thousands and NT\$532 thousands, respectively.

#### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting years, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets
- b) The amount of contingent liabilities in relation to financial guarantees issued by the Company.

The policy that the Company adopts is to only make transactions with reputable targets, and the Company will obtain full collateral when necessary so as to reduce the risk of financial loss owing to delinquency. The Company only transacts with entities that are rated the equivalent of investment grade and above. This

information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management specialists annually.

To lower the credit risk, management of the merged company appoints a specific team to handle decisions on credit limits, credit approval and other monitoring procedures to ensure that appropriate actions are taken to recover overdue receivables. In addition, the Company would review the recoverable amount of each receivables on the consolidated balance sheet dates to ensure that impairment loss is recognized for unrecoverable receivables. As a result, the Company's management concludes that the credit risk of the Company is significantly reduced.

Ongoing credit evaluation is performed on the financial condition of customers in view of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Company does not hold any collateral or other credit enhancement instruments to mitigate credit risk of financial assets.

### 3) Liquidity risk

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

As of December 31, 2023 and 2022, the Company had available unutilized bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Company might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the maturity analysis of non-derivative financial liabilities was compiled in accordance with the agreed repayment date.

December 31, 2023

|                                                 | On Demand<br>or Less than<br>1 Month | 1-3 Months       | 3 Months to<br>1 Year | Over 1 year     |
|-------------------------------------------------|--------------------------------------|------------------|-----------------------|-----------------|
| <u>Non-derivative<br/>financial liabilities</u> |                                      |                  |                       |                 |
| Non-interest bearing                            | \$ 194,897                           | \$ 91,676        | \$ 130,692            | \$ 761          |
| Lease liabilities                               | 669                                  | 1,339            | 5,375                 | 2,125           |
|                                                 | <u>\$ 195,566</u>                    | <u>\$ 93,015</u> | <u>\$ 136,067</u>     | <u>\$ 2,886</u> |

December 31, 2022

|                                                 | On Demand<br>or Less than<br>1 Month | 1-3 Months        | 3 Months to<br>1 Year | Over 1 year     |
|-------------------------------------------------|--------------------------------------|-------------------|-----------------------|-----------------|
| <u>Non-derivative<br/>financial liabilities</u> |                                      |                   |                       |                 |
| Non-interest bearing                            | \$ 157,268                           | \$ 99,234         | \$ 204,625            | \$ 761          |
| Lease liabilities                               | 676                                  | 1,353             | 6,087                 | 8,307           |
| Fixed interest rate<br>instrument               | -                                    | 125,593           | -                     | -               |
|                                                 | <u>\$ 157,944</u>                    | <u>\$ 226,180</u> | <u>\$ 210,712</u>     | <u>\$ 9,068</u> |

The operating capital of the Company is sufficient to support its operations, and therefore there is no concern of a shortage of funds.

b) Financing facilities

|                           | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------|--------------------------|--------------------------|
| Unsecured bank facilities |                          |                          |
| — Amount used             | \$ 54,556                | \$ 181,061               |
| — Amount unused           | 437,090                  | 253,200                  |
|                           | <u>\$ 491,646</u>        | <u>\$ 434,261</u>        |

## 25. RELATED-PARTY TRANSACTIONS

The ultimate parent company of the Company is Good Idea Global Limited. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

| Related Party Name              | Related Party Category                               |
|---------------------------------|------------------------------------------------------|
| CECGP Electronics Corp. (CECGP) | Investor with significant influence over the Company |
| FTSC                            | Subsidiary                                           |
| IPAC                            | Subsidiary (Note)                                    |

Note. The Company resolved at its board meeting in Nov. 12, 2023 to merger, through a simplified merger, its wholly-owned subsidiary, IPAC, in Dec. 31 2023.

