

Stock Code: 6160



CIPHERLAB CO., Ltd.

2023 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Printed on May 15, 2024

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CipherLab Co., Ltd

2023

I. Letter to Shareholders

Dear Shareholders:

Due to the impact of rising inflation on the global economic climate in 2023, the central bank adopted tight monetary policies. This led to a downturn on terminal market, impacting on the product sales, especially in developed markets. However, the demand for industry application in emerging markets remained strong, and thus a significant growth has shown in sales compared to previous periods. Despite various adverse factors, CIPHERLAB CO. still actively localized its business operation in regional markets, and conveyed company value to the customers, aiming to enhancing value of both sides.

As for the future goals of 2024, CIPHERLAB CO. will constantly prioritize in enhancing customers value, launching intergrated application solution tailored to the customer's demand, namely Edge Computing AI Solution. The solution intergrated functions including voice, vision, barcode, RFID and more into a single device. Additionally, we will continue to develop 5G, WiFi 6E extension models to address emerging application areas across various industries. Simultaneously, we will strength market team structure in regional markets, and collaborate with key partners. In terms of factory operation, we will effectively control inventory levels, enhancing product quality, establishing the foundations for the sustained company growth, and deliver profits to the shareholders.

I. 2023 business report

1. Business Operational Performance

In 2023, the consolidated operations are mainly driven by net operating income of NT\$1,359,549 thousand, which increased by 8.08% compared to 2022. The net loss after tax attributable to the Company was a loss of NT\$4,366 thousand, a decrease of NT\$36,620 thousand compared to fiscal year 2022, resulting loss per share after tax of NT\$0.06

2. Budget Execution

As the financial forecast in 2023 is not available to the public, there is no information about budget execution.

3. Revenue & Expenditure and Profitability Analysis

(Resources: consolidated financial statements)

Unit : NT\$ thousand

Year		Item	2023	2022	Difference (%)
Revenue & Expenditure	Operating Revenue		1,359,549	1,257,962	8.08%
	Operating profit margin		498,478	472,077	5.59%
	Profit After Tax		-4,844	31,194	(115.53%)
Profitability Analysis (%)	Debt Ratio: (Total Liabilities / Total Assets)		37.13	41.33	(10.16%)
	Long Term Funds to Fixed Assets : (Long Term Funds / Fixed Assets)		706.49	817.71	(13.60%)
	Current Ratio : (Current Assets / Current Liabilities)		268.89	235.25	14.30%
	Quick Ratio : (Liquid Assets / Current Liabilities)		110.38	107.56	2.62%
	Return on Equity : (Profit After Tax / Average Shareholder's Equity)		-0.62	4.05	(115.31%)
	Profit Margin : (Profit After Tax / Net Sales)		-0.36	2.56	(114.06%)
	Earnings Per Share: (Profit After Tax – Preference Dividend)/ Weighted Average Shares Outstanding		-0.06	0.47	(112.77%)

4. Research and Development Status

In the year of 2023, global activities restrictions were completely lifted, and various business activities began to thrive. Demands in manufacture, e-commerce, retail, warehousing, logistics continued to increase. Thus, CIPHERLAB CO. constantly put resources into the research and development of various AIDC mobile devices, sensor modules, device management systems, and various software applications. Users can choose suitable methods to simplify operation process and manage assets effectively based on different requirements. Now, all series of Android models comply with Google GMS and AER certification, providing enterprise users with automatic data capture products which meet information security requirements. Besides, CIPHERLAB CO. begun to engage in security-related certifications to provide additional protection for enterprise users.

Main products developed in 2023, including:

1. AER Mobile Data Collector:

Launching a rugged mobile computer, RK26, and a 5.5-inch touchscreen mobile computer, RS36. Both devices feature robust and durable designs, equipped with high-performance processors, high capacity of memory and storage space. With high-grade dust and water resistance ratings and the design which support various scanning heads, along with faster WiFi6 data transmission, these devices are suitable for use in various environments including warehousing logistics, manufacturing, retail, healthcare, and public safety.

2. Scanner device:

CIPHERLAB CO. launched our first wearable scanner WR30 in the second half of the year. It features a light and ergonomic design, and thus users can wear comfortably throughout the day. In addition to inheriting CIPHERLAB CO.'s powerful scanning performance, its long-lasting battery life and support for various Bluetooth devices allow users to collect data without missing any information while keeping their hands free.

3. In the second half of the year, we completed the conceptual verification of the temperature sensing and recording module [Proof of Concept (POC), and together with customers, advanced it to the Minimum Viable Product (MVP: optimize customer field processes)]. The temperature sensing and recording module can be utilized in the increasingly thriving cold chain transportation and distribution industry. Throughout the process from pickup to delivery of cold chain goods (such as vaccines, pharmaceuticals, and fresh produce), the temperature sensing and recording module can measure the temperature and simultaneously upload temperature records to the headquarters. This assists in addressing the need for evidence of the logistics operator, resolving the long-standing difficulties they encounter in evidence collection and liability determination.

