

Unictron Technologies Corporation
Parent-Company-Only
Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

Company Address: No.41 Shuei-Keng, Guan-Si, Hsin-Chu 30648 Taiwan
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The independent auditors' report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent-company-only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Unictron Technologies Corporation

Opinion

We have audited the parent-company-only financial statements of Unictron Technologies Corporation (the "Company"), which comprise the parent-company-only balance sheets as of December 31, 2023 and 2022, and the parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only 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 of opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Company's parent-company-only financial statements for the year ended December 31, 2023 are stated as follows :

I. Revenue recognition

Please refer to Note 4(15) to the parent-company-only financial reports for the accounting policies related to revenue recognition and Note 6(20) to the parent-company-only financial reports for disclosures related to revenue recognition.

Description on the Key Audit Matters:

Unictron Technologies Corporation's sales to customers involve different types of transaction terms. Unictron Technologies Corporation is required to identify the timing of transfer of control of goods to customers based on the sales terms of individual transactions. Therefore, the revenue recognition testing is one of the important evaluation matters performed in our audit of Unictron Technologies Corporation's parent-company-only financial reports.

Audit procedures:

Our main audit procedures for the above key audit matters included testing the sales and payment collection operations and the internal control related to its financial reporting, and reviewing the sales contracts or evidence of transactions to assess whether the timing of revenue recognition was based on the terms of the transactions with the customers; testing a sample of sales transactions for the period before and after the end of the year to identify the timing at which the control over the goods was transferred to the customer to satisfy the contractual obligations in order to assess whether the timing of revenue recognition was appropriate; reviewing whether significant sales returns and discounts were incurred in the subsequent period to understand and analyze the reasons in order to assess the appropriateness of revenue and related sales returns and discounts in the period in which they are recognized.

II. Inventory valuation

Please refer to Note 4(7) to the parent-company-only financial reports for the accounting policies related to inventory valuation; Please refer to Note 5 to the parent-company-only financial reports for the description on accounting estimates and assumption uncertainties related to inventory valuation; Please refer to Note 6(6) to the parent-company-only financial reports for the provision of inventory falling price loss.

Description on the Key Audit Matters:

Inventories are subsequently measured at the lower of costs or net realizable value. Due to the rapid technology advancement, the costs of inventories may exceed their net realizable value due to obsolescence or a decrease in sales price, resulting in inventory falling price loss. The evaluation of net realizable value involves management's subjective judgment. Therefore, inventory valuation is one of the important evaluation matters in our audit of Unictron Technologies Corporation's parent-company-only financial reports.

Audit procedures:

Our main audit procedures for the above key audit matters included reviewing the inventory aging statements provided by Unictron Technologies Corporation and analyzing the changes in inventory aging; sampling the accuracy of the inventory aging statements; reviewing the valuation of inventories and confirming that the accounting policies established by Unictron Technologies Corporation were followed; and evaluating the reasonableness of the allowance for inventory falling price loss and provision policy formulated by the management.

Responsibility of management and those charged with Governance for the Parent-Company-Only Financial Statements

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

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

- I. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate or 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.
- II. 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.
- III. Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by management .
- IV. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- V. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- VI. Obtain sufficient appropriate audit evidence regarding the financial information of the investees accounted for using the equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remained 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 parent-company-only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstance, 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 Tzu-Chieh Tang and Huei-Chen Chang

KPMG
Taipei, Taiwan
Republic of China
February 27, 2024

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

Unictron Technologies Corporation

Parent-Company-Only Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	\$ 362,966	18	593,562	27
1110	Financial assets at fair value through profit or loss - current (Note 6(2))	3,945	-	25	-
1120	Financial assets at fair value through other comprehensive income - current (Note 6(3))	248,390	12	80,509	4
1137	Financial assets measured at amortized cost - current (Notes 6(4) and 8)	215,600	10	216,100	10
1170	Notes and accounts receivable, net (Notes 6(5) and (20))	237,440	12	238,881	11
1180	Accounts receivable - related parties (Notes 6(5), (20) and 7)	25,205	1	34,981	1
1310	Inventories (Note 6(6))	323,053	16	367,549	16
1410	Prepayments and other current assets	7,389	-	11,155	-
	Total current assets	1,423,988	69	1,542,762	69
	Non-current assets:				
1550	Investments accounted for using the equity method (Note 6(7))	24,557	1	11,048	1
1600	Property, plant and equipment (Notes 6(8) and 7)	541,195	26	586,977	26
1755	Right-of-use assets (Note 6(9))	22,533	1	41,714	2
1780	Intangible assets (Note 6(11))	6,157	-	5,504	-
1840	Deferred income tax assets (Note 6(17))	26,914	2	18,680	1
1915	Prepayments for equipment	12,836	1	19,576	1
1920	Refundable deposits	3,998	-	3,986	-
	Total non-current assets	638,190	31	687,485	31
	Total assets	\$ 2,062,178	100	2,230,247	100

(Continued)

See accompanying notes to the parent-company-only financial statements

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

Unictron Technologies Corporation

Parent-Company-Only Balance Sheets (continued)

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Liabilities and equity				
Current liabilities:				
2100 Short-term borrowings (Note 6(12))	\$ -	-	86,720	4
2120 Financial liabilities at fair value through profit or loss - current(Note 6(2))	13	-	633	-
2170 Notes and accounts payable	100,207	5	106,160	5
2180 Accounts payable - related parties (Note 7)	470	-	1,158	-
2219 Other payables (Note 6(21))	185,152	9	257,445	11
2220 Other payables - related parties (Note 7)	6,076	-	3,302	-
2230 Current income tax liabilities	9,511	-	21,159	1
2252 Provision for liabilities - current (Note 6(14))	182	-	1,277	-
2280 Lease liabilities-current (Note 6(13))	5,255	-	14,526	1
2282 Lease liabilities - related parties - current (Notes 6(13) and 7)	4,681	-	4,625	-
2399 Other current liabilities (Note 6(20))	9,740	1	16,426	1
Total current liabilities	321,287	15	513,431	23
Non-current liabilities:				
2570 Deferred income tax liabilities (Note 6(17))	1,595	-	1,164	-
2581 Lease liabilities non-current (Note 6(13))	62	-	5,137	-
2582 Lease liabilities - related parties - non-current (Notes 6(13) and 7)	11,952	1	16,633	1
2640 Net defined benefit liabilities - non-current (Note 6(16))	2,938	-	3,862	-
Total non-current liabilities	16,547	1	26,796	1
Total liabilities	337,834	16	540,227	24
Equity (Notes 6(18))				
3110 Common stock	478,753	23	478,753	21
3200 Capital surplus	690,174	34	690,174	31
Retained earnings:				
3310 Legal reserve	145,073	7	117,973	5
3320 Special reserve	10,001	-	1,236	-
3350 Unappropriated earnings	423,768	21	497,809	23
	578,842	28	617,018	28
Other equity:				
3410 Exchange differences on translation of foreign operations	(927)	-	(886)	-
3420 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	63,427	3	(9,114)	-
Total other equity	62,500	3	(10,000)	-
3500 Treasury stock	(85,925)	(4)	(85,925)	(4)
Total equity	1,724,344	84	1,690,020	76
Total liabilities and equity	\$ 2,062,178	100	2,230,247	100

See accompanying notes to the parent-company-only financial statements

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

Unictron Technologies Corporation
Parent-Company-Only Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

		2023		2022	
		Amount	%	Amount	%
4000	Net revenue (Notes 6(20) and 7)	\$ 1,346,243	100	1,462,060	100
5000	Operating costs (Notes 6(6), (8), (9), (11), (13), (14), (16), (21), 7 and 12)	(865,025)	(64)	(880,634)	(60)
	Gross profit	481,218	36	581,426	40
5910	Realized (Unrealized) gain on sales	2,017	-	(560)	-
	Realized gross profit	483,235	36	580,866	40
	Operating expenses (Notes 6(5), (8), (9), (11), (13), (15), (16), (21), 7 and 12):				
6100	Marketing expenses	(50,477)	(4)	(68,580)	(5)
6200	Administrative expenses	(91,994)	(7)	(103,341)	(7)
6300	Research and development expenses	(127,028)	(9)	(145,462)	(10)
6450	Expected credit gain	826	-	855	-
6000	Total operating expenses	(268,673)	(20)	(316,528)	(22)
	Operating income	214,562	16	264,338	18
	Non-operating income and expenses (Notes 6(10), (13), (15), (22), 7 and 12):				
7100	Interest income	5,949	-	2,751	-
7010	Other income	15,844	1	14,839	1
7020	Other gains and losses	(5,650)	-	37,632	2
7050	Finance costs	(2,390)	-	(863)	-
7070	Share of profits (losses) of subsidiaries recognized using the equity method	(6,032)	-	(6,341)	-
	Total non-operating income and expenses	7,721	1	48,018	3
	Income before income tax	222,283	17	312,356	21
7950	Less: Income tax expenses (Note 6(17))	(26,310)	(2)	(42,583)	(3)
	Net income	195,973	15	269,773	18
	Other comprehensive income (Note 6(18)):				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plans	228	-	1,221	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	72,541	5	(9,114)	-
8349	Income taxes related to items that may not be reclassified	-	-	-	-
		72,769	5	(7,893)	-
8360	Items that may be subsequently reclassified to profit or loss				
8361	Exchange differences on translation of foreign operations	(41)	-	350	-
8399	Income taxes related to items that may be reclassified	-	-	-	-
		(41)	-	350	-
	Other comprehensive income of the period	72,728	5	(7,543)	-
	Total comprehensive income of the period	\$ 268,701	20	262,230	18
	Earnings per share (Unit: NT\$, Note 6(19))				
9750	Basic earnings per share	\$ 4.18		5.68	
9850	Diluted earnings per share	\$ 4.15		5.58	

See accompanying notes to the parent-company-only financial statements

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

Unictron Technologies Corporation
Parent-Company-Only of Statement of Changes in Equity
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Other equity items				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total	Treasury stock	Total equity
Balance of January 1, 2022	\$ 478,753	690,174	88,824	1,341	519,173	609,338	(1,236)	-	(1,236)	-	1,777,029
Net income of the period	-	-	-	-	269,773	269,773	-	-	-	-	269,773
Other comprehensive income of the period	-	-	-	-	1,221	1,221	350	(9,114)	(8,764)	-	(7,543)
Total comprehensive income of the period	-	-	-	-	270,994	270,994	350	(9,114)	(8,764)	-	262,230
Appropriation and distribution of earnings:											
Legal reserve	-	-	29,149	-	(29,149)	-	-	-	-	-	-
Special reserve	-	-	-	(105)	105	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(263,314)	(263,314)	-	-	-	-	(263,314)
Repurchase of Treasury stock	-	-	-	-	-	-	-	-	-	(85,925)	(85,925)
Balance of December 31, 2022	478,753	690,174	117,973	1,236	497,809	617,018	(886)	(9,114)	(10,000)	(85,925)	1,690,020
Net income of the period	-	-	-	-	195,973	195,973	-	-	-	-	195,973
Other comprehensive income of the period	-	-	-	-	228	228	(41)	72,541	72,500	-	72,728
Total comprehensive income of the period	-	-	-	-	196,201	196,201	(41)	72,541	72,500	-	268,701
Appropriation and distribution of earnings:											
Legal reserve	-	-	27,100	-	(27,100)	-	-	-	-	-	-
Special reserve	-	-	-	8,765	(8,765)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(234,377)	(234,377)	-	-	-	-	(234,377)
Balance of December 31, 2023	\$ 478,753	690,174	145,073	10,001	423,768	578,842	(927)	63,427	62,500	(85,925)	1,724,344

See accompanying notes to the parent-company-only financial statements

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

Unictron Technologies Corporation
Parent-Company-Only of Statement of Cash Flows
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:		
Income before income tax of the period	\$ 222,283	312,356
Adjustments for:		
Income and expenses items		
Depreciation expenses	121,938	95,319
Amortization expenses	3,370	3,459
Expected credit impairment reversal gain	(826)	(855)
Interest expenses	2,390	863
Interest income	(5,949)	(2,751)
Dividend income	(11,870)	(7,150)
Share of losses of subsidiaries recognized using the equity method	6,032	6,341
Losses (gain) on disposal of property, plant and equipment	112	(61)
Gain on disposal of investment property	-	(36,821)
Unrealized (realized) gain on sales between affiliated companies	(2,017)	560
Total income and expenses items	113,180	58,904
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Financial assets at fair value through profit or loss	(3,920)	540
Notes and accounts receivable	2,267	88,279
Accounts receivable - related parties	9,776	(5,613)
Inventories	44,496	(69,606)
Prepayments and other current assets	3,760	901
Total net changes in assets related to operating activities	56,379	14,501
Net changes in liabilities related to operating activities:		
Financial liabilities at fair value through profit or loss	(620)	610
Notes and accounts payable	(5,953)	(69,774)
Accounts payable - related parties	(688)	760
Other payables	(58,434)	(4,633)
Other payables - related parties	2,774	3,080
Provision for liabilities	(1,095)	(458)
Other current liabilities	(6,686)	2,020
Net defined benefit liabilities	(696)	(693)
Total net changes in liabilities related to operating activities	(71,398)	(69,088)
Total net changes in assets and liabilities related to operating activities	(15,019)	(54,587)
Total adjustments	98,161	4,317
Cash inflows from operations	320,444	316,673
Interest received	5,955	2,687
Interest paid	(2,613)	(666)
Income taxes paid	(45,761)	(89,218)
Net cash inflows from operating activities	278,025	229,476