b. Operating revenues

| Account Items      | Related Party Category/Name                          | 2023            | 2022             |
|--------------------|------------------------------------------------------|-----------------|------------------|
|                    | Investor with significant influence over the Company |                 |                  |
| Operating revenues | Subsidiary                                           | \$ 747          | \$ 131           |
|                    |                                                      | <u>8,674</u>    | <u>11,712</u>    |
|                    |                                                      | <u>\$ 9,421</u> | <u>\$ 11,843</u> |

The terms of the transactions with related parties are generally the same as those for unrelated parties.

c. Operating costs

| Account Items   | Related Party Category/Name | 2023            | 2022            |
|-----------------|-----------------------------|-----------------|-----------------|
| Operating costs | Subsidiary                  | <u>\$ 8,122</u> | <u>\$ 7,455</u> |

Purchases were made at market price discounted to reflect the quantity of goods purchased and relationships between the parties.

d. Contract assets

| Account Items | Related Party Category/Name | 2023 | 2022 |
|---------------|-----------------------------|------|------|
|---------------|-----------------------------|------|------|

| <u>Account Items</u> | <u>Related Party<br/>Category/Name</u> | <u>2023</u>   | <u>2022</u>   |
|----------------------|----------------------------------------|---------------|---------------|
| Contract assets      | Subsidiary                             | <u>\$ 422</u> | <u>\$ 422</u> |

The Company did not recognize loss allowance for the contract assets from related parties for the years ended December 31, 2023.

e. Contract liabilities

| <u>Account Items</u> | <u>Related Party<br/>Category/Name</u> | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------|----------------------------------------|--------------------------|--------------------------|
| Contract liabilities | Subsidiary                             | <u>\$ 8</u>              | <u>\$ 8</u>              |

f. Receivables from related parties (excluding loans to related parties)

| <u>Account Items</u> | <u>Related Party<br/>Category/Name</u>               | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------|------------------------------------------------------|--------------------------|--------------------------|
| Trade receivables    | Investor with significant influence over the Company | \$ 96                    | \$ 90                    |
|                      | Subsidiary                                           | <u>4,290</u>             | <u>4,904</u>             |
|                      |                                                      | <u>\$ 4,386</u>          | <u>\$ 4,994</u>          |
| Other receivable     | Subsidiary                                           | <u>\$ 1,599</u>          | <u>\$ 1,261</u>          |

The Company did not obtain guarantees for receivables from related parties. The Company did not recognize loss allowance for receivables from related parties for the years ended December 31, 2023 and 2022.

g. Payables to related parties

| <u>Account Items</u> | <u>Related Party<br/>Category/Name</u> | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------|----------------------------------------|--------------------------|--------------------------|
| Payables             | Subsidiary                             | <u>\$ 188</u>            | <u>\$ 59</u>             |
| Other payables       | Subsidiary                             | <u>\$ 2,882</u>          | <u>\$ 1,435</u>          |

The Company did not provide guarantees for payables from related parties.

h. Others

| <u>Account Items</u>                                                       | <u>Related Party<br/>Category/Name</u> | <u>2023</u>      | <u>2022</u>      |
|----------------------------------------------------------------------------|----------------------------------------|------------------|------------------|
| Other income                                                               | Subsidiary                             | <u>\$ 1,979</u>  | <u>\$ 2,060</u>  |
| Logistic service income<br>(recognized as deduction of costs and expenses) | Subsidiary                             | <u>\$ 15,601</u> | <u>\$ 15,164</u> |

The terms of the transactions with related parties are generally the same as those for unrelated parties.

i. Lease arrangements

| <u>Account Items</u> | <u>Related Party<br/>Category/Name</u>               | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------|------------------------------------------------------|--------------------------|--------------------------|
| Lease liabilities    | Investor with significant influence over the Company | <u>\$ 5,580</u>          | <u>\$ 11,111</u>         |

| <u>Account Items</u> | <u>Related Party<br/>Category/Name</u>               | <u>2023</u>   | <u>2022</u>   |
|----------------------|------------------------------------------------------|---------------|---------------|
| Interest expenses    | Investor with significant influence over the Company | <u>\$ 72</u>  | <u>\$ 120</u> |
| Lease expenses       | Investor with significant influence over the Company | <u>\$ 107</u> | <u>\$ 91</u>  |