4. Relevant Application Development:

ReMoCloud/EndeCloud enables registered devices to be included into enterprise management, allowing IT and department managers to easily monitor the activity status of company devices, reducing the time required for large-scale deployment and configuration, and restrict company devices to be used only for work purposes. With multi-factor authentication (MFA) enhancing information security, IT can configure and manage devices from anywhere without being limited by location, thereby improving work efficiency. Additionally, successful adoption of ISO/IEC 27001:2022 BSI standards helps reduce the risk of information leakage and stakeholders, establishing brand trust.

5. AI Assistance:

Building upon automatic license plate recognition, CIPHERLAB CO. has also addressed the needs of retail industry customers. Integrating the Scan Engine of the new generation AER product enables date object recognition for consumer products, swiftly identifying whether items are expired. Emphasizing immediacy and convenience, this reduces errors caused by human judgment and delays from backend data interpretation.

5. Business Expansion Status:

1. We are building a localized and experienced business team, enhancing our first-line outstanding sales personnel, developing vertical market cooperation partners and alliances, implementing profit-oriented performance assessment, establishing an agile and sound business organization, and continuously strengthening our business promotion efforts.
2. We are integrating technical support and on-site application consulting to gain a deeper understanding of user needs, enhancing user engagement on the client-side, assisting enterprise users in improving operational efficiency and customer experience, expanding and transforming business models, establishing a client-side business ecosystem, deepening collaboration with enterprise users, replicating successful models, and discussing the future development direction and mode together.

II. Strategy for 2024 Business Development:

i. Development plan for new products and research :

1. Development plan for public and private cloud enterprise devices management and agile smart data systems:
 - A. 5G: The global industry's demand for data transmission is increasing, and the requirements for user experience are also constantly improving. Therefore, CIPHERLAB CO. must continue to work towards providing solutions that can provide higher data transmission rates, reduce latency, save energy, and reduce costs. 5G is a key technology that CIPHERLAB CO. has adopted to meet the new demands and challenges of the Artificial Intelligence of Things (A-IoT).
 - B. WIFI 6E (IEEE 802.11ax): WiFi 6E is an upgraded version of WiFi 6. In addition to the existing 2.4 GHz and 5 GHz bands, it adds the 6 GHz band. The 6 GHz band offers wider spectrum and less interference, thus providing higher speeds and lower latency. Moreover, this band has more channels, allowing for more devices to be accommodated, addressing the increasing number of devices and data traffic. Compared to 802.11ac, its performance increases transmission speeds by 150% and reduces latency by 75%, providing a better user experience for advanced applications such as fully wireless offices and the Internet of Things (IoT).
 - C. Temperature sensing and recording module:
 - a) Temperature Sensing Module:

This year, we will collaborate with key partners to quickly launch into the actual market in Minimum Viable Product (MVP) mode, confirming the actual usage scenarios for logistics operators. Subsequently, we will refine the temperature sensing and recording module based on feedback from actual usage by operators, aiming for it to become a market-demanded and profitable product.
 - b) 3D Sensing Module:

This will be applied in the product shipping or receiving process to measure the

dimensions of product packaging, providing more precise and digitized information for calculating the volume of shipped items and transport space. We hope to offer accurate and convenient measurement vehicles and services in the future, providing warehouse, manufacturing, and logistics operators with a better user experience and improved work efficiency.

D. AI projects:

- a) Tire Number Recognition: Tailoring customized models to specific usage scenarios based on customer requirements, we train the Camera Sensor of existing AER products to develop a real-time tire number recognition system. Emphasizing automation, accurate identification, fast efficiency, and high convenience, this system reduces errors caused by human visual judgment or manual entry of numbers.
- b) 7-Segment Recognition: Targeting medical industry customers, we integrate the image from the existing AER product's Scan Engine to recognize 7-Segment digits on instruments, swiftly identifying the numbers on the instrument. Emphasizing real-time capability and convenience, this reduces errors caused by manual entry of numbers by operators.

2.ReMoCloud/EndeCloud public and private cloud enterprise devices management systems:

- A. Public and private cloud enterprise devices management systems can include all registered devices into the scope of enterprise management, making IT department and managers can easily get hold of the activity status of company devices, reducing the time required for large-scale deployment and configuration, and restrict company devices for work-related purposes only; strengthen information security with multi-factor authentication (MFA) mechanism, enabling IT to perform configuration and management from anywhere without location restrictions, thereby improving work efficiency.
 - a) The new device tracking feature allows enterprises to effectively manage the geographic location of devices in various locations, restrict work areas, and record trajectories of movement to adjust workflows and improve operational efficiency.
 - b) The machine learning feature provides customers with a platform to train neural artificial intelligence on their own, achieving the evolution of artificial intelligence Internet of Things through edge computing, and make the machine applications for repetitive tasks more efficient.
 - c) Implementing the EU General Data Protection Regulation (GDPR) to safeguard global human rights and privacy.
- B. Agility Intelligence: an agile intelligent data system which is able to uses big data analysis to obtain insights of customers' task goals, job requirements, operational capabilities, and future trends. It also provides visualized statistical analysis reports and management dashboard to assist in improving the management efficiency of IT and departmental supervisors, and to identify key reasons for improving business capabilities.
- C. EagleEyes: a remote device control system which is able to control devices timelier and further achieve the goal of remote collaborative work through remote operation, device tracking, environmental sound, and remote video functions.
- D. Contactless payment: providing a third-party payment tool integration platform and complying with the PCI international standard protocol to achieve the transaction function of contactless payment and meet the market demand for the last mile of payment flows.