(Continued)

See accompanying notes to the parent-company-only financial statements

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

Unictron Technologies Corporation

Parent-Company-Only of Statement of Cash Flows (continued)

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(95,340)	(89,623)
Acquisition of financial assets measured at amortized cost	-	(215,000)
Proceeds from repayments of financial assets at amortized cost	500	-
Acquisition of investments accounted for using the equity method	(17,565)	(4,465)
Acquisition of property, plant and equipment (including prepayments for equipment)	(63,356)	(158,697)
Price for disposal of property, plant and equipment	-	1,067
Acquisition of investment property	-	(137)
Price for disposal of investment property	-	64,070
Acquisition of intangible assets	(4,023)	(1,840)
Increase in refundable deposits	(12)	(526)
Dividends received	11,870	7,150
Net cash outflows from investing activities	(167,926)	(398,001)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(86,720)	13,839
Decrease in deposits received	-	(1,130)
Principal repayment of leases	(19,598)	(16,186)
Cash dividends paid	(234,377)	(263,314)
Cost of treasury stock repurchase	-	(85,925)
Net cash outflows from financing activities	(340,695)	(352,716)
Decrease in cash and cash equivalents of the period	(230,596)	(521,241)
Balance of cash and cash equivalents at beginning of period	593,562	1,114,803
Balance of cash and cash equivalents at end of period	<u>\$ 362,966</u>	<u>593,562</u>

See accompanying notes to the parent-company-only financial statements

Unictron Technologies Corporation
Notes to Parent-Company-Only Financial Statements
For the Years Ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company history

Unictron Technologies Corporation (hereinafter referred to as "the Company") was established on April 8, 1988 with the approval of the Ministry of Economic Affairs. Its registered office is at No.41 Shuei-Keng, Guan-SiHsin-Chu 30648 Taiwan (R.O.C). The Company's principal business is the manufacture and sale of electronic ceramic components, modules and system products and other electronic parts and components.

II. The date and procedure for the adoption of the financial statements

The parent-company-only financial reports were approved by the Board of Directors on February 27, 2024.

III. Application of newly issued and amended standards and interpretations

(I) Impact of adopting newly issued and amended standards and interpretations recognized by the Financial Supervisory Commission ("FSC")

From January 1, 2023, the Company adopted the following newly amended IFRS, which did not have a significant impact on the parent-company-only financial reports.

- Amendments to IAS 1, "Disclosures of Accounting Policies"
- Amendments to IAS 8, "Definition of Accounting Estimates"
- Amendments to IAS 12, "Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Transaction"

From May 23, 2023, the Company adopted the following newly amended IFRS, which did not have a significant impact on the parent-company-only financial reports.

- Amendments to IAS12 "International Tax Reform – Pillar Two Model Rules"

(II) Impact of not yet adopting the IFRS recognized by the FSC

The Company assesses that the application of the following newly amended IFRS, which are effective from January 1, 2024, will not have a material impact on the parent-company-only financial reports.

- Amendments to IAS 1, "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1, "Non-current Liabilities with Contractual Terms"
- Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16, "Sale and Leaseback Transactions"

(III) Newly issued and amended standards and interpretations not recognized by the FSC

The Company expects that the following newly issued and amended standards, which have not been recognized by the FSC, will not have a significant impact on the parent-company-only financial reports.

- Amendments to IFRS 10 and IAS 28, "Disposal of or Investment in Assets between an Investor and its Affiliate or Joint Venture".
- Amendments to IFRS 17, "Insurance Contracts" and IFRS 17
- IAS 21 "Lack of Convertibility"

IV. Summary of significant accounting policies

The significant accounting policies adopted in the parent-company-only financial reports are summarized as follows. The following accounting policies have been applied consistently to all periods presented in the parent-company-only financial reports.

(I) Statement of Compliance

The parent-company-only financial reports have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Regulations").

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(II) Basis of Preparation

1. Basis of Measurement

The parent-company-only financial reports have been prepared on the historical cost basis, except for the significant balance sheet items as follows.

- (1) Financial instruments (including derivative financial instruments) measured at fair value through profit or loss;
- (2) Financial assets at fair value through other comprehensive income;
- (3) The net defined benefit liabilities are measured at the present value of the defined benefit liabilities less the fair value of pension fund assets and the cap effects as described in Note 4(17).

2. Functional and Expression Currencies

The Company's functional currency is the currency of the primary economic environment in which it operates. The parent-company-only financial reports are expressed in NT\$, the Company's functional currency. All financial information expressed in NT\$ is in NT\$ thousand unless otherwise stated.

(III) Foreign Currency

1. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rate at the date of the transaction. At the end of each subsequent reporting period (hereinafter referred to as the reporting date), monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing on the date. Non-monetary items denominated in foreign currencies measured at fair value are translated into the functional currency using the exchange rate at the date of fair value measurement, while non-monetary items denominated in foreign currencies measured at historical cost are translated using the exchange rate at the date of the transaction.

Translation differences arising from foreign currency translations are generally recognized in profit or loss, except for equity instruments designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

2. Foreign Operating Entities

Assets and liabilities of foreign operating entities, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the parent-company-only financial reports using the exchange rates prevailing at the reporting date; income and expenses items are translated into the presentation currency of the parent-company-only financial reports using the average exchange rates of the period. The resulting exchange differences are recognized in other comprehensive income.

When the disposal of a foreign operating entity results in a loss of control or significant influence, the cumulative translation differences related to the foreign operating entity are reclassified to profit or loss. Upon disposal of a subsidiary that partially contains a foreign operating entity, the related cumulative translation differences are reclassified to non-controlling interests on a pro rata basis. Upon disposal of investment in an affiliate that partially contains a foreign operating entity, the related cumulative translation differences are reclassified to profit or loss on a pro rata basis.

If there is no plan to settle a monetary receivable or payable to a foreign operating entity and it is not likely to be settled in the foreseeable future, the resulting foreign currency exchange profit or loss is recognized as part of the net investment in the foreign operating entity and is recognized as other comprehensive income.

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

Assets that meet one of the following criteria are classified as current assets, while all other assets that are not current assets are classified as non-current assets:

1. the asset is expected to be realized in the normal course of business or is intended to be sold or used;
2. the asset is held primarily for transaction purposes;

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

3. the asset is expected to be realized within 12 months after the reporting period; or
4. the asset is cash or cash equivalents, unless the asset is otherwise restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Liabilities that meet one of the following criteria are classified as current liabilities, while all other liabilities that are not current liabilities are classified as non-current liabilities:

1. the liability is expected to be settled in the normal course of business;
2. the liability is held primarily for transaction purposes;
3. the liability is expected to be settled within 12 months after the reporting period; or
4. the liability for which there is no unconditional right to defer settlement for at least 12 months after the reporting period.

(V) Cash and cash equivalents

Cash includes cash on hand, checking deposits and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to a fixed amount of cash and subject to an insignificant risk of changes in value. Time deposits that meet the above definition and are held to meet short-term cash commitments instead of investment or other purposes are reported as cash equivalents.

(VI) Financial instruments

Accounts receivable and debt securities issued are initially recognized as they are incurred. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual terms of the financial instruments. Financial assets (other than receivables that do not contain significant financial components) or financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value plus transaction costs directly attributable to the acquisition or issuance. Accounts receivable that do not contain significant financial components are initially measured at transaction prices.

1. Financial assets

On initial recognition, financial assets are classified as: financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss. Accounting treatment using transaction date is adopted when financial assets are purchased or sold under usual transaction practices.

The Company reclassifies all affected financial assets from the first day of the next reporting period only when it changes its operating model for managing financial assets.

(1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets the following conditions and is not designated as at fair value through profit or loss:

- The financial asset is held under an operating model whose objective is to collect the contractual cash flows.
- The contractual terms of the financial asset give rise to cash flows at a specific date that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are measured at amortized cost less impairment losses using the effective interest method after initial recognition. Interest income, foreign currency exchange gain or loss and impairment loss are recognized in profit or loss. Upon derecognition, the gain or loss is recognized in profit or loss.

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

Investment in debt instruments is measured at fair value through other comprehensive income if it meets the following conditions and is not designated as at fair value through profit or loss:

- The financial asset is held under an operating model whose objective is to collect the contractual cash flows and sale.
- The contractual terms of the financial asset give rise to cash flows at a specific date that are solely payments of principal and interest on the principal amount outstanding.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

On initial recognition, the Company may make an irrevocable election to report subsequent changes in the fair value of investment in equity instruments not held for trading in other comprehensive income. The above election is made on an instrument-by-instrument basis.

Investment in debt instruments are subsequently measured at fair value. Interest income, foreign currency translation gain or loss, and impairment loss under the effective interest method are recognized in profit or loss, while the remaining net gain or loss is recognized in other comprehensive income. On derecognition, the amount of other comprehensive income accumulated under equity is reclassified to profit or loss.

Investment in equity instruments are subsequently measured at fair value. Dividend income (unless it clearly represents a partial recovery of investment costs) is recognized in profit or loss. The remaining net gain or loss is recognized as other comprehensive income. Upon derecognition, other comprehensive income accumulated under equity is reclassified to retained earnings and not to profit or loss.

Dividend income from equity investments is recognized on the date the Company has the right to receive the dividends (usually the ex-dividend date).

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

Financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss, including derivative financial assets. On initial recognition, the Company may irrevocably designate financial assets that meet the criteria to be measured at amortized cost or at fair value through other comprehensive income as financial assets measured at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatches.

The net gain or loss (including any dividends and interest income) resulting from the subsequent remeasurement of these assets at fair value is recognized in profit or loss.

(4) Assessment of whether the contractual cash flows are solely the payment of principal and interest on the outstanding principal amount

For evaluation purposes, principal is the fair value of the financial asset at the time of initial recognition. Interest is comprised of the following consideration: time value of the currency, credit risk associated with the principal amount outstanding during a specific period, other fundamental lending risks, and cost and profit margins.

To assess whether the contractual cash flows are solely for the payment of principal and interest on the outstanding principal amount, the Company considers the contractual terms of the financial instrument, including assessing whether the financial asset contains a contractual term that would change the timing or amount of the contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- any contingencies that would change the timing or amount of contractual cash flows;
- any terms that may adjust the contractual coupon rate, including the variable interest rate features;
- early repayment and extension features; and
- terms under which the Company's claim is limited to cash flows from specific assets (e.g., non-recourse features).

(5) Impairment of financial assets

The Company recognizes an allowance for expected credit losses on financial assets at amortized cost (including cash and cash equivalents, financial assets carried at amortized cost, notes and accounts receivable and refundable deposits).

Allowance for losses on the following financial assets are measured at 12-month expected credit losses, while the rest are measured at expected credit losses over the duration:

- The credit risk on bank deposits (i.e., the risk of default over the expected duration of the financial instruments) has not increased significantly since the original recognition.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

Allowance for losses on accounts receivable is measured by the expected credit loss over the duration.

The expected credit loss over the duration of the instrument is the expected credit loss arising from all possible defaults over the expected duration of the financial instruments. 12-month expected credit losses refer to the expected credit losses arising from possible defaults within 12 months after the reporting date of the financial instruments (or for a shorter period, if the expected duration of the financial instruments is shorter than 12 months).

The maximum period over which expected credit losses are measured is the maximum contractual period over which the Company is exposed to credit risk.

In determining whether credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information (which can be obtained without excessive cost or investment), including qualitative and quantitative information, and analysis based on the Company's historical experience, credit evaluations and forward-looking information.

Expected credit losses are weighted estimates of the probability of credit losses over the expected duration of the financial instruments. Credit losses are measured at the present value of all cash shortfalls, which is the difference between the cash flows receivable under the Company's contracts and the cash flows expected to be received by the Company. Expected credit losses are discounted at the effective interest rate of the financial assets.

Allowance for losses on financial assets at amortized cost is deducted from the carrying amount of the assets. The amount of allowance or reversal of losses is recognized in profit or loss.

When the Company cannot reasonably expect to recover all or part of a financial asset, the total carrying amount of the financial asset is directly reduced. The timing and amount of the reversal are analyzed individually on the basis of whether recovery is reasonably expected. The Company does not expect a material reversal of the amount written off. However, financial assets that have been written off may still be enforced in order to comply with the Company's procedures for recovering past due amounts. Based on the Group's experience, amounts overdue for more than 21 days are unlikely to be recovered.

(6) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset cease, or when the financial asset has been transferred and substantially all the risks and rewards of ownership of the asset have been transferred to another entity, or when substantially all the risks and rewards of ownership of the asset have neither been transferred nor retained and control of the financial asset has not been retained.

If the Company enters into a transaction to transfer a financial asset and retains all or substantially all the risks and rewards of ownership of the transferred asset, the financial asset is recognized on the balance sheet on an ongoing basis.