The Company pays building rental to related parties once a month or every two months, with reference to local rental rates.

j. Loans to related parties

| <u>Account Items</u> | <u>Related Party<br/>Category/Name</u> | <u>2023</u> | <u>2022</u>   |
|----------------------|----------------------------------------|-------------|---------------|
| Interest income      | Subsidiary                             | <u>\$ -</u> | <u>\$ 111</u> |

The Company provided unsecured short-term loans to FTSC and IPAC. The highest actual disbursement amounts for the years 2023 and 2022 were NT\$0 and NT\$45,000 thousands respectively, with an annual interest rate of 1%.

k. Endorsements and guarantees

The amount that the Company make endorsements/guarantees for its subsidiary is as follow:

|                                             | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------------------|--------------------------|--------------------------|
| FTSC                                        | <u>\$300,000</u>         | <u>\$300,000</u>         |
| 1. Compensation of key management personnel |                          |                          |
|                                             | <u>2023</u>              | <u>2022</u>              |
| Short-term employee benefits                | \$ 28,537                | \$ 26,688                |
| Post-employment benefits                    | <u>615</u>               | <u>689</u>               |
|                                             | <u>\$ 29,152</u>         | <u>\$ 27,377</u>         |

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

**26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

As at December 31, 2023, the amount of the performance guarantee that the Company entrusted financial institutions to issue is as follow:

|                       | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-----------------------|--------------------------|--------------------------|
| Performance guarantee | <u>\$ 54,556</u>         | <u>\$ 56,061</u>         |

**27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

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

|                           | <u>Foreign Currencies<br/>(In Thousands)</u> | <u>December 31, 2023</u><br><u>Exchange Rate</u> | <u>Carrying Amount<br/>(In Thousands)</u> |
|---------------------------|----------------------------------------------|--------------------------------------------------|-------------------------------------------|
| <u>Financial assets</u>   |                                              |                                                  |                                           |
| <u>Monetary items</u>     |                                              |                                                  |                                           |
| USD                       | \$ 115                                       | 30.71 (USD : NTD)                                | <u>\$ 3,531</u>                           |
| <u>Non-monetary items</u> |                                              |                                                  |                                           |
| HKD                       | 18,478                                       | 3.93 (HKD : NTD)                                 | <u>\$ 72,599</u>                          |

|                               |                                         | December 31, 2022 |                                      |
|-------------------------------|-----------------------------------------|-------------------|--------------------------------------|
|                               | Foreign<br>Currencies<br>(In Thousands) | Exchange Rate     | Carrying<br>Amount<br>(In Thousands) |
| <u>Financial assets</u>       |                                         |                   |                                      |
| <u>Monetary items</u>         |                                         |                   |                                      |
| USD                           | \$ 220                                  | 30.73 (USD : NTD) | <u>\$ 6,761</u>                      |
| <u>Non-monetary<br/>items</u> |                                         |                   |                                      |
| HKD                           | 17,752                                  | 3.94 (HKD : NTD)  | <u>\$ 69,908</u>                     |

The net exchange (loss) gain arising from significant foreign exchange variation on the unrealized foreign currencies held by the Company for the years ended December 31, 2023 and 2022, amounted to \$19 thousands and (\$250 thousands), respectively.

## 28. SUPPLEMENTARY DISCLOSURES

### a. Significant transactions information

- 1) Loans to others: Table 1.
- 2) Provision of endorsements and guarantees to others: Table 2.
- 3) Holding of marketable securities at the end of the period (not including subsidiaries): None.
- 4) Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- 5) Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- 6) Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- 7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- 8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- 9) Trading in derivative instruments undertaken during the reporting periods: None.