3. Development plan for Scanner

The COVID-19 pandemic has accelerated the ongoing digital transformation trend for retailers and has led to a wider adoption of RFID technology. According to global data center statistics, the RFID market is expected to grow at a compound annual growth rate of 20% over the next five years, with the retail, logistics, and warehousing industries being the most prominent beneficiaries. In addition to quickly tracking asset and product location and quantity, there is also a rising demand for applications that collect environmental parameters such as temperature. CIPHERLAB CO. Information will develop next-generation RFID products with ergonomic grip designs, long-term usability, and ease of use without the need for training.

4. Mobile POS and Self-Service Systems: In the post-COVID-19 era, there is a growing demand for contactless payment and self-service systems that reduce crowd gatherings. In response, CIPHERLAB CO. is developing optimized user interfaces and integrating various payment mechanisms to enhance the integration of software and hardware services.

ii. Market Sales Development Plan:

A. 1. Customer Relationship Deepening:

Committed to establishing and maintaining long-term customer relationships. Through regular communication, customer visits, and feedback systems, we understand customers' business challenges and needs deeply, providing customized solutions. Our main clients include system integrators, software developers, and value-added sales agents. We strive to cultivate large customers, thereby establishing a business ecosystem between the supply side and the user side, enhancing the ability and scope of participation in user-side projects.

2. Product Quality and Innovation:

We continue to invest in product research and development to ensure that our products meet industry standards in terms of quality. Additionally, we use innovation and service to address new problems and challenges faced by our customers, providing customers with hardware and software equipment solutions, as well as extended remote (cloud) networked mobile management systems, expanding to related operational networks, aiming for comprehensive integration of the business ecosystem.

3. Value Proposition Strategy:

Establish clear value propositions for customers, highlighting the advantages of products and services and ensuring a satisfying customer experience. Additionally, establish database of USER CASE, in order to enhance completeness and win customers' trust through connecting users' value and goals.

- Gain a deep understanding of user environments and collaborate with IT units to improve IT systems and promote digitalization.
- Collaborate with operational units to establish processes and procedures, and establish indicators to enhance user experience.
- Become a collaborative partner with management decision-making units, review and optimize process steps, improve indicators, and expand and transform business models and content.

4. Sales Channel Development:

Establish and optimize sales channels, including direct sales teams, channel partners, and strategic alliances. Provide training and support to channel and strategic alliance partners to ensure successful and effective delivery of user value to customers. Task the sales teams

with strengthening collaborative relationships, mutually benefiting each other, and pursuing the maximum possible revenue and profit for the company.

5. Constant Improvement and Learning:

Encourage a culture of innovation and continuous improvement, motivating employees to continuously learn and enhance their skills. Enhance team skills and efficiency through on-the-job training and professional development opportunities.

6. Sustainable Development and Social Responsibility:

Committed to achieving sustainable business practices and being accountable to society and the environment. Enhance the company's brand value and social impact through environmentally friendly operational processes and social responsibility initiatives.

7. Expected Sales Quantity and Basis:

The main operating income of our company comes from the manufacturing and sale of industrial smart phones, data terminals, and peripheral scanning devices, as well as fee-based technical support and services. These can be categorized by application fields such as warehouse management, manufacturing, retail, transportation logistics, etc. Since our board of directors has not decided to disclose forecast information, there are no statistical values for expected sales quantities.

B. Factory Operation Plan:

- Inventory Preparation Mode: In response to global supply chain restructuring, raw material shortages, and rising costs, we will establish a supply chain management (SCM) communication platform to discuss strategic procurement decisions every week, in addition to preparing inventory based on monthly business forecasts.
- Production Mode: We take the different advantages of in-house and outsourced production to meet the characteristics of business orders and process differences of various models. Besides, we allocate the production capacity configuration of in-house and outsourced production to achieve the most efficient production. Moreover, we also utilize the production capacity and material procurement advantages of ODM factories to reduce production costs and maximize production yield.
- Inventory Rationalization: We strengthen timely control of on-order delivery dates and reduce the minimum order quantity (MOQ) for procurement. We also enhance the quick linkage of Production, Sales, and Inventory (PSI) information to achieve effective inventory reduction.
- Smart Factory : 1. We continue to integrate information from each stage of the production process to provide product production history inquiry and analysis..
2. We continuously introduce automated testing for product production to improve production quality and efficiency.