2. Financial liabilities

(1) Financial liabilities

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss. Financial liabilities are classified as at fair value through profit or loss if they are held for trading, derivative instruments or designated at initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value, and the related net gains and losses, including any interest expense, are recognized in profit or loss. Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Interest expense and exchange gain or loss are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(2) Derecognition of financial liabilities

Financial liabilities are derecognized by the Company when the contractual obligations are fulfilled, cancelled or expired. When the terms of a financial liability are modified and the cash flows of the modified liability are materially different, the original financial liability is derecognized and the new financial liability is recognized at fair value based on the modified terms.

When a financial liability is derecognized, the difference between the carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and presented in the balance sheet on a net basis only when the Company has a legally enforceable right to do so and intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3. Derivative financial instruments

The Company holds derivative financial instruments to hedge the risk of foreign currency exchange rate fluctuations. Derivatives are initially recognized at fair value, with transaction costs recognized in profit or loss; subsequently, they are measured at fair value, with gains or losses arising from remeasurement recognized directly in profit or loss. When the fair value of a derivative is positive, it is recognized as a financial asset; when the fair value is negative, it is recognized as a financial liability.

(VII) Inventories

The original cost of inventories is the necessary expenditure incurred to bring the inventories to a condition and location ready for sale or production. Subsequently, inventories are measured at the lower of cost or net realizable value on an item-by-item basis, with the cost of inventories calculated using the weighted average method and the net realizable value based on the estimated selling price under normal operations at the balance sheet date less costs and marketing expenses remaining to be incurred to completion.

(VIII) Investment in subsidiaries

In preparing the parent-company-only financial reports, the Company uses the equity method of accounting for the investees over which it has control. Under the equity method, the apportionment of current profit or loss and other comprehensive income in the parent-company-only financial reports is the same as the apportionment of current profit or loss and other comprehensive income attributable to the owners of the parent company in the consolidated financial reports, and the owners' equity in the parent-company-only financial reports is the same as the equity attributable to the owners of the parent company in the consolidated financial statements.

Changes in the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions with the owners.

Gains or losses resulting from transactions between the Company and its subsidiaries that have not yet been realized are deferred. Gains or losses from transactions are recognized annually over the useful lives of depreciable or amortizable assets, while those from other types of assets are recognized in the year of realization.

(IX) Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

If the significant components of property, plant and equipment have different useful lives, they are treated as separate items (major components) of property, plant and equipment.

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

2. Subsequent costs

Subsequent expenditures are capitalized only when it is probable that future economic benefits will flow to the Company.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

3. Depreciation

Depreciation is calculated based on the cost of the assets less residual values and is recognized as profit or loss over the estimated useful lives of each component using the straight-line method. Except for land, which is not subject to depreciation, the estimated useful lives of the remaining equipment are as follows: machinery and equipment: 2 to 9 years; transportation equipment: 5 to 6 years; office equipment: 3 to 5 years; and other equipment: 2 to 15 years. In addition, building and construction are depreciated over their estimated useful lives based on their significant components: main buildings, 50 to 51 years; other auxiliary equipment, 1 to 44 years.

The depreciation method, useful lives and residual values are reviewed at each reporting date, and the effects of any changes in estimates are deferred.

4. Reclassification to investment property

When properties for own use are reclassified to investment properties, the properties are reclassified to investment properties at the carrying amount upon change of use.

(X) Investment property

Investment property is the property held to earn rentals or for asset appreciation or both. Investment property is initially recognized at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment. The depreciation method, useful life and residual value of investment property are based on the rules of the property, plant and equipment. Cost includes costs directly attributable to the acquisition of investment property and any directly attributable costs of bringing the investment property to a ready-for-use condition and capitalized costs of borrowings.

Gain or loss on disposal of investment property (calculated as the difference between the net disposal price and the carrying amount of the item) is recognized in profit or loss.

Rental income from investment properties is recognized on a straight-line basis over the lease term. Lease incentives granted are recognized as adjustments to lease income over the lease term.

When the use of investment property changes and is reclassified as property, plant and equipment, the reclassification is made at the carrying amount upon change of use.

(XI) Leases

The Company assesses whether a contract is a lease or contains a lease at the inception date. If a contract transfers control over the use of an identified asset for a period of time in exchange for consideration, the contract is a lease or contains a lease.

1. Lessees

The Company recognizes a right-of-use asset and a lease liability at the lease inception date. The right-of-use asset is measured initially at cost, which includes the initial measurement amount of the lease liability, adjusted for any lease payments made on or before the lease inception date, plus the original direct costs incurred and the estimated costs to disassemble, remove the subject asset and restore its location or the subject asset, less any lease incentives received.

Right-of-use assets are subsequently depreciated on a straight-line basis from the lease inception date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Company periodically assesses whether a right-of-use asset is impaired and addresses any impairment loss incurred, and adjusts the right-of-use asset when the lease liability is remeasured.

Lease liabilities are measured initially at the present value of the lease payments outstanding at the inception date of the lease. If the implied interest rate of a lease is readily determinable, the discount rate is that rate. If it is not readily determinable, the Company's incremental borrowing rate is used. In general, the Company uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (1) Fixed payments, including in-substance fixed payments;
- (2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

- (3) Amounts expected to be payable under a residual value guarantee; and
- (4) Payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (1) There is a change in future lease payments arising from the change in an index or rate; or
- (2) There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- (3) There is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (4) There is a change of its assessment on whether it will exercise an extension or termination option; or
- (5) There is any lease modifications

When a lease liability is remeasured as a result of changes in the index or rate used to determine lease payments and changes in the valuation of purchase, extension or termination options as described above, the carrying amount of the right-of-use asset is adjusted accordingly and the remaining remeasurement amount is recognized in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between the carrying amount and the remeasurement amount of the lease liability is recognized in profit or loss.

The Company presents right-of-use assets and lease liabilities that do not meet the definition of investment property as a separate line item on the balance sheet.

For short-term leases and leases of low-value underlying assets, the Company elects not to recognize right-of-use assets and lease liabilities, and instead recognizes the related lease payments as expenses on a straight-line basis over the lease term.

2. Lessors

Transactions in which the Company is the lessor are classified as finance leases at the inception date of the lease based on whether the lease contract transfers substantially all the risks and rewards incidental to the ownership of the subject asset, and otherwise are classified as operating leases. In evaluating the leases, the Company considers specific indicators, including whether the lease term covers a significant portion of the economic life of the subject asset.

For operating leases, the Company recognizes lease payments received as rental income over the lease term on a straight-line basis.

(XII) Intangible assets

Software purchased is initially recognized at cost and subsequently measured at cost less accumulated amortization and accumulated impairment. The amortization is based on the cost of the asset less its residual value and is amortized using the straight-line method over the estimated useful lives of 1 to 3 years. Amortization recognized in profit or loss.

The Company reviews the residual value, useful life and amortization method of intangible assets at each reporting date and makes appropriate adjustments when necessary.

(XIII) Impairment of non-financial assets

For non-financial assets other than inventories, deferred income tax assets and assets arising from employee benefits, the Company assesses at each reporting date whether an impairment loss has occurred and estimates the recoverable amount for the assets for which there is an indication of impairment. If the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs for the purpose of assessing impairment.

The recoverable amount is the higher of the fair value of the individual asset or cash generating unit less costs to sell and its value in use. If the recoverable amount of an individual asset or cash generating unit is less than its carrying amount, the carrying amount of the individual asset or cash generating unit is adjusted downward to its recoverable amount and an impairment loss is recognized. An impairment loss is recognized immediately in profit or loss.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

The Company reassesses at each reporting date whether there is any indication of impairment. If an impairment loss recognized in prior years for a non-financial asset other than goodwill no longer exists or has decreased, the impairment loss is reversed to increase the carrying amount of the individual asset or cash generating unit to its recoverable amount. However, it should not exceed the carrying amount after deducting the depreciation or amortization if no impairment loss had been recognized for the individual asset or cash generating unit in prior years.

(XIV) Provision for liabilities

Provisions for liabilities are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources with economic benefits will be required to settle the obligation in the future, and the amount of the obligation can be reliably estimated.

The provision for warranty liabilities is recognized upon the sale of goods. The provision for such liabilities is estimated based on the historical warranty information of similar products.

(XV) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled as a result of the transfer of goods. Revenue is recognized when the Company has fulfilled its performance obligations by transferring control of the goods to the customer.

1. Sales of goods

The Company recognizes revenue when control of the goods is transferred to the customer. The transfer of control of the goods means that the goods has been delivered to the customer and there is no outstanding obligation that would affect the customer's acceptance of the goods. Delivery is the point at which the customer has accepted the goods in accordance with the terms of the transaction, the risk of obsolescence and loss has been transferred to the customer, and the Company has objective evidence that all conditions for acceptance have been met.

The Company recognizes accounts receivable upon delivery of goods because the Company has the unconditional right to receive consideration at that timing.

2. Financial components

The Company does not adjust the time value of currency of the transaction price because the interval between the time of transfer of goods to customers and the time of payment for the goods is expected to be less than one year.

(XVI) Government grants

The Company recognizes unconditional government grants as other income when the grants are available. For other asset-related grants, the Company recognizes deferred income at fair value when it can be reasonably assured that the conditions attached to the government grant will be complied with and that the grant will be received, and recognizes the deferred income as other income over the useful life of the asset on a systematic basis. Government grants to compensate for expenses or losses incurred by the Company are recognized in profit or loss on a systematic basis over the same period as the related expenses.

(XVII) Employee benefits

1. Defined contribution plans

The contribution obligation of the defined contribution pension plan is recognized as employee benefit expense in profit or loss during the period in which the employees render service.

2. Defined benefit plans

The net obligation under the defined benefit pension plan is calculated as the discounted value of the future benefit amounts to be earned by each benefit plan for each employee's current or prior service, less the fair value of any plan assets. The discount rate is based on the market yield rate at the reporting date for government bonds with maturity dates approximating the maturity of the Company's net obligations and denominated in the same currency as the expected benefit payments. The net obligation of a defined benefit plan is actuarially determined annually by a qualified actuary using the projected unit benefit method.

When benefits under a plan are improved, the related expense is recognized immediately in profit or loss for the portion of the benefit increase attributable to employees' past service.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

The remeasurement of the net defined benefit obligation (asset), which includes actuarial gains and losses, compensation on plan assets (excluding interest) and any change in the asset cap effects (excluding interest) is recognized immediately in other comprehensive income and accumulated in retained earnings.

The Company recognizes a gain or loss on the reduction or settlement of a defined benefit plan when the reduction or settlement occurs. The reduction or settlement gain or loss includes the change in the fair value of any plan assets and the change in the present value of the defined benefit obligation.

3. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as expenses when the related services are rendered. The amount expected to be paid under short-term cash bonus or dividend plans is recognized as a liability if the Company has a present legal or constructive obligation to pay for the services rendered by employees in the past and the obligation can be reliably estimated.

(XVIII) Income taxes

Income taxes include current and deferred income taxes. Current and deferred income taxes are recognized in profit or loss, except for those related to business combinations, items recognized directly in equity or other comprehensive income.

Current income taxes include estimated income taxes payable or refunds receivable based on current year taxable income (loss) and any adjustments to income taxes payable or refunds receivable in the previous year. The amount reflects the best estimate of the amount expected to be paid or received, measured at the statutory or substantively enacted tax rate at the reporting date, after reflecting uncertainties, if any, related to income taxes.

Deferred income taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred income tax is not recognized for temporary differences arising from:

1. Assets or liabilities that are not originally recognized in a business combination and do not affect the accounting profit or taxable income (loss) at the time of the transaction.
2. Temporary differences arising from investments in subsidiaries and affiliates where the Company can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future; and
3. taxable temporary differences arising from the original recognition of goodwill.

Deferred income tax is measured at the tax rates that are expected to apply when the temporary differences reverse, based on the statutory or substantive legislative tax rates at the reporting date, and reflecting uncertainties, if any, related to income taxes.

Deferred income tax assets and deferred income tax liabilities are offset only if the following conditions are met at the same time:

1. there is a legally enforceable right to offset current income tax assets and current income tax liabilities; and
2. the deferred income tax assets and deferred income tax liabilities relate to one of the following taxable entities that are subject to income tax by the same taxing authority:
 - (1) the same taxable entity; or
 - (2) different taxable entities, provided that each entity intends to settle current income tax liabilities and assets on a net basis, or to realize assets and settle liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled.

Deferred income tax assets are recognized for unused tax losses and unused income tax credits in subsequent periods to the extent that it is probable that future taxable income will be available against which the temporary differences can be deducted. Deferred income tax assets are reassessed at each reporting date and reduced to the extent that it is not probable that the related income tax benefit will be realized, or to the extent that it becomes probable that sufficient taxable income will be available to allow the reversal of the original reduction.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(XIX) Earnings per share

The Company presents basic and diluted earnings per share attributable to equity holders of the Company's ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company's ordinary shares by the weighted-average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company's ordinary shares by the weighted-average number of ordinary shares outstanding, adjusted for the effect of all potentially dilutive ordinary shares. Potentially dilutive ordinary shares of the Company represents capital increase by cash reserved for employee subscription and optional employee compensation in the form of share issuance.

(XX) Department information

The Company has disclosed department information in the consolidated financial statements and therefore does not disclose department information in the parent-company-only financial reports.