### b. Information on investees: Table 3.

c. Information on investments in Mainland China

- 1) The names of investees in mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: None.
- 2) Significant direct or indirect transactions with the investee companies, the prices and terms of payment, and unrealized gain or loss: None

d. Major shareholders information:

The name, the number of stocks owned, and percentage of ownership of each stockholder with ownership of 5% or great: Table 4.

FORTUNE INFORMATION SYSTEMS CORPORATION  
FINANCINGS PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Amounts in Thousands of New Taiwan Dollars)

Table 1

| No<br>(Note 1) | Financing<br>Company | Counterparty | Financial<br>Statement<br>Account | Related<br>Party | Maximum<br>Balance for the<br>Period ( Note 2 ) | Ending Balance | Amount<br>Actually Drawn | Interest Rate                                                                                                                                                              | Nature for<br>Financing<br>( Note 4 ) | Transaction<br>Amounts | Reason for<br>Financing | Allowance for<br>Bad Debt | Collateral |       | Financing<br>Limits for Each<br>Borrowing<br>Company<br>( Note 3 ) | Financing<br>Company's<br>Total Financing<br>Amount Limits<br>( Note 3 ) | Note   |
|----------------|----------------------|--------------|-----------------------------------|------------------|-------------------------------------------------|----------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------|-------------------------|---------------------------|------------|-------|--------------------------------------------------------------------|--------------------------------------------------------------------------|--------|
|                |                      |              |                                   |                  |                                                 |                |                          |                                                                                                                                                                            |                                       |                        |                         |                           | Item       | Value |                                                                    |                                                                          |        |
| 0              | The<br>Company       | FTSC         | Other<br>receivables              | Yes              | \$ 300,000                                      | \$ 300,000     | \$ -                     | The interest on<br>funds lent shall<br>be calculated<br>on a daily basis<br>and shall not<br>be lower than<br>the Company's<br>cost of funds<br>on the day of<br>the loan. | 2                                     | \$ -                   | Operating<br>capital    | \$ -                      | —          | \$ -  | \$ 370,086                                                         | \$ 370,086                                                               | Note 5 |
| 0              | The<br>Company       | IPAC         | Other<br>receivables              | Yes              | 30,000                                          | -              | -                        | The interest on<br>funds lent shall<br>be calculated<br>on a daily basis<br>and shall not<br>be lower than<br>the Company's<br>cost of funds<br>on the day of<br>the loan. | 2                                     | -                      | Operating<br>capital    | -                         | —          | -     | 370,086                                                            | 370,086                                                                  |        |

Note1 : The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

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

Note 2 : The maximum balance of funds lent to others during the year, in response to the funding needs of its subsidiaries, FTSC, the Company intends to lend up to NT\$300,000 thousands respectively, and such loans may be made in installments.

Note 3 : In accordance with the Company’s policy, limit on total loans shall not exceed 30% of the Company’s net assets based on the latest financial statements, and limit on loans to its subsidiaries shall not exceed 30% of the limit on total loans. Limit on loans to others shall not exceed 10% of the limit on total loans.

Note 4 : Nature for Financing:

- (1) Business dealings.
- (2) Short-term financing needs.

Note 5 : The Company resolved at its board meeting in Nov. 12, 2023 to merger, through a simplified merger, its wholly-owned subsidiary in Dec. 31 2023, IPAC.

FORTUNE INFORMATION SYSTEMS CORPORATION  
 ENDORSEMENTS/GUARANTEES PROVIDED  
 FOR THE YEAR ENDED DECEMBER 31, 2023  
 (Amounts in Thousands of New Taiwan Dollars)