III 、 Influenced by external competitive environment, regulatory environment and general economic environment:

In the fiscal year 2024, central banks in various countries have gradually eased their monetary tightening policies, some even beginning to lower interest rates in the latter half of the year. With the advent of new AI technologies, various applications are actively developing and gradually expanding to consumer terminals, offering opportunities for the slow recovery of the market economy. To maintain a competitive edge in the industry, CIPHERLAB CO. not only actively invests resources in the integration and development of industry solutions in AI applications but also strengthens the

functionality of cloud management systems to meet user demands. With the expectation that the company can overcome operational challenges one by one in the context of economic recovery, we look forward to seizing the great opportunities in the market.

In addition to the abovementioned business strategies and policies, in the face of the rapidly changing market and challenges from competitors, the company will adhere to its consistent business philosophy and cautious attitude to meet these challenges. We aim to pursue fruitful business results for the benefit of society, shareholders, customers, and employees alike.

We would like to express our deepest gratitude to all the shareholders for their long-term support and care for CIPHERLAB CO. We look forward to your continued encouragement and guidance in the coming year. We wish you all the best and hope that everything goes smoothly for you and your families. Thank you all very much.

Chairman/President Mr. Steven Liao

II. Company Profile

2.1 Date of incorporation: October 12, 1988

2.2 Company History

- 1988 ● Company Established, Paid-in capital to NT\$5,000,000. Set up the first “Instant Reporting System” for Taiwan Securities Firm.
- 1989 ● Introduced the Time Attendance/Data Terminal -5000.
- 1990 ● Established the first domestic the solid-state LCD technology Eco-Friendly Display for CPC Corporation Taiwan - Linyuan Dist.
- 1991 ● Introduced the handheld CCD Barcode Scanner -1021.
- 1992 ● Introduced the smallest in the world Tiny I Decoder-101 and Access Control Terminal-6002, Barcode Slot Reader-1002 (Metal housing) .
- 1993 ● Designed The first Portable Terminal IC Terminal for Bank of Taiwan System
- 1994 ● Introduced The Barcode Slot Reader-1022 (Plastic housing) .
 - Increased paid-in capital to NT\$12,500,000 in cash, Total paid-in capital increased to NT\$17,500,000
- 1995 ● Introduced The Magnetic Stripe Reader-1023, Programmable Terminal-510, Tiny III Performance Editing Decoder-131.
- 1996 ● Introduced The Handheld High Sensitivity CCD Barcode Scanner-1067/90, Programmable Power Universal Terminal-201.
 - Increased paid-in capital to NT\$12,500,000 in cash, Total paid-in capital increased to NT\$30,000,000.
 - Purchased the first Self-owned Real Estate
- 1997 ● Introduced The Super-102 Tiny I + Barcode Decoder-102.
 - Increased paid-in capital to NT\$50,000,000 in cash, Total paid-in capital increased to NT\$80,000,000.
 - Passed Germany ISO-9001 International Quality Management System Certification.
 - Assisted 7-11 to implement the first-generation POS (All 7-11 Stores use the CCD barcode scanner from the Company).
- 1998 ● Introduced Multi-function Programmable Terminal-520, Fixed CCD Scanner-104, The first special for Terminal Program Editing Software-Basic Compiler and Handheld Laser Scanner-1240, Portable Terminal-710, Ethernet Box-310 etc.
 - Earning turn to increase capital NT\$16,000,000 and also increased paid-in capital NT\$99,000,00 in cash, total paid-in capital increased to NT\$195,000,000.
 - The Magnetic Stripe Reader of the Company has obtained Compaq attendance system implemented in Italy Ministry of Education.
 - Assisted Family Mart to implement the first-generation POS (All Stores use the CCD barcode scanner from the Company).
 - The Chairman Mr. Steven Liao received the 2nd Gold Asian Award of Outstanding for his role from Chinese Council for the Promotion of International Trade and Tatung Academic Foundation.
 - CCD Reader is honored received the 2nd Gold Asian Product Award of Outstanding from Chinese Council for the Promotion of International Trade and Tatung Academic Foundation.
- 1999 ● Introduced the second-generation Portable Terminal-720
 - Earning turn to increase capital and Capital Reserve turn to increase NT\$27,300,000 , Total paid-in capital increased to NT\$222,300,000.
 - Approved for public offering by the Securities and Futures Bureau of the Ministry of Finance.
- 2000 ● Introduced The Portable Terminal Accessories-711/720, Dual Port Etherter Box-350, USB/RS232 Converter, Access Control Terminal-605 .
 - Earning turn to increase capital and Capital Reserve turn to increase capital NT\$44,460,000, Total paid-in capital increase to NT\$266,760,000 .
- 2001 ● Introduced long distance CCD 1D, 2D barcode scanner -1300, 1301 Linear Image Scanner, long distance CCD memory 1D, 2D barcode scanner-1310, 1311Linear Image Memory Scanner, Handheld CCD barcode scanner-1000 CCD Barcode Scanner, 1100 Retail Imager .
 - Capital increase from earnings (including employee bonus) and capitalization of capital reserve NT\$16,764,000, Total paid-in capital increase to NT\$283,524,000.
 - Established Subsidiary-Syntech West in the US.