V. Major sources of uncertainty in significant accounting judgments, estimates and assumptions

The preparation of the parent-company-only financial reports in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" requires management to make judgments, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from estimates.

Management reviews estimates and underlying assumptions on an ongoing basis, and changes in accounting estimates are recognized in the period of change and in the future period affected.

There is a significant risk that uncertainties in assumptions and estimates will cause a material adjustment to the carrying amounts of assets and liabilities at the reporting date in the next financial year as follows:

Since inventories are measured at the lower of cost or net realizable value, the Company evaluates inventories at the reporting date for obsolescence or decline in selling price and reduces the cost of inventories to net realizable value. This inventory valuation is mainly based on estimates of product demand in specific periods in the future and may change significantly due to rapid changes in the industry. Please refer to Note 6(6) for the provision of inventory falling price loss.

VI. Description of significant accounting items

(I) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and working capital	\$ 242	407
Demand deposits and checking deposits	304,181	415,965
Time deposits with original maturities of less than three months	58,543	177,190
	<u>\$ 362,966</u>	<u>593,562</u>

(II) Financial assets and liabilities at fair value through profit or loss - current

	December 31, 2023	December 31, 2022
Financial assets at fair value through profit or loss - current:		
Forward foreign exchange contracts	<u>\$ 3,945</u>	<u>25</u>
Financial liabilities at fair value through profit or loss - current:		
Forward foreign exchange contracts	<u>\$ 13</u>	<u>633</u>

Please refer to 6(22) for the details of amounts recognized at fair value through profit or loss.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

The Company entered into derivative financial instruments to hedge the exposure to exchange rate risk arising from operating activities and reported them as financial assets or liabilities at fair value through profit or loss because hedge accounting was not applicable. Details of the Company's outstanding derivative financial instruments at the reporting date is as follows:

December 31, 2023		
<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity period</u>
US\$\$ <u>5,250</u>	Buy NT\$ / Sell US\$	January 4, 2024~May 6, 2024

December 31, 2022		
<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity period</u>
US\$\$ <u>3,886</u>	Buy NT\$ / Sell US\$	January 5, 2023~March 10, 2023

(III) Financial assets at fair value through other comprehensive income - current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Equity instruments at fair value through other comprehensive income:		
Domestic listed company shares	<u>\$ 248,390</u>	<u>80,509</u>

The above investments in equity instruments are strategic investments and are not held for trading purposes. Therefore, they are designated as at fair value through other comprehensive income.

The Company did not dispose of the above-mentioned strategic investments in 2023 and 2022, and the gains and losses accumulated during the periods were not transferred within the equity.

(IV) Financial assets measured at amortized cost - current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposits with original maturities of over three months	\$ 215,000	215,000
Pledged time deposits (Note 8)	600	1,100
	<u>\$ 215,600</u>	<u>216,100</u>

The Company assesses that the above assets are held to maturity to collect the contractual cash flows and that the cash flows from these financial assets are solely attributable to the payment of principal and interest on the principal amount outstanding. Therefore, they are therefore reported as financial assets at amortized cost.

(V) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes and accounts receivable	\$ 238,126	240,489
Accounts receivable - related parties	25,205	34,981
	263,331	275,470
Less: Allowance for losses	(686)	(1,608)
	<u>\$ 262,645</u>	<u>273,862</u>

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

The Company uses a simplified approach to estimate expected credit losses for all notes and accounts receivable (including related parties), which represents that the expected credit losses are measured using the expected credit losses over the life of the instruments and are included in forward-looking information. The expected credit losses on notes and accounts receivable (including related parties) as of December 31, 2023 and 2022 are analyzed as follows:

	December 31, 2023		
	Carrying amounts of notes and accounts receivable (including related parties)	Weighted average expected credit loss ratio	Expected credit losses during the allowance period
Not past due	\$ 250,137	0.04%	101
Less than 30 days past due	8,405	2.47%	208
31 to 60 days past due	4,549	7.06%	321
61-90 days past due	240	23.33%	56
	\$ 263,331		686

	December 31, 2022		
	Carrying amounts of notes and accounts receivable (including related parties)	Weighted average expected credit loss ratio	Expected credit losses during the allowance period
Not past due	\$ 267,249	0.07%	179
Less than 30 days past due	4,930	4.06%	200
31 to 60 days past due	1,938	8.26%	160
61-90 days past due	38	27.37%	10
91-120 days past due	898	71.51%	642
Over 121 days past due	417	100.00%	417
	\$ 275,470		1,608

The changes in allowance for losses on notes and accounts receivable (including related parties) are as follows:

	2023	2022
Opening balance	\$ 1,608	2,474
Reversal on impairment loss	(826)	(855)
Amounts written off as uncollectible during the year	(96)	(11)
Closing balance	\$ 686	1,608

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(VI) Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 102,035	120,362
Work in process	129,352	134,555
Finished products	84,003	81,960
Goods	7,663	30,672
	<u>\$ 323,053</u>	<u>367,549</u>

Details of operating costs recognized in the current period is as follows:

	2023	2022
Cost of inventories sold	\$ 823,449	850,614
Inventory falling price loss	33,688	16,780
Loss on obsolescence of inventories	7,939	13,193
Inventory loss (gain), net	(51)	47
	<u>\$ 865,025</u>	<u>880,634</u>

The above inventory falling price loss is recognized as an inventory falling price loss due to the offset of inventories to net realizable value, which are included in operating costs.

(VII) Investments accounted for using the equity method

The Company's investments accounted for using the equity method at the reporting date are presented as follows:

	December 31, 2023	December 31, 2022
Subsidiaries	<u>\$ 24,557</u>	<u>11,048</u>

Please refer to the consolidated financial statements for 2023 for information on subsidiaries.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(VIII) Property, plant and equipment

Details of the changes in the cost of property, plant and equipment and accumulated depreciation are as follows:

	<u>Land</u>	<u>Building and constructio n</u>	<u>Machinery equipment</u>	<u>Transportat ion equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Costs:							
Balance of January 1, 2023	\$ 259,080	110,459	299,175	7,932	12,221	155,643	844,510
Additions during the period	-	2,030	30,904	-	1,434	11,822	46,190
Disposal during the period	-	-	(4,140)	-	(410)	-	(4,550)
Reclassified from prepaid equipment	-	-	10,142	-	-	128	10,270
Balance of December 31, 2023	\$ 259,080	112,489	336,081	7,932	13,245	167,593	896,420
Balance of January 1, 2022	\$ 259,080	108,915	213,524	9,657	10,272	83,313	684,761
Additions during the period	-	1,293	61,430	-	2,135	72,330	137,188
Disposal during the period	-	-	-	(1,725)	(186)	-	(1,911)
Reclassified from prepaid equipment	-	251	24,221	-	-	-	24,472
Balance of December 31, 2022	\$ 259,080	110,459	299,175	7,932	12,221	155,643	844,510
Accumulated depreciation:							
Balance of January 1, 2023	\$ -	33,673	152,772	6,304	6,702	58,082	257,533
Depreciation during the period	-	4,192	57,958	723	2,926	36,331	102,130
Disposal during the period	-	-	(4,140)	-	(298)	-	(4,438)
Balance of December 31, 2023	\$ -	37,865	206,590	7,027	9,330	94,413	355,225
Balance of January 1, 2022	\$ -	29,515	103,770	6,058	4,369	36,366	180,078
Depreciation during the period	-	4,158	49,002	965	2,519	21,716	78,360
Disposal during the period	-	-	-	(719)	(186)	-	(905)
Balance of December 31, 2022	\$ -	33,673	152,772	6,304	6,702	58,082	257,533
Carrying amounts:							
December 31, 2023	\$ 259,080	74,624	129,491	905	3,915	73,180	541,195
December 31, 2022	\$ 259,080	76,786	146,403	1,628	5,519	97,561	586,977

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(IX) Right-of-use asset

	<u>Building and construction</u>
Costs of right-to-use assets:	
Balance of January 1, 2023	\$ 93,298
Additions	<u>627</u>
Balance of December 31, 2023	<u>\$ 93,925</u>
Balance of January 1, 2022	\$ 66,683
Additions	<u>26,615</u>
Balance of December 31, 2022	<u>\$ 93,298</u>
Accumulated depreciation of right-of-use assets:	
Balance of January 1, 2023	\$ 51,584
Depreciation	<u>19,808</u>
Balance of December 31, 2023	<u>\$ 71,392</u>
Balance of January 1, 2022	\$ 35,019
Depreciation	<u>16,565</u>
Balance of December 31, 2022	<u>\$ 51,584</u>
Carrying amounts:	
December 31, 2023	<u>\$ 22,533</u>
December 31, 2022	<u>\$ 41,714</u>

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(X) Investment property

	Land	Building and construction	Total
Costs:			
Balance of January 1, 2023 (That is Balance of December 31, 2023)	\$ -	-	-
Balance of January 1, 2022	\$ 17,740	17,426	35,166
Additions during the period	-	137	137
Disposal during the period	(17,740)	(17,563)	(35,303)
Balance of December 31, 2022	\$ -	-	-
Accumulated depreciation and impairment loss:			
Balance of January 1, 2023 (That is Balance of December 31, 2023)	\$ -	-	-
Balance of January 1, 2022	\$ -	7,660	7,660
Depreciation during the period	-	394	394
Disposal during the period	-	(8,054)	(8,054)
Balance of December 31, 2022	\$ -	-	-
Carrying amounts:			
December 31, 2023	\$ -	-	-
December 31, 2022	\$ -	-	-

Investment properties refer to offices leased to others. Please refer to Note 6(15) for relevant information.

In October 2022, the Company sold investment properties to non-related parties for a total consideration of NT\$64,070 thousand (before tax), and the gain on disposal was NT\$36,821 thousand. As of December 31, 2022, the transfer procedures have been completed and the related payments have been received.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(XI) Intangible assets

Details of the changes in the cost and accumulated amortization of intangible assets are as follows:

	<u>Software purchased</u>
Costs:	
Balance of January 1, 2023	\$ 23,718
Acquired separately	<u>4,023</u>
Balance of December 31, 2023	<u>\$ 27,741</u>
Balance of January 1, 2022	\$ 21,878
Acquired separately	<u>1,840</u>
Balance of December 31, 2022	<u>\$ 23,718</u>
Accumulated amortization:	
Balance of January 1, 2023	\$ 18,214
Amortization during the period	<u>3,370</u>
Balance of December 31, 2023	<u>\$ 21,584</u>
Balance of January 1, 2022	\$ 14,755
Amortization during the period	<u>3,459</u>
Balance of December 31, 2022	<u>\$ 18,214</u>
Carrying amounts:	
Balance of December 31, 2023	<u>\$ 6,157</u>
Balance of December 31, 2022	<u>\$ 5,504</u>

Amortization expenses of intangible assets for 2023 and 2022 are reported in the statement of comprehensive income as follows:

	<u>2023</u>	<u>2022</u>
Operating costs	\$ 721	764
Operating expenses	<u>2,649</u>	<u>2,695</u>
	<u>\$ 3,370</u>	<u>3,459</u>

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(XII) Short-term borrowings

	December 31, 2023	December 31, 2022
Unsecured borrowings	\$ -	86,720
Unused balance	\$ 920,000	833,280
Interest rate range	-	5.55%~6.18%

(XIII) Lease liabilities

The carrying amounts of the Company's lease liabilities are as follows:

	December 31, 2023	December 31, 2022
Current:		
Related parties	\$ 4,681	4,625
Non-related parties	\$ 5,255	14,526
Non-current:		
Related parties	\$ 11,952	16,633
Non-related parties	\$ 62	5,137

For maturity analysis, please refer to Note 6(24) financial risk management.

The amounts recognized in profit or loss are as follows:

	2023	2022
Interest expenses on lease liabilities	\$ 416	502
Short-term lease payments	\$ 2,867	2,017

The amounts recognized in the statement of cash flows are as follows:

	2023	2022
Total cash outflows from leases	\$ 22,881	18,705

1. Leases of building and construction

The Company leases building and construction for office, factory and warehouses, usually for periods of one to ten years. Among these leases, some of the warehouses leased by the Company have a lease term of one year. The leases are short-term leases and the Company has elected to apply the exemption from recognition and not recognize the related right-of-use assets and lease liabilities.

2. Other leases

The Company leases office equipment for a period of one year. The leases are short-term leases and the Company has elected to apply the exemption from recognition and not recognize the related right-of-use assets and lease liabilities.

(XIV) Provision for liabilities - current

	2023	2022
Provision for warranty liabilities:		
Balance of January 1	\$ 1,277	1,735
Additions (reversal) during the period	(1,028)	219
Use during the period	(67)	(677)
Balance of December 31	\$ 182	1,277

The provision for warranty liabilities is estimated based on the historical warranty information of similar products.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(XV) Operating leases - lessor

The Company leases out investment properties under operating leases. Please refer to Note 6(10) investment properties for details.

Rental income from investment properties amounted to NT\$0 thousand and NT\$1,542 thousand for 2023 and 2022, respectively, and was recorded as other income. Please refer to Note 6(22) for details.