Table 2

| No<br>(Note 1) | Endorsement/ Guarantee<br>Provider | Guaranteed Party |                                       | Limits on<br>Endorsement/<br>Guarantee<br>Amount<br>Provided to<br>Each<br>Guaranteed<br>Party (Note 3) | Maximum<br>Balance for the<br>Period | Ending Balance | Amount<br>Actually Drawn | Amount of<br>Endorsement/<br>Guarantee<br>Collateralized<br>by Properties | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to<br>Net Equity per<br>Latest<br>Financial<br>Statements<br>(%) | Maximum<br>Endorsement/<br>Guarantee<br>Amount<br>Allowable<br>(Note 3) | Guarantee<br>Provided<br>by Parent<br>Company | Guarantee<br>Provided<br>by A<br>Subsidiary | Guarantee<br>Provided to<br>Subsidiaries<br>in Mainland<br>China | Note |
|----------------|------------------------------------|------------------|---------------------------------------|---------------------------------------------------------------------------------------------------------|--------------------------------------|----------------|--------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------|---------------------------------------------|------------------------------------------------------------------|------|
|                |                                    | Name             | Nature of<br>Relationship<br>(Note 2) |                                                                                                         |                                      |                |                          |                                                                           |                                                                                                                       |                                                                         |                                               |                                             |                                                                  |      |
| 0              | The Company                        | FTSC             | 2                                     | \$ 616,811                                                                                              | \$ 300,000                           | \$ 300,000     | \$ -                     | \$ -                                                                      | 24.32                                                                                                                 | \$ 1,233,621                                                            | Y                                             | N                                           | N                                                                |      |

Note1 : The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

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

Note2 : Nature for endorsement/ guarantee provided:

- (1) Business dealings.
- (2) Companies with direct and indirect ownership of voting shares exceeding 50%. °

Note 3 : In accordance with the Company’s policy, limit on endorsement/ guarantee provided to a single party shall not exceed 50% of the Company’s net assets based on the latest financial statements, and limit on total endorsement/ guarantee provided shall not exceed 100% of the Company’s net assets based on the latest financial statements.

Table 3

FORTUNE INFORMATION SYSTEMS CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Investor Company | Investee Company | Location         | Main Businesses and Products | Original Investment Amount |                   | Balance as of December 31, 2022 |                         |                | Net Income (Losses) of the Investee | Share of Profits/Losses of Investee | Note            |
|------------------|------------------|------------------|------------------------------|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-------------------------------------|-------------------------------------|-----------------|
|                  |                  |                  |                              | December 31, 2022          | December 31, 2021 | Shares                          | Percentage of Ownership | Carrying Value |                                     |                                     |                 |
| The Company      | HK FIS           | Hong Kong Taipei | Information                  | \$ 38,484                  | \$ 38,484         | 8,426,000                       | 100%                    | \$ 57,737      | \$ 972                              | \$ 972                              | Subsidiary Note |
|                  | IPAC             |                  | Data Storage Media           | -                          | 45,681            | -                               | -                       | -              | -                                   | -                                   |                 |
|                  | SBAS             | Hong Kong Taipei | Units Manufacturing          | 1,452                      | 1,452             | 20,000                          | 100%                    | 14,862         | 1,916                               | 1,916                               | Subsidiary      |
|                  | FTSC             |                  | Information                  | 400,000                    | 400,000           | 40,000,000                      | 100%                    | 443,529        | 39,911                              | 39,936                              |                 |

Note : The Company resolved at its board meeting in Nov. 12, 2023 to merger, through a simplified merger, its wholly-owned subsidiary in Dec. 31 2023, IPAC.

FORTUNE INFORMATION SYSTEMS CORPORATION  
INFORMATION ON MAJOR SHAREHOLDERS  
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 4

| Shareholders            | Shares             |                      |
|-------------------------|--------------------|----------------------|
|                         | Total Shares Owned | Ownership Percentage |
| Standard Plastics LTD.  | 19,290,327         | 27.57%               |
| CECGP Electronics Corp. | 17,847,954         | 25.51%               |
|                         |                    |                      |

Note1 : The table discloses the information of major stockholders whose stockholding percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The number of stocks reported in the Company's individual financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

Mote 2 : If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.