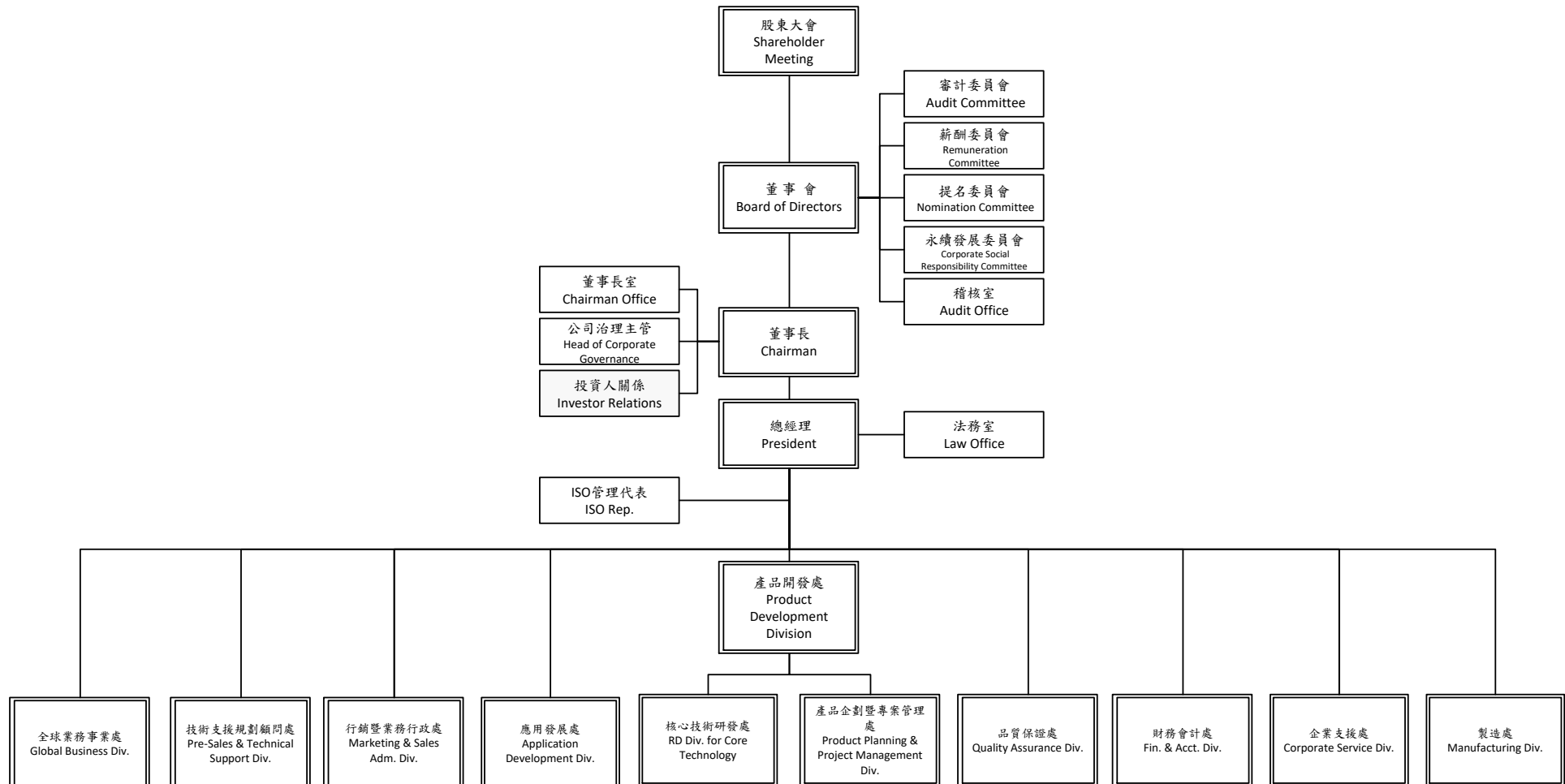
- 2002
 - Submitted the TPEx-listed application to Taipei Exchange.
 - Application approved by Taipei Exchange and officially listed for trading in March.
 - Introduced Wireless Portable Data Terminal °
 - Capital increase from earnings (including employee bonus) NT\$37,155,400, Total paid-in capital increase to NT\$326,709,400.
- 2003
 - Introduced Wireless Scanner, Bluetooth Wireless Terminal.
 - Passed Germany ISO9001:2000 International Quality Management System Certification.
 - Capital increase from earnings (including employee bonus) NT\$77,712,880, Total paid-in capital increased to NT\$398,392,280.
- 2004
 - Introduced Bluetooth Wireless Scanner-1160/1260, Bluetooth Wireless Terminal-CPT-8061, CPT-8071 Wireless Terminal-CPT-8071, Fixed Data Terminal-5000/5100
 - Capital increase from earnings (including employee bonus) NT\$101,646,300, Total paid-in capital increased to NT\$50,038,580.
- 2005
 - Introduced Bluetooth Wireless Scanner, Industrial Portable Data Terminal.
 - Capital increase from earnings (including employee bonus) NT\$121,811,100, Total paid-in capital increased to NT\$621,849,680.
- 2006
 - Introduced 8500 、 9500 Pocket PC and 9500 WinCE Industrial Mobile Computer.
 - 1090+ Hand Held Scanner.
 - All production line complies with RoHS-EU environmental protection directive.
 - Capital increase from earnings (including employee bonus) NT\$87,961,520, Total paid –in capital increased to NT\$709,811,200.
- 2007
 - Introduced 9400 Industrial Mobile Computer °
 - Established Subsidiary in China.
 - Awarded 2007 The Best Handheld Automation Product Innovation Award from Global Growth Consulting Company Frost & Sullivan.
- 2008
 - Introduced 1500 Handheld Value Scanner.
 - Introduced 1660 pocket-size Bluetooth Scanner.
 - Established Subsidiary DACH in Germany.
- 2009
 - Introduced BT scanner 1560/1562 series products
 - Introduced 8400 series products
 - Introduced 9300 series products
 - Awarded Best Product and Service Award from Networks Products Guide, North America in 2009.
 - Awarded 1660 Gold Mobile Star Award from MobileVillag, North America in 2009.
 - Established Subsidiary GmbH in Germany.
- 2010
 - Introduced 9600 series products.
 - Introduced Industrial Handheld 2D Barcode Scanner1704.
 - Established subsidiary CipherLab Medical Co., Ltd.
- 2011
 - Anti-bacterial protection series products (1500H, 1600H, 8000H) : including barcode scanner and Self-platform industrial mobile computer
 - 2D Barcode Scanner (1504, 1564): including barcode scanner with wire and Bluetooth wireless barcode scanner.
 - 1070: Contact Barcode Scanner
 - 1661: Pocket-sized linear imager scanner
 - 8200: Self-platform industrial mobile computer
 - CP30: PDA-typed Windows mobile computer
 - Established Remuneration Committee
- 2012
 - 8700: Self-platform Industrial Mobile Computer
 - Pocket-sized Bluetooth Barcode scanner (1662, 1664): Bluetooth wireless laser and 2D Imager Scanners.
 - Anti-bacterial protection series products (8200H, 1664H): including barcode scanner and Self-platform industrial mobile computer and 2D barcode scanner.
 - 1861: Handheld RFID reader.
 - CP50: Windows Embedded Handheld Industrial Mobile Computer.
 - Established Subsidiary CipherGenii Co., Ltd.
- 2013
 - CP60: Windows Embedded Handheld and Windows CE handheld Industrial Mobile Computer.
 - 1663: Pocket-sized Bluetooth Linear Imager Scanner.
 - 9200: Windows Embedded Handheld Industrial Mobile Computer.
 - 8600: CipherLab operation system (COS) Handheld Industrial Mobile Data Collection