Direct operating expenses incurred from investment properties are as follows:

	2023	2022
Rental income generated	\$ -	722
No rental income generated	-	-
	<u>\$ -</u>	<u>722</u>

(XVI) Employee benefits

1. Defined benefit plans

A reconciliation of the present value of the Company's defined benefit obligation to the net defined benefit obligation is as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	\$ 9,694	16,276
Fair value of plan assets	(6,756)	(12,414)
Net defined benefit liabilities	<u>\$ 2,938</u>	<u>3,862</u>

The Company's defined benefit plan is contributed to the Bank of Taiwan's special account for labor retirement reserve fund. Retirement payments for each employee under the Labor Standards Act are based on the base figure obtained from years of service and the average salary for the six months prior to retirement.

(1) Composition of plan assets

The Company's pension fund under the Labor Standards Act is managed by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the Bureau of Labor Funds). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", for the use of funds, the minimum income to be distributed annually shall not be less than the income calculated based on the interest rate of two-year time deposits in local banks.

As of December 31, 2023 and 2022, the balances of the Bank of Taiwan's special account for labor retirement reserve fund were NT\$6,756 thousand and NT\$12,414 thousand, respectively. For information on the use of the labor pension funds assets (including fund yield and fund asset allocation), please refer to the information on the website of the Bureau of Labor Funds for details.

(2) Changes in present value of defined benefit obligation

	2023	2022
Defined benefit obligation on January 1	\$ 16,276	16,509
Current interest	203	91
Net defined benefit liability (asset) remeasurement		
- Actuarial loss (gain) due to experience adjustments	(185)	343
- Actuarial loss (gain) due to changes in financial assumptions	-	(667)
Benefits paid by the plan	(6,600)	-
Defined benefit obligation on December 31	<u>\$ 9,694</u>	<u>16,276</u>

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(3) Changes in fair value of plan assets

	2023	2022
Fair value of plan assets on January 1	\$ 12,414	10,733
Interest income	160	62
Net defined benefit liability (asset) remeasurement		
- Return on plan assets (excluding current interest)	43	897
Amounts contributed to the plan	739	722
Benefits paid by the plan	(6,600)	-
Fair value of plan assets on December 31	<u><u>\$ 6,756</u></u>	<u><u>12,414</u></u>

(4) Changes in asset cap effects

For 2023 and 2022, the Company had no asset cap effects on the defined benefit plan.

(5) Expenses recognized in profit or loss

	2023	2022
Net interest on the net defined benefit liabilities	<u><u>\$ 43</u></u>	<u><u>29</u></u>
Operating costs	\$ 33	21
Marketing expenses	1	2
Administrative expenses	1	1
Research and development expenses	8	5
	<u><u>\$ 43</u></u>	<u><u>29</u></u>

(6) Actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation as of the reporting date are as follows:

	December 31, 2023	December 31, 2022
Discount rate	1.25%	1.25%
Future salary increase rate	4.00%	4.00%

The Company expects to make a contribution of NT\$780 thousand to the defined benefit plan in the year following the reporting date in 2023. The weighted-average duration of the defined benefit plans is 10.4 years.

(7) Sensitivity analysis

The effect of changes in the major actuarial assumptions used on the present value of the defined benefit obligation is as follows:

	Effect on the defined benefit obligation	
	December 31, 2023	December 31, 2022
Discount rate		
Increase of 0.25%	\$ (180)	(232)
Decrease of 0.25%	186	238
Expected rate of salary increase		
Increase of 1.00%	748	969
Decrease of 1.00%	(678)	(887)

The sensitivity analysis above analyzes the effect of changes in a single assumption with other assumptions held constant. In practice, changes in many assumptions may be correlated. The sensitivity analysis is consistent with the methodology used to calculate the net pension liability on the balance sheet.

The methodology and assumptions used in preparing the sensitivity analysis are the same as those used in the previous period.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

2. Defined contribution plans

The Company's defined contribution plan is based on the Labor Pension Act, under which the Company contributes 6% of a worker's monthly wages to a personal pension account of the Bureau of Labor Insurance. Under the plan, the Company has no legal or constructive obligation to pay additional amounts after making a fixed contribution to the Bureau of Labor Insurance.

For 2023 and 2022, the Company made contributions of NT\$14,952 thousand and NT\$16,197 thousand, respectively, to the Bureau of Labor Insurance under the defined pension contribution plan.

(XVII) Income taxes

1. Details of the Company's income tax expenses for 2023 and 2022 are as follows:

Income tax expenses during the period

	2023	2022
Generated during the period	\$ 37,613	53,856
Adjustments to income tax during the period for prior periods	(3,500)	(5,150)
	<u>34,113</u>	<u>48,706</u>
Deferred income tax benefits		
Occurrence and reversal of temporary differences	(7,803)	(6,123)
Income tax expense	<u>\$ 26,310</u>	<u>42,583</u>

There was no income tax expense recognized directly in equity or other comprehensive income for 2023 and 2022.

A reconciliation of income tax expenses to net income before tax is as follows:

	2023	2022
Income before income tax	<u>\$ 222,283</u>	<u>312,356</u>
Income tax calculated at the domestic tax rate of the Company's location	\$ 44,457	62,471
Investment tax credit	(7,689)	(7,976)
Adjustments to income tax for prior periods	(3,500)	(5,150)
Tax exemption income	(2,374)	(5,302)
Others	(4,584)	(1,460)
Income tax expense	<u>\$ 26,310</u>	<u>42,583</u>

2. Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

Deferred income tax assets:

	Allowance for inventory falling price loss	Compensati on for unused leave	Warranty provision and refund liabilities	Others	Total
January 1, 2023	\$ 11,408	2,284	1,292	3,696	18,680
(Debit) credit income statement	6,737	141	(205)	1,561	8,234
December 31, 2023	<u>\$ 18,145</u>	<u>2,425</u>	<u>1,087</u>	<u>5,257</u>	<u>26,914</u>
January 1, 2022	\$ 8,052	2,116	1,249	1,637	13,054
(Debit) credit income statement	3,356	168	43	2,059	5,626
December 31, 2022	<u>\$ 11,408</u>	<u>2,284</u>	<u>1,292</u>	<u>3,696</u>	<u>18,680</u>

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

Deferred income tax liabilities:

	Bargain purchase interest	Others	Total
January 1, 2023	\$ 1,164	-	1,164
(Debit) Credit income statement	(388)	819	431
December 31, 2023	\$ 776	819	1,595
January 1, 2022	\$ 1,552	109	1,661
Credit income statement	(388)	(109)	(497)
December 31, 2022	\$ 1,164	-	1,164

3. Income tax approval

The Company's profit-seeking enterprise annual income tax return has been submitted to the tax collecting authorities for approval until 2020.

(XVIII) Capital and other equity

1. Common stock

As of December 31, 2023 and 2022, the Company's total authorized capital was NT\$800,000 thousand with a par value of NT\$10 per share and 80,000 thousand shares, of which 47,875 thousand shares were issued.

A reconciliation of the number of outstanding shares of the Company is as follows:

(Unit: thousand shares)

	Ordinary shares	
	2023	2022
Number of shares at the beginning of January 1	46,875	47,875
Repurchase of treasury stock	-	(1,000)
Number of shares at the end of December 31	46,875	46,875

2. Capital surplus

The balance of the Company's capital surplus is as follows:

	December 31, 2023	December 31, 2022
Premium on issuance of shares	\$ 666,183	666,183
Difference between actual acquisition of price and carrying amount of equity of subsidiaries	23,991	23,991
	\$ 690,174	690,174

Under the Company Act, capital surplus must be used to cover losses before new shares or cash can be issued based on the realized capital surplus in proportion to the shareholders' original shares. The realized capital surplus referred to in the preceding paragraph includes the proceeds from the issuance of shares in excess of par value and the proceeds from the receipt of gifts. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital surplus that may be capitalized each year may not exceed 10% of the paid-in capital.

3. Retained earnings

(1) Legal reserve

If the Company has no deficit, it may issue new shares or cash from the legal reserve by resolution of the shareholders' meeting, provided that the amount of such reserve exceeds 25% of the paid-in capital. If the above is issued in cash, in accordance with the Company Act and the Company's Articles of Incorporation, the Board of Directors is authorized to resolve and report to the shareholders' meeting.

(2) Special reserve

In accordance with the requirements issued by the FSC, when the Company distributes distributable earnings, a special reserve in the same amount should be provided from current profit or loss and unappropriated earnings in prior periods for the net decrease in other shareholders' equity that occurred during the year; the special reserve in the same amount is not distributable from prior unappropriated earnings for the decrease in other shareholders' equity accumulated in prior periods. If there is a subsequent reversal in the

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

amount of the reduction in other shareholders' equity, the reversed portion of the earnings may be distributed.

(3) Earnings distribution and dividend policy

In accordance with the Company's Articles of Incorporation, if there is any surplus in the annual final accounts, the Company shall first pay taxes to make up for prior years' deficits, and then set aside 10% of the legal reserve. After setting aside or reversing the special reserve as required by laws and regulations, the Board of Directors shall prepare an earnings distribution proposal and submit it to the shareholders' meeting for resolution if there are any earnings together with unappropriated earnings accumulated in previous years. If all or part of the dividends and bonuses payable are intended to be paid in cash, the Board of Directors is authorized to resolve and report to the shareholders' meeting.

The Company's dividend policy will depend on factors such as current and future development plans, investment environment, capital needs, domestic and foreign competition conditions, and capital budgets, while taking the interests of shareholders and the Company's long-term financial planning into account. The Board drafts a profit distribution proposal for the distributable earnings above; of which, the distribution of shareholders' dividend bonuses of each year should not be less than 10% of distributable earnings for the year; however, where the accumulated distributable earnings are less than 10% of the paid-in share capital, the distribution may be exempted; when distributing the shareholders' dividend bonuses, such may be distributed in the form of cash or shares, and the cash dividends shall not be less than 10% of the total dividends; provided that the actual distribution percentage shall be handled pursuant to the resolution of the shareholders' meeting.

On March 3, 2023 and March 7, 2022, the Board of Directors resolved the cash dividends of earnings distribution proposals for 2022 and 2021 as follows:

	2022		2021	
	Dividends per share (NT\$)	Amount	Dividends per share (NT\$)	Amount
Dividends distributed to ordinary shareholders:				
Cash dividends distributed to shareholders from unappropriated earnings	\$ 5.00	<u>234,377</u>	5.50	<u>263,314</u>

On February 27, 2024, the Board of Directors resolved the cash dividends of earnings distribution proposals for 2023 as follows:

	2023	
	Dividends per share (NT\$)	Amount
Dividends distributed to ordinary shareholders:		
Cash dividends distributed to shareholders from unappropriated earnings	\$ 3.60	<u>168,751</u>

The above information is available on the website MOPS.

4. Treasury stock

During the period from July to August 2022, the Company repurchased a total of 1,000 thousand shares of treasury stock in a total amount of NT\$85,925 thousand for the purpose of transferring shares to employees in accordance with Article 28-2 of the Securities and Exchange Act. As of December 31, 2023 and 2022, none of the shares had been transferred to employees or cancelled.

In accordance with the Securities and Exchange Act, treasury stock cannot be pledged and are not entitled to shareholders' rights until they are transferred. In addition, the percentage of number of shares repurchased by the Company shall not exceed 10% of the total number of shares issued by the Company. The total amount of shares repurchased shall not exceed the amount of retained earnings plus share premiums and realized capital surplus.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

5. Other equity (net amount after tax)

	Exchange differences on translation of foreign operations	Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income	Total
January 1, 2023	\$ (886)	(9,114)	(10,000)
Exchange differences arising from the translation of net assets of foreign operating institutions	(41)	-	(41)
Unrealized valuation losses on financial assets at fair value through other comprehensive income	-	72,541	72,541
December 31, 2023	<u>\$ (927)</u>	<u>63,427</u>	<u>62,500</u>
January 1, 2022	\$ (1,236)	-	(1,236)
Exchange differences arising from the translation of net assets of foreign operating institutions	350	-	350
Unrealized valuation losses on financial assets at fair value through other comprehensive income	-	(9,114)	(9,114)
December 31, 2022	<u>\$ (886)</u>	<u>(9,114)</u>	<u>(10,000)</u>

(XIX) Earnings per share

1. Basic earnings per share

	2023	2022
Net income attributable to equity holders of the Company's ordinary shares	<u>\$ 195,973</u>	<u>269,773</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>46,875</u>	<u>47,454</u>
Basic earnings per share (NT\$)	<u>\$ 4.18</u>	<u>5.68</u>

2. Diluted earnings per share

	2023	2022
Net income attributable to equity holders of the Company's ordinary shares	<u>\$ 195,973</u>	<u>269,773</u>
Weighted-average number of ordinary shares outstanding (basic) (in thousands)	46,875	47,454
Effect of dilutive potential ordinary shares (in thousands):		
Effect of employee compensation	399	924
Weighted-average number of ordinary shares outstanding (diluted) (in thousands)	<u>47,274</u>	<u>48,378</u>
Diluted earnings per share (NT\$)	<u>\$ 4.15</u>	<u>5.58</u>

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(XX) Revenue from customer contracts

1. Breakdown of revenue

	<u>2023</u>	<u>2022</u>
Major regional markets:		
Taiwan	\$ 568,447	602,679
Mainland China	302,853	275,325
The U.S.	294,844	393,719
Others	180,099	190,337
	<u>\$ 1,346,243</u>	<u>1,462,060</u>
Major products and services:		
Electronic ceramic components	\$ 856,124	919,922
Module and system products	379,692	400,655
Other electronic parts and components	110,427	141,483
	<u>\$ 1,346,243</u>	<u>1,462,060</u>

2. Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes and accounts receivable (including related parties)	\$ 263,331	275,470	358,147
Less: Allowance for losses	(686)	(1,608)	(2,474)
	<u>\$ 262,645</u>	<u>273,862</u>	<u>355,673</u>
Contractual liabilities (included in other current liabilities)	<u>\$ (3,465)</u>	<u>(7,473)</u>	<u>(6,741)</u>

Notes and accounts receivable (including related parties) and impairment loss are disclosed in Note 6(5).