- 2014 ● Introduced CP55 and 9700 two type which have Windows Embedded Handheld Windows CE can choose of Handheld Industrial Mobile Computer.
- 2015 ● Introduced 1862 New Generation Handheld RFID reader.
- Introduced New Generation 1500 series Barcode Scanner: Including 1500P 1D Barcode Scanner with wire , 1560P Bluetooth Wireless 1D Barcode Scanner,1504A 2D Barcode Scanner with wire and 1564A Bluetooth Wireless 2D Barcode Scanner.
- Introduced the first with Android OS Mobile Computer: RS30 Series Touch-centric Android Mobile Computer.
- 2016 ● Established CipherLab Europe Representative Office in the Netherlands.
- Invested to established mPlus Technology Co., Ltd, develop the solution of marketing the POS system.
- 2017 ● Introduced 2500 Series Rugged Handheld Scanner.
- Introduced 9700 Series Extend Model , Android OS Handheld Industrial Mobile Computer.
- Introduced RS31Series Touch-centric Mobile Computer, continuing the using experience and energy of RS30 series.
- Introduced RS50 Series Rugged Touch-centric Mobile Computer, develop high class user group.
- 2018 ● Introduced 2200 Series Omnidirectional Presentation Scanner.
- Introduced RK25 Series Rugged Mobile Computer, satisfied the user group who have keyboard input needs.
- Awarded in Huawei Developer Challenge and received excellent partner certification.
- RK25 Series is awarded the Best Retail Innovation of 2018f from Poland RetailShow.
- 2019 ● Subsidiary mPlus Technology Co., Ltd introduced the first Q-bit Self-Order POS solution.
- Introduced RS51Series Rugged Touch-centric Mobile Compute, continuing and enhancing the high-end performance of the RS50 series in the Logistics and transportation industry.
- Subsidiary mPlus Technology Co., Ltd introduced Hera51 Rugged Mobile Selling Series Touch-centric Mobile Computer, at the same time to satisfy the needs of logistics and collection payment.
- 2020 ● Introduced RK95 Series Rugged Keyboard Touch Double Enter Mobile Computer, implemented low-temperature working environments specification, in order to expand the application of cold storage.
- Subsidiary mPlus Technology Co., Ltd introduced Q21 Series Self-Order POS system, providing Provide convenient solutions for restaurants and hotel owners.
- Introduced RS35 Series Touch Mobile Computer, targeting on retail and light logistic business, it belongs to the general use model.
- 2021 ● Subsidiary mPlus Technology Co., Ltd introduced Q15 Series Self-Service equipment, targeting on Hotel traveling business owners, to reduce the personnel cost, and respond to the trend and demand for unmanned service.
- 2022 ● Upgraded AER-certified OS of RK25,RS35,RS51and RK95 series products
Comprehensively, connected to develop the next generation of 5G/IoT Pocket-Sized Industrial Computers.
- Enhanced function of Cloud equipment management platform ReMoCloud and EnDeCloud focus on Internet and Intranet environment to provide the convenient management service for business users.
- 2023 ● Introduced RS36 series product full-touch and RK26 series keypads Pocket-Sized mobile computer, implement a new generation of Wi-Fi 6 wireless technology, keeping to promote on the application of retail, warehousing, and light logistic business.
- Introduced WR30 series wearable devices, supporting ring-type, back-of-hand type and hanging-type wearables, accomplish the picking operation mode with free hands, and improve work efficiency in all ways.
- Strengthen the full-time online technical support and problem-solving help desk functions of the cloud device management platform ReMoCloud to provide convenient management services to enterprise users at any time.
- 2024 ● Introduced RS38 series Touch Handheld Industrial Computer featuring 5G, designed for retail, inventory, and logistic purposes.
- Plan to introduce RS38H Medical Healthcare Touch Industrial Mobile device, offering a solution to professional handheld device for medical personnel.
- In response to the demands from new emerging markets, the Company will introduce RS1x series Touch Handheld Industrial Computer, offering beginners a beneficial price-performance ratio handheld device.

III. Corporate Governance Report

3.1 Organization

(1) Organizational Chart



Major Corporate Function:

Department	Main Responsibilities
Chairman Office	Responsible for handling affairs related to the chairman.
Audit Office	Audit and system of internal all kinds of internal control operating, prepare audit report draft and report, in order to enhance corporate governance and establish company risk evaluation and risk management mechanism.
Law Office	Legal consultation, contract review and drafting, internal and external legal representation, etc.
ISO Rep.	Establishment and Maintenance of management system, acquisition, inspection, sorting, and summary of relevant regulations.
Global Business Div.	Responsible for market business development, customer maintenance, introducing new product, and taking orders.
Pre-Sales & Technical Support Div.	Responsible for pre-sale planning, application, offering solutions or suggestion to customer's inquire, producing technical manual, and the necessary assistance to business promotion.
Marketing & Sales Adm. Div.	<ol style="list-style-type: none"> 1. Manage the Company's official website to provide the summary of the internal and external information about the Company and act as the contact for shareholders and investors to elaborate the Company's emphasis on shareholder's rights and interests. 2. Conduct analysis on products, markets, customers usage and experience, integrate the procedures related to products, services, sales, and business, and propose business plans, etc. 3. Processing orders, RMA, handle product return or exchange, and accounting receivables.
Application Development Div.	<ol style="list-style-type: none"> 1. Software project schedule and development management 2. Application and development of CipherLab's own software and third-party software. 3. PC, Server, and other equipment maintenance and Internet, computer room, server management, and control work. 4. Research and promotion of computer information development strategies, research, testing, introduction and application of company computer information, and system program maintenance. 5. The plan and promotion of cyber security policy, the plan and implementation of the cyber security operation, response to cyber security incidents and intelligence assessment response, and the promotion of continuous improvement of cyber security and planning performance management mechanism.
RD Div. for Core Technology	Product hardware board/circuit R&D and design, software design planning, mechanism appearance setting, and wireless R&D technology.
Product Planning & Project Management Div.	<ol style="list-style-type: none"> 1. All kinds of product development, project management, outsourcing management, and project purchasing. 2. R&D of product appearance, user experience, and human factors engineering.
Quality Assurance Div.	<ol style="list-style-type: none"> 1. Responsible for design quality assurance inspection and market search for R&D parts. 2. Plan and supervise product quality management operations, IQC, FQC. 3. Responsible for the maintenance of the Company's products and the supply, planning and control of spare parts and maintenance substitutes in the global RMA service.