The change in contract liabilities is mainly due to the difference between the point at which the Company transfers goods to customers to satisfy its contractual obligations and the point at which customers pay. The opening balances of contract liabilities as of January 1, 2023 and 2022 were recognized as income of NT\$4,902 thousand and NT\$3,565 thousand for 2023 and 2022.

(XXI) Employees' and directors' and supervisors' remuneration

Pursuant to the Articles of Incorporation, where the Company makes profits in a year, 10% to 15% should be provided as employees' remuneration and no more than 3% should be provided as directors' remuneration. However, where the Company has accumulated losses, the amount for compensation shall be set aside first. The recipients of stock or cash distribution for employees' remuneration in the preceding paragraph, may include the employees of the controlling or subordinate companies meeting certain conditions.

For the years ended December 31, 2023 and 2022, the estimated amounts of employee compensation were NT\$24,922 thousand and NT\$55,612 thousand, respectively; the estimated amounts of director compensation were NT\$1,869 thousand and NT\$2,781 thousand, respectively, which are estimated by multiplying the Company's income before income tax for each period prior to the deduction of employee and director compensation by the percentage of employee and director compensation to be distributed by the Company. Such amounts are reported as operating costs or operating expenses for each period. If the actual distribution amount differs from the estimated amount, the difference is accounted for as a change in accounting estimate and recognized as profit or loss in the following year.

The amount of employee and director compensation resolved by the Board of Directors was not different from the amount estimated in the above 2023 and 2022 parent-company-only financial reports, and was paid in cash. For relevant information, please refer to the website MOPS.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(XXII) Non-operating income and expenses

1. Interest income

	2023	2022
Interest income from bank deposits	\$ 5,949	2,751

2. Other income

	2023	2022
Rental income (Note 6(15))	\$ -	1,542
Dividend income	11,870	7,150
Subsidy income	38	10
Gains on writing off overdue accounts payable	2,648	-
Other income-others	1,288	6,137
	<u>\$ 15,844</u>	<u>14,839</u>

3. Other gains and losses

	2023	2022
Net foreign currency exchange (losses) gains	\$ (9,388)	11,765
Net gain (loss) on financial instruments at fair value through profit or loss	4,540	(1,149)
Gain (loss) on disposal of property, plant and equipment	(112)	61
Gain on disposal of investment property (Note 6(10))	-	36,821
Others	(690)	(9,866)
	<u>\$ (5,650)</u>	<u>37,632</u>

4. Finance costs

	2023	2022
Interest expenses on bank loans	\$ (1,974)	(361)
Interest expenses on lease liabilities	(416)	(502)
	<u>\$ (2,390)</u>	<u>(863)</u>

(XXIII) Financial instruments

1. Types of financial instruments

(1) Financial assets

	December 31, 2023	December 31, 2022
Financial assets at fair value through profit or loss:		
Mandatory financial assets at fair value through profit or loss - current:	\$ 3,945	25
Financial assets at fair value through other comprehensive income - current	248,390	80,509
Financial assets measured at amortized cost:		
Cash and cash equivalents	362,966	593,562
Notes and accounts receivable (including related parties)	262,645	273,862
Financial assets measured at amortized cost - current	215,600	216,100
Refundable deposits	3,998	3,986
Subtotal	845,209	1,087,510
Total	<u>\$ 1,097,544</u>	<u>1,168,044</u>

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(2) Financial liabilities

	December 31, 2023	December 31, 2022
Financial liabilities at fair value through profit or loss	\$ 13	633
Financial liabilities measured at amortized cost:		
Short-term borrowings	\$ -	86,720
Notes and accounts payable and other payables (including related parties)	291,905	368,065
Lease liabilities (including current and non-current)	21,950	40,921
Subtotal	313,855	495,706
Total	<u><u>\$ 313,868</u></u>	<u><u>496,339</u></u>

2. Information on fair value

(1) Financial instruments not measured at fair value

The Company's management believes that the carrying amounts of the Company's financial assets and financial liabilities classified as measured at amortized cost in the parent-company-only financial reports approximate their fair values.

(2) Financial instruments measured at fair value

Financial instruments held by the Company at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The following table provides an analysis of financial instruments measured at fair value after initial recognition and is categorized into Levels 1 to 3 based on the degree of observability of the fair value. Each fair value hierarchy is defined as follows:

- A. Level 1: Publicly quoted prices (unadjusted) for identical assets or liabilities in active markets.
- B. Level 2: Inputs to the asset or liability that are observable, either directly (i.e., as prices) or indirectly (i.e., derived from prices), other than those included in Level 1 publicly available quotations.
- C. Level 3: Inputs to the asset or liability that are not based on observable market data (unobservable parameters).

	December 31, 2023			
	Fair value			
Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - current: derivative financial instruments -				
Forward foreign exchange contracts	\$ 3,945	-	3,945	3,945
Financial assets at fair value through other comprehensive income - current:				
Domestic listed company shares	\$ 248,390	248,390	-	248,390
Financial liabilities at fair value through profit or loss - current: derivative financial instruments -				
Forward foreign exchange contracts	\$ 13	-	13	13

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

	December 31, 2022				
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - current: derivative financial instruments -					
Forward foreign exchange contracts	\$ 25	-	25	-	25
Financial assets at fair value through other comprehensive income - current:					
Domestic listed company shares	\$ 80,509	80,509	-	-	80,509
Financial liabilities at fair value through profit or loss - current: derivative financial instruments -					
Forward foreign exchange contracts	\$ 633	-	633	-	633

3. Fair value measurement techniques used in measuring financial instruments at fair value

The estimates and assumptions used in estimating the fair value of derivative financial instruments approximate those used by market participants in pricing financial instruments, and such information is available to the Company. The fair value of forward foreign exchange contracts is generally based on current forward exchange rates.

The fair value of listed stocks with standard terms and conditions and traded in an active market is determined by reference to quoted market prices.

4. Transfer between fair value hierarchy

For the years ended December 31, 2023 and 2022, there was no transfer of financial assets and liabilities to the fair value hierarchy.

(XXIV) Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risk) as a result of its business activities. This note presents information on the Company's exposure to each of these risks, the Company's policies and procedures for measuring and managing these risks, and quantitative disclosures.

The Company's Board of Directors is responsible for developing and controlling the Company's risk management policy. The risk management policy is established to identify and analyze the risks faced by the Company, set appropriate risk limits and controls, and monitor compliance with the risks and risk caps. The risk management policy and system are reviewed regularly to reflect changes in market conditions and the Company's operations.

The Company monitors and reviews financial activities in accordance with relevant regulations and internal control system. Internal auditors play a supervisory role and report the review results to the Board of Directors on a regular basis.

1. Credit risk

Credit risk represents the risk of financial loss arising from non-performance of contractual obligations by counterparties to financial assets, mainly from cash and cash equivalents, derivative transactions, receivables from customers and financial assets carried at amortized cost. The carrying amount of the Company's financial assets represents the maximum exposure to credit risk.

The Company's bank deposits and derivative financial instruments classified as cash and cash equivalents, financial assets at amortized cost are all traded with financial institutions with good credit ratings, and therefore should not be exposed to significant credit risk.

The Company has established a credit policy under which each customer is analyzed individually to determine its credit limit. 53% and 52% of the Company's notes and accounts receivable (including related parties) balance as of December 31, 2023 and 2022, respectively, consisted of five customers, resulting in a concentration of credit risk in the Company's accounts receivable. The Company continuously evaluates the financial position of its customers to reduce the risk.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

2. Liquidity risk

Liquidity risk is the risk that the Company is unable to deliver cash or other financial assets to settle its financial liabilities and unable to meet its obligations. The Company manages liquidity risk by regularly monitoring its current and expected medium- and long-term capital requirements and by maintaining appropriate capital and banking facilities. As of December 31, 2023 and 2022, the Company had unused borrowing facilities of NT\$920,000 thousand and NT\$833,280 thousand, respectively.

The following table illustrates the maturity analysis of the Company's financial liabilities with contractual repayment terms, which are based on the earliest possible date on which the Company could be required to make repayment and undiscounted cash flows.

	Contractual cash flow	Within one year	1 to 2 years	More than 2 years
December 31, 2023				
Non-derivative financial liabilities:				
Notes and accounts payable and other payables (including related parties)	\$ 291,905	291,905	-	-
Lease liabilities (including current and non-current) (including related parties)	22,328	10,127	4,913	7,288
Derivative financial instruments				
Forward foreign exchange contracts:				
Outflow	6,245	6,245	-	-
Inflow	(6,232)	(6,232)	-	-
	13	13	-	-
	\$ 314,246	302,045	4,913	7,288
December 31, 2022				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 87,943	87,943	-	-
Notes and accounts payable and other payables (including related parties)	368,065	368,065	-	-
Lease liabilities (including current and non-current)	41,710	19,563	9,946	12,201
Derivative financial instruments				
Forward foreign exchange contracts:				
Outflow	99,703	99,703	-	-
Inflow	(99,070)	(99,070)	-	-
	633	633	-	-
	\$ 498,351	476,204	9,946	12,201

The Company does not anticipate that the timing of the cash flows for the maturity analysis will be significantly earlier or that the actual amounts will be significantly different.

3. Market risk

Market risk refers to the risk of changes in market prices, such as changes in exchange rates, interest rates and equity instruments, which may affect the Company's revenue or the value of financial instruments held by the Company. The objective of market risk management is to manage the level of market risk within a tolerable range and to optimize investment returns.

(1) Exchange rate risk

A. Exposure to exchange rate risk

The Company's hedging strategy is to enter into forward foreign exchange contracts to manage the exchange rate risk of net foreign currency positions arising from occurred sales and purchase transactions. The use of such derivative instruments helps the Company reduce, but not completely eliminate, the impact of foreign currency exchange rate fluctuation to a certain extent.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

The Company has entered into derivative financial instruments with maturities less than six months and does not meet the conditions for hedge accounting.

The Company's exchange rate risk arises mainly from cash and cash equivalents, accounts receivable (payable) (including related parties), other payables (including related parties) and bank loans that are not denominated in functional currencies, which result in foreign currency exchange gains or losses upon translation.

The carrying amounts of monetary assets and liabilities that are not denominated in functional currencies at the reporting date and the related sensitivity analysis are as follows:

December 31, 2023						
	Foreign currency	Exchang e rate	NT\$	Change in exchange rate	Impact of profit or loss (before tax)	
<u>Financial assets</u>						
<u>Monetary items</u>						
US\$	\$	8,042	30.750	247,292	1%	2,473
RMB		7,397	4.3364	32,076	1%	321
<u>Financial liabilities</u>						
<u>Monetary items</u>						
US\$		459	30.750	14,114	1%	141
RMB		143	4.3364	620	1%	6
December 31, 2022						
	Foreign currency	Exchang e rate	NT\$	Change in exchange rate	Impact of profit or loss (before tax)	
<u>Financial assets</u>						
<u>Monetary items</u>						
US\$	\$	9,792	30.730	300,908	1%	3,009
RMB		5,391	4.4057	23,751	1%	238
<u>Financial liabilities</u>						
<u>Monetary items</u>						
US\$		2,894	30.730	88,933	1%	889
RMB		524	4.4057	2,309	1%	23

B. Exchange gains and losses on monetary items

Information on unrealized exchange gains and losses on monetary items is as follows:

December 31, 2023			December 31, 2022	
	Unrealized exchange profits (losses)	Exchange rate	Unrealized exchange profits (losses)	Exchange rate
<u>Financial assets</u>				
US\$:NT\$	\$ (7,492)	30.750	(2,670)	30.730
RMB:NT\$	(300)	4.3364	(50)	4.4057
<u>Financial liabilities</u>				
US\$:NT\$	549	30.750	(219)	30.730
RMB:NT\$	13	4.3364	19	4.4057

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(2) Interest rate risk

The Company's measures to address the risk of changes in interest rates on borrowings are to regularly evaluate the interest rates on bank loans and borrowings in various currencies, and to maintain good relationships with financial institutions in order to obtain lower financing costs; and to reduce its dependence on bank loans and diversify the risk of changes in interest rates by strengthening working capital management.

On December 31, 2022, the Company's bank loans were on a floating rate basis. If the annual interest rate on bank loans increases (or decreases) by 1%, the Company's income before income tax would decrease (or increase) by NT\$867 thousand for 2022, with all other variables held constant.

The above sensitivity analysis is based on the interest rate risk of the Company's bank loans on the reporting date. For floating rate liabilities, the analysis is based on the assumption that the amount of liabilities outstanding on the reporting date is outstanding throughout the year.

(3) Other price risk

The Company is exposed to the risk of changes in the market price of equity securities when it holds shares of domestic listed companies. The Company manages and monitors the performance of its investments on a fair value basis.

The sensitivity analysis of the price risk of holding domestic listed stocks (included in financial assets at fair value through other comprehensive income - current) is based on the change in fair value on the reporting date. If the price of the above equity instruments had increased/decreased by 5%, the amount of other comprehensive income would have increased/decreased by NT\$12,420 thousand and NT\$4,025 thousand for 2023 and 2022, respectively.

(XXV) Capital Management

Based on the characteristics of the current operating industry and the future development of the Company, and taking into consideration factors such as changes in the external environment, the Company plans its capital management to ensure that it can meet the needs for working capital, research and development expenses, and dividend payments in future periods.

For the years ended December 31, 2023 and 2022, there was no change in the Company's approach to capital management.

(XXVI) Investment and fund-raising activities for non-cash transactions

1. For the Company's acquisition of right-of-use asset through leases, please refer to Note 6(9) for details.
2. The reconciliation of liabilities from financing activities is as follows:

	January 1, 2023	Cash flow	Changes in non-cash Increase in lease liabilities	December 31, 2023
Short-term borrowings	\$ 86,720	(86,720)	-	-
Lease liabilities (including related parties)	40,921	(19,598)	627	21,950
Total liabilities from financing activities	<u>\$ 127,641</u>	<u>(106,318)</u>	<u>627</u>	<u>21,950</u>
	January 1, 2022	Cash flow	Changes in non-cash Increase in lease liabilities	December 31, 2022
Short-term borrowings	\$ 72,881	13,839	-	86,720
Lease liabilities (including related parties)	30,492	(16,186)	26,615	40,921
Deposits received	1,130	(1,130)	-	-
Total liabilities from financing activities	<u>\$ 104,503</u>	<u>(3,477)</u>	<u>26,615</u>	<u>127,641</u>

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

3. Investing activities with only partial cash payments:

	2023	2022
Acquisition of property, plant and equipment	\$ 46,190	137,188
Add: Payable for equipment at the beginning of the period	15,852	21,128
Less: Payable for equipment at the end of the period	(2,216)	(15,852)
Add: Prepayments for equipment at the beginning of the period	12,836	19,576
Less: Prepayments for equipment at the beginning of the period	(19,576)	(27,815)
Add: Reclassified from prepaid equipment	10,270	24,472
Cash paid during the period	<u><u>\$ 63,356</u></u>	<u><u>158,697</u></u>

VII. Related party transactions

(I) Parent company and ultimate controlling party

Darfon Electronics Corp. is the parent company of the Company and the ultimate controlling party of the group to which it belongs. It directly and indirectly owns 45.77% of the outstanding ordinary shares of the Company and has prepared consolidated financial statements for public use.

(II) Names and relationships of related parties

The Company's subsidiaries and related parties with whom the Company had transactions during the period covered by the parent-company-only financial reports are as follows:

Name of related parties	Relationship with the Company
Darfon Electronics Corp (Darfon)	The Company's parent company
Unicom Technologies, Inc.	Subsidiary of the Company
Unictron Technologies Corporation (Shenzhen) Co., Ltd. (Original WirelessCom Technologies (Shenzhen) Co., Ltd.)	Subsidiary indirectly held by the Company
Suzhou Darfon Electronics Corp (DFS)	A subsidiary of Darfon
Chongqing Darfon Electronics Corp (DFQ)	A subsidiary of Darfon
Darad Innovation Co., Ltd. (Darad)	A subsidiary of Darfon
Qisda Corporation (Qisda)	An individual who has significant influence on Darfon
Hitron Technologies (Hitron)	A subsidiary of Qisda
Hitron Technologies (Vietnam) (Hitron Vietnam)	A subsidiary of Qisda
Transnet Corporation (Transnet)	A subsidiary of Qisda
Alpha Networks Inc. (Alpha Networks)	A subsidiary of Qisda
DFI Inc. (DFI)	A subsidiary of Qisda
Global Investment Holdings (Global Investment)	(Note)

(Note) The Chairman of the Board of Directors of the company is related to the Company's key management as spouses; since March 2022, the company is no longer a related party of the Company due to the resignation of the above key management personnel of the Company.

(III) Significant transactions with related parties

1. Operating revenue

The amounts of sales to related parties are as follows:

	2023	2022
Subsidiaries	\$ 24,388	14,723
Parent company	208	490
Other related parties	32,374	63,119
	<u><u>\$ 56,970</u></u>	<u><u>78,332</u></u>

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

The transaction prices of the Company's sales to the above related parties are not significantly different from the normal sales prices, except for some products with different specifications, which are not comparable to the normal transaction prices; the credit period is 90 to 150 days on a monthly basis, which is not significantly different from the normal transactions.

2. Purchase

The amounts of the Company's purchases from related parties are as follows:

	2023	2022
Subsidiaries	\$ 4,143	3,097
Parent company	29	72
	\$ 4,172	3,169

The prices of the Company's purchases from the above related parties are not significantly different from the normal purchase prices; the payment terms are 90 days on a monthly basis, which are not significantly different from normal transactions.

3. Leases

The Company leases its plant from its parent company -Darfon at a rent that is based on the rental rate in the neighboring areas and is paid monthly. In July 2022, the Company entered into a lease agreement with Darfon and recognized a right-to-use asset and a lease liability of NT\$23,551 thousand.

The Company recognized interest expense of NT\$230 thousand and NT\$136 thousand for 2023 and 2022 respectively, and had a lease liability of NT\$16,633 thousand and NT\$21,258 thousand as of December 31, 2023 and 2022 respectively.

4. Property transactions

In January 2022, the Company sold transportation equipment to other related parties for NT\$1,067 thousand (before tax), resulting in a gain on disposal of NT\$61 thousand (before tax), which was recorded as non-operating income and expenses - other gains and losses. The related amount had been received as of December 31, 2022.

In December 2022, the Company purchased machinery equipment from its parent company Darfon for NT\$900 thousand (before tax). As of December 31, 2022, the related unpaid portion of the purchase price was recorded under other payables - related parties.

For the year ended December 31, 2023 and 2022, the Company entrusted its subsidiary Unictron Technologies Corporation (Shenzhen) to purchase equipment on its behalf. As of December 31, 2023 and 2022, the related prepayments of NT\$1,541 thousand and NT\$5,822 thousand, respectively, were included in prepayments for equipment.

5. Dividend

For the year ended December 31, 2023 and 2022, the amount of dividend income generated by the company's related parties' securities is as follows:

Item	Type of related parties	2023	2022
Other income	Parent company	\$ 6,150	-
Other income	Other related parties	5,720	7,150
		\$ 11,870	7,150

6. Others

The Company incurred operating costs and operating expenses for miscellaneous purchases from related parties, inspection and testing, and apportionment of utilities, etc. as follows:

Item	Type of related parties	2023	2022
Operating costs	Subsidiaries	\$ 10	-
Operating costs	Parent company	9,492	3,164
Operating expenses	Subsidiaries	120	-
Operating expenses	Parent company	3,025	300
Operating expenses	Other related parties	-	136
		\$ 12,647	3,600

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

7. Amounts due from related parties

The Company's receivables from related parties are summarized as follows:

Item	Type of related parties	December 31, 2023	December 31, 2022
Accounts receivable - related parties	Subsidiary - Unictron Technologies Corporation (Shenzhen)	\$ 17,091	10,715
Accounts receivable - related parties	Parent company	7	8
Accounts receivable - related parties	Other related parties	8,107	24,258
		\$ 25,205	34,981

8. Amounts due to related parties

The Company's payables to related parties are summarized as follows:

Item	Type of related parties	December 31, 2023	December 31, 2022
Accounts payable - related parties	Subsidiaries	\$ 453	1,148
Accounts payable - related parties	Parent company	17	10
Other payables - related parties	Subsidiaries	70	-
Other payables - related parties	Parent company	6,006	3,302
		\$ 6,546	4,460

(IV) Key management compensation

	2023	2022
Short-term employee benefits	\$ 54,983	72,597
Post-employment benefits	382	465
	\$ 55,365	73,062

VIII. Pledged assets

The carrying amounts of the assets pledged by the Company are as follows:

Name of assets	Subject of pledge	December 31, 2023	December 31, 2022
Time deposits (included in financial assets measured at amortized cost - current)	Customs import guarantee	\$ -	500
Time deposits (included in financial assets measured at amortized cost - current)	Corporate credit card deposits	600	600
		\$ 600	1,100

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

IX. Significant contingent liabilities and unrecognized contractual commitments: None.

X. Significant catastrophic losses: None.

XI. Significant subsequent events: None.

XII. Others

Employee benefits, depreciation and amortization expenses by function are summarized as follows:

By function By nature	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary expenses	220,698	152,318	373,016	278,005	200,930	478,935
Labor and health insurance expenses	22,356	14,013	36,369	25,272	13,726	38,998
Pension expenses	9,085	5,910	14,995	10,182	6,044	16,226
Directors' Remuneration	-	7,889	7,889	-	8,533	8,533
Other employee benefit expenses	12,513	4,902	17,415	13,627	5,493	19,120
Depreciation expenses	98,302	23,636	121,938	75,227	19,698	94,925
Amortization expenses	721	2,649	3,370	764	2,695	3,459

(Note) The above depreciation expenses for 2022 did not include depreciation expenses of NT\$394 thousand for investment properties, which were included in non-operating income and expenses.

Additional information on the number of employees and employee benefit expenses for 2023 and 2022 is as follows:

	2023	2022
Number of employees	498	543
Number of directors who are not employees	7	7
Average employee benefit expenses	\$ 900	\$ 1,032
Average employee salary expenses	\$ 760	\$ 894
Adjustment of average employee salary expenses	(14.99)%	(6.97)%
Supervisors' remuneration	\$ -	\$ -

Information on the Company's compensation policy (including directors, supervisors, managers and employees) is as follows:

A. Description of remunerations to directors and independent directors

The remuneration of the directors is distributed by the board of directors under the authorization pursuant to the Articles of Incorporation, based on the degree of participation and contribution of the directors to the Company's operations while referencing the "Regulations Governing Remuneration for Directors and Functional Committee Members" determined at the domestic and foreign industry standards, and references the results of director performance evaluation. Where the Company makes a profit in a year, the board of directors shall, pursuant to Article 21 of the Company's Articles of Incorporation, determine on the amount of directors' remuneration within 3% of the profit for the year, and submit the report to the shareholders' meeting upon the resolution of the Board.

B. Description of remunerations to presidents and vice presidents

The remuneration of the president(s) and vice president(s) is granted by the Remuneration Committee, based on their positions and duties, pursuant to the "Remuneration Committee Charter" and the "Principles of Managerial Officers' Remuneration Policy", while referring to the general level of peers, the Company's operating revenue, profit situation and performance of individual managerial officer.

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

C. Description of employee compensation

The Company's main principle for remuneration is to link duties and performance results, and provide market-competitive remuneration to attract, retain and cultivate talents for a long time. In addition to referring to the Company's overall operating performance, future operating risks and development trends of the industry, reasonable compensation is given based on the individual performance achievement rate and contribution to the Company's performance. The Remuneration Committee and the Board review the performance appraisal and reasonableness of compensation, and the remuneration system is reviewed in a timely manner depending on the actual operating conditions and relevant laws and regulations at any time, seeking to achieve a balance between the Company's sustainable operations and risk control. The short-term profits are not adopted as the only indicator for remuneration and performance evaluation but linking to the long-term shareholder value.

XIII. Notes disclosures

(I) Relevant information on significant transactions

The information on significant transactions required to be disclosed in accordance with the Company's preparation standards in 2023 is as follows:

1. Lending of funds to others: None.
2. Endorsement and guarantee for others: None.
3. Securities held at the end of the period (excluding investments in subsidiaries, affiliates and joint ventures):

Unit: thousand shares

Companies held	Type and name of securities	Relationship with the issuer of securities	Accounting subjects	End of period				Remarks
				No. of shares	Carrying amounts	Shareholding ratio	Fair value	
The Company	Qisda shares	Significant influence on the Company's parent company	Financial assets at fair value through other comprehensive income - current	2,860	137,280	0.15%	137,280	-
The Company	Darfon shares	The Group's parent company	Financial assets at fair value through other comprehensive income - current:	2,050	111,110	0.73%	111,110	

4. Cumulative purchases or sales of securities amounting to at least NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of properties amounting to at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of properties amounting to at least NT\$300 million or 20% of the paid-in capital: None.
7. Purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
9. Derivative transactions: Please refer to Note 6(2).

(II) Relevant information on re-investees:

Information on the Company's re-investees for 2023 is as follows (excluding the investees in Mainland China):

Unit: thousand shares

Name of investor companies	Name of investees	Location	Main businesses	Original investment amount		Holding at the end of the period			Current Profit or loss of the investees	Investment profit or loss recognized during the period	Remarks
				End of the period	End of last year	No. of shares	percentage	Carrying amounts			
The Company	Unicom Technologies, Inc.	Mauritius	Investment holdings	47,321 (USD1,535)	29,756 (USD968)	1,535	100.00%	24,557	(6,032)	(6,032)	Subsidiary of the Company

Notes to parent-only financial reports of Unictron Technologies Corporation (continued)

(III) Information on investment in Mainland China:

1. Name of the investee company in Mainland China, main businesses and other related information:

Name of investees in Mainland China	Main businesses	Paid-up capital	Investment method	Cumulative investment amount remitted from Taiwan at the beginning of the period	Amount of investment remitted or recovered during the period		Cumulative investment amount remitted from Taiwan at the end of the period	Investees Profit or loss for the period	Percentage of the Company's direct or indirect investment	Investment (loss) profit recognized during the period	Carrying value of investments at the end of the period	Investment income remitted or recovered as of the end of the period
					Remitted	Recovered						
Unictron Technologies Corporation (Shenzhen)	Design and marketing of antenna and modules for wireless communication	45,264 (USD1,472)	(Note 1)	27,829 (USD905)	17,435 (USD567)	-	45,264 (USD1,472)	(5,804)	100.00 %	(5,804) (Note 2)	23,963	-

Note 1: Company established through third-party investments and reinvested in Mainland China.

Note 2: Recognized based on the financial statements of the investee company audited by the parent company's accountants in Taiwan.

Note 3: The above amounts in NTS were translated into NTS at the closing exchange rate of 30.75 on December 31, 2023.

2. Investment limit in Mainland China:

Company name	Cumulative amount of investment remitted from Taiwan to Mainland China at the end of the period	Amount of investment approved by the Investment Commission, Ministry of Economic Affairs	Investment limit in Mainland China in accordance with the regulations of the Investment Commission, Ministry of Economic Affairs
The Company	45,264 (USD1,472)	45,264 (USD1,472)	1,034,606

3. Significant transactions with Mainland China investees:

Name of related parties	Relationship between the Company and its related parties	Transaction terms					Notes and accounts receivable (payable)		Unrealized loss (profit)
		Type	Amount	Price	Payment terms	Comparison with general transactions	Balance	Percentage	
Unictron Technologies Corporation (Shenzhen)	Subsidiary indirectly controlled by the Company	Sales	24,388	Price negotiated between both parties	150-day monthly settlement	(Note 1)	17,091	6.51%	161
		Purchase	4,143	Price negotiated between both parties	90-day monthly settlement	No significant difference from general transactions	453	0.45%	-

(Note 1): The transaction prices of the Company's sales to the related parties are not significantly different from the normal sales prices, except for some products with different specifications, which are not comparable to the normal transaction prices.

- Direct and indirect endorsement, guarantee or collateral provided by third parties to the investees in Mainland China: None.
- Direct and indirect loans and financing provided by third parties to the investees in Mainland China: None.
- Other transactions with significant impact on current profit or loss or financial position: None.

(IV) Information on major shareholders

Unit: shares

Names of major shareholders	Shares	No. of shares held	Shareholding percentage
Darfon Electronics Corp.		17,551,081	36.65%
Chengli Investment Co., Ltd.		4,361,375	9.10%

XIV. Department information

Please refer to the consolidated financial reports for 2023 for details.

Unictron Technologies Corporation
Details of cash and cash equivalents
December 31, 2023

Unit: NT\$ Thousand

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash on hand and working capital		\$ 242
Checking deposits		1,302
Demand deposits		231,903
Foreign currency deposits (Note 1)		70,976
Time deposits with original maturities of less than three months	Annual interest rate of 1.10%~3.05%	58,543
		<u><u>\$ 362,966</u></u>

Note 1: Foreign currency deposits are translated at the spot exchange rate on December 31, 2023.

US\$ 2,059 thousand (US\$: NT\$=1: 30.75)

JPY 984 thousand (JPY: NT\$=1: 0.2175)

RMB 1,453 thousand (RMB:NT\$=1: 4.3364)

EUR 33 thousand (EUR:NT\$=1: 34.034)

**Details of financial assets measured at amortized cost -
current**

<u>Name</u>	<u>Summary</u>	<u>Interest rate</u>	<u>Carrying amounts</u>
Time deposits with original maturities of over three months	First Bank, Land Bank and E.SUN Bank	0.645%~1.335%	\$ 215,000
Pledged time deposits	First Bank	1.565%	600
			<u><u>\$ 215,600</u></u>

Unictron Technologies Corporation
Details of notes and accounts receivable
December 31, 2023

Unit: NT\$ Thousand

<u>Name of customer</u>	<u>Amount</u>
Customer A	\$ 37,089
Customer B	36,657
Customer C	24,566
Customer D	22,491
Customer E	13,183
Others (Note)	<u>104,140</u>
	238,126
Less: Allowance for losses	(686)
	<u><u>\$ 237,440</u></u>

Note: None of them reached 5% of this account.

Details of accounts receivable - related parties

<u>Name of customer</u>	<u>Amount</u>
Unictron Technologies Corporation (Shenzhen)	\$ 17,091
Hitron	6,949
Others (Note)	<u>1,165</u>
	<u><u>\$ 25,205</u></u>

Note: None of them reached 5% of this account.

Unictron Technologies Corporation
Details of inventories
December 31, 2023

Unit: NT\$ Thousand

Item	Amount		Remarks
	Carrying amounts	Net realizable value	
Raw materials	\$ 102,035	135,286	Net realizable value at market price
Work in process	129,352	144,282	Net realizable value at market price
Finished products	84,003	174,332	Net realizable value at market price
Goods	7,663	13,882	Net realizable value at market price
	<u>\$ 323,053</u>	<u>467,782</u>	

Details of prepayments and other current assets

Item	Amount
Input tax	\$ 1,933
Prepayments of maintenance fees	1,141
Prepayments of insurance expenses	1,077
Prepayments of goods	834
Others (Note)	2,404
	<u>\$ 7,389</u>

Note: None of them reached 5% of this account.

Unictron Technologies Corporation

Details of changes in acquisition of investments accounted for using the equity method

January 1 to December 31, 2023

Unit: NT\$ Thousand

<u>Name of investees</u>	<u>Opening balance</u>		<u>Increase during the period</u>		<u>Decrease during the period (Note 1)</u>		<u>Share of (losses) profit of subsidiaries recognized using the equity method</u>	<u>Exchange differences on translation of foreign operations</u>	<u>Realized (unrealized) gross profit on sales</u>	<u>Equity method adjustment</u>	<u>Closing balance</u>			<u>Net equity</u>		
	<u>No. of shares</u>	<u>Amount</u>	<u>No. of shares</u>	<u>Amount</u>	<u>No. of shares</u>	<u>Amount</u>					<u>No. of shares</u>	<u>Shareholding percentage</u>	<u>Amount</u>	<u>Unit price (NT\$)</u>	<u>Total</u>	<u>Provision of guarantees or pledges</u>
UTI	968	\$ 11,048	567	17,565	-	-	(6,032)	(41)	2,017	-	1,535	100%	24,557	15.89	24,395	None

Unictron Technologies Corporation
Details of notes and accounts payable
December 31, 2023

Unit: NT\$ Thousand

<u>Name of firm</u>	<u>Amount</u>
Firm A	\$ 14,418
Firm B	13,310
Firm C	11,003
Others (Note)	61,476
	<u>\$ 100,207</u>

Note: The accounts payable to individual firms did not reach 5% of this account.

Details of accounts payable - related parties

<u>Name of firm</u>	<u>Amount</u>
Unictron Technologies Corporation (Shenzhen)	\$ 453
Darfon	17
	<u>\$ 470</u>

Details of other payables

<u>Item</u>	<u>Amount</u>
Salaries and bonuses payable	\$ 87,011
Compensation payable to employees and directors	26,791
Payables for unused vacation bonuses.	12,126
Others (Note)	59,224
	<u>\$ 185,152</u>

Note: None of them reached 5% of this account.

Detail of other payables - related parties

<u>Name of firm</u>	<u>Amount</u>
Darfon	\$ 6,006
Unictron Technologies Corporation (Shenzhen)	70
	<u>\$ 6,076</u>

Unictron Technologies Corporation
Details of other current liabilities
December 31, 2023

Unit: NT\$ Thousand

<u>Item</u>	<u>Amount</u>
Refund liabilities	\$ 5,252
Contract liabilities	3,465
Temporary payments	1,010
Others (Note)	13
	<u><u>\$ 9,740</u></u>

Detail of lease liabilities

<u>Item</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Closing balance</u>
Building and construction	2019/5/1~2024/4/30	1.39%	\$ 4,930
Building and construction	2016/2/1~2026/1/31	1.39%	119
Building and construction	2022/10/1~2024/9/30	1.45%	268
Building and construction	2022/7/1~2027/6/30	1.20%	16,633
			<u><u>\$ 21,950</u></u>
Current:			
Lease liabilities - current			<u><u>\$ 5,255</u></u>
Lease liabilities-current - related parties			<u><u>\$ 4,681</u></u>
Non-current:			
Lease liabilities-non-current			<u><u>\$ 62</u></u>
Lease liabilities - non-current - related parties			<u><u>\$ 11,952</u></u>

Unictron Technologies Corporation
Details of operating costs
January 1 to December 31, 2023

Unit: NT\$ Thousand

<u>Item</u>	<u>Amount</u>
Raw materials:	
Raw materials at the beginning of the period	\$ 134,449
Add: Net incoming materials during the period	210,198
Transfer from work in process	67,218
Inventory gain of raw materials	52
Less: Raw materials at the end of the period	135,227
Transferred to various expenses	21,735
Scrapping of raw materials	2,555
Raw materials consumed during the period	252,400
Direct labor	164,819
Manufacturing expenses	395,904
Manufacturing costs	813,123
Work in process at the beginning of the period	152,259
Add: Finished products input	86,915
Net purchases during the period	2,604
Goods inventory input	48
Less: Work in process at the end of the period	151,536
Transfer to raw materials	67,218
Transferred to various expenses	2,361
Scrapping of work in process	4,408
Inventory loss of work in process	1
Costs of finished goods	829,425
Finished products at the beginning of the period	106,581
Add: Net purchases during the period	9,820
Transfer from various expenses	725
Less: Finished goods at the end of the period	110,877
Transfer to work in process	86,915
Scrapping of finished products	976
Cost of production and sales	747,783
Goods inventory at the beginning of the period	39,170
Add: Purchases during the period	60,612
Less: Inventories at the end of the period	24,011
Transfer to work in process	48
Transferred to various expenses	57
Production and sales costs	75,666
Sales costs	823,449
Inventory falling price loss	33,688
Loss on obsolescence of inventories	7,939
Inventory gain	(51)
Operating costs	<u><u>\$ 865,025</u></u>

Unictron Technologies Corporation
Details of marketing expenses
January 1 to December 31, 2023

Unit: NT\$ Thousand

<u>Item</u>	<u>Amount</u>
Salary expenses	\$ 27,217
Export expenses	5,467
Travelling expense	3,166
Insurance expense	2,567
Other expenses (Note)	12,060
	<u><u>\$ 50,477</u></u>

Note: None of them reached 5% of this account.

Details of administrative expenses

<u>Item</u>	<u>Amount</u>
Salary expenses	\$ 51,025
Directors' Remuneration	7,889
Insurance expenses	7,210
Depreciation expenses	6,259
Other expenses (Note)	19,611
	<u><u>\$ 91,994</u></u>

Note: None of them reached 5% of this account.

Unictron Technologies Corporation
Details of research and development expenses
January 1 to December 31, 2023

Unit: NT\$ Thousand

<u>Item</u>	<u>Amount</u>
Salary expenses	\$ 74,076
Depreciation	16,085
Material testing expenses	6,853
Other expenses (Note)	30,014
	<u>\$ 127,028</u>

Note: None of them reached 5% of this account.

Please refer to Note 6(2) in the parent-company-only financial reports for the details of financial assets at fair value through profit or loss - current

Please refer to Note 6(3) in the parent-company-only financial reports for the details of financial assets at fair value through other comprehensive income - current

Please refer to Note 6(8) in the parent-company-only financial reports for the details of changes in property, plant and equipment.

Please refer to Note 6(8) in the parent-company-only financial reports for the details of changes in accumulated depreciation of property, plant and equipment.

Please refer to Note 6(9) in the parent-company-only financial reports for the details of changes in right-of-use asset.

Please refer to Note 6(10) in the parent-company-only financial reports for the details of changes in investment property.

Please refer to Note 6(11) in the parent-company-only financial reports for the details of changes in intangible asset.

Please refer to Note 6(17) in the parent-company-only financial reports for the details of deferred income tax assets.

Please refer to Note 6(2) in the parent-company-only financial reports for the details of changes in financial liabilities at fair value through profit or loss - current.

Please refer to Note 6(14) in the parent-company-only financial reports for the details of provision for liabilities - current.

Please refer to Note 6(17) in the parent-company-only financial reports for the details of deferred income tax liabilities.

Please refer to Note 6(16) in the parent-company-only financial reports for the details of net defined benefit liabilities - non current.

Please refer to Note 6(20) in the parent-company-only financial reports for the details of operating revenue.

Please refer to Note 6(22) in the parent-company-only financial reports for the details of other income, other gains and losses and finance costs for non-operating income and expenses.