Department	Main Responsibilities
Fin. & Acct. Div.	<ol style="list-style-type: none"> 1. Financial management matters such as cash flow control, capital utilization and scheduling, long-term and short-term investment 2. Establishment of general accounting procedures, implementation of various accounting operations such as taxation and accounting process, and review of various public financial information. 3. Share affairs and shareholders' meeting affairs handling. 4. Preparation of director and audit committee meetings and investor relations handling. 5. Observance and implementation of various commercial laws and regulations such as the Company Law and the Securities and Exchange Act, related internal control risk management, etc.
Corporate Service Div.	<ol style="list-style-type: none"> 1. Administrative management process planning, education planning and implementation, human resource planning and implementation of personnel administrative affairs, documents management center and subsidiary administrative management integration, etc. 2. Purchase and implement general affairs, working environment, company assets and employee safety and health management, etc. 3. The operation of the remuneration meeting.
Manufacturing Div.	<ol style="list-style-type: none"> 1. Orders reviews, manufacturing operations control, shipments control, special operations control, evaluation, assessment and management of suppliers, procurement of qualified materials, tooling management, material storage management, and evaluation and management of outsourced production. 2. Implementation of order making, control of manufacturing quality, control of manufacturing equipment and inspection equipment, IPQC. 3. Formulated CipherLab 's standard production test items, specifications, erection, calibration and technical acceptance of new models, Pilot run leading, instrument calibration, fixture production and maintenance.

3.2 Profiles of Directors, Presidents, Vice Presidents, Assistant VPs and Head of the Departments :

(1)The information of Directors

April 28,2024 Unit : Share ; %

Title (Note 1)	Nationality	Name	Gender/Ag e	Date elected	Term	First elected Date	Shareholding when elected		Current shareholding		Spouse and Minor shareholdings		Shareholdingby nominee arrangement		Major education and selected past positions	Current position and additional positions	Other heads, directors, or supervisors asspouse or kin within the second degree			Remark
							Share	%	Share	%	Share	%	Share	%			Title	Name	Relatio nship	
Chairman	Taiwan	ChangeEn Management Consulting Co., Ltd.		2022.06.21	3 years	1998.09.17	6,706,934	9.79	6,706,934	9.79	0	0.00	0	0.00	-	-	-	-	-	
	Taiwan	Representative: Mr. Steven Liao	Male 61-70 Years old	2022.06.21	3 years	2002.03.01	0	0	0	0.00	10,000	0.01	0	0.00	Department of Nuclear Engineering, National Tsing Hua University Master, Mechanical Engineering, University of Washington, USA Department of Business Administration, Entrepreneur Management Research Class, National Chengchi University Ministry of Economic Affairs Whole plant output team marketing engineer Chairman and president of the CipherLab Co., Ltd	Chairman, legal representative, general manager, member of corporate governance and nomination committee, and member of environmental social governance committee of the Company Director of ChangeEn Management Consulting Co., Ltd Director of CipherLab USA, Inc. Director of Ace Motors Inc. Chairman of mPlus Technology Co., Ltd	None	None	None	None
Director	Taiwan	Tan, Chen-Huan	Male 61-70 Years old	2022.06.21	3 years	2010.05.15	1,386,215	2.02	1,386,215	2.02	773,209	1.13	0	0.00	Department of Nuclear Engineering, National Tsing Hua University Engineer of Guohui Information Manager of Sunlight Computer Co., Ltd.	Vice President of the Company Director of CIPHERLAB USA, Inc. Director of CIPHERLAB Limited (SAMOA) Chairman of CipherLab Electron Trade (Shanghai) Limited Company Director of mPlus Technology Co., Ltd	None	None	None	None
Director	Taiwan	Lin, Yung-Fa	Male 71-80 Years old	2022.06.21	3 years	2004.06.15	6,613,376	9.65	6,613,376	9.65	0	0.00	0	0.00	Department of Business Administration, Tamkang University	Director of Guangyuan Investment Co., Ltd	None	None	None	None
Director	Taiwan	Yen, Wei-Chun	Male 61-70 Years old	2022.06.21	3 years	2004.06.15	16,000	0.02	16,000	0.02	0	0.00	0	0.00	MBA, The City University of New York	Chairman of Atech OEM Inc.- legal presentative Chairman of Atech Technology (Samoa) Limited - legal presentative Director of MACHVISION Inc Co., LTD Chairman of Outstanding Electronics Manufacturer Group Co., Ltd – legal presentative Chairman of Growing Profits Group Limited- legal presentative Director and legal presentative of Outstanding Electronics Manufacturer Group Co.,Ltd. Director and legal presentative of ATECH Technology (SAMOA) Ltd. Independent Director of Abico Avy Co., Ltd. Chairman of QQE Technology Co., Ltd. Independent Director of Top Union Electronics Corp.	None	None	None	None
Director	Taiwan	Yang, Kuo-Liang	Male 61-70 Years old	2022.06.21	3 years	2008.05.16	532,000	0.77	532,000	0.77	0	0.00	0	0.00	Department of Accounting, Tamkang University Specialist of Finance Department of Evergreen Marine Company President of Lian Yang Certified Public Accountants firm	Director of Ginar Technology Co., Ltd. Director of Atech OEM Inc.	None	None	None	None

Title (Note 1)	Nationality	Name	Gender/Ag e	Date elected	Term	First elected Date	Shareholding when elected		Current shareholding		Spouse and Minor shareholdings		Shareholdingby nominee arrangement		Major education and selected past positions	Current position and additional positions	Other heads, directors, or supervisors asspouse or kin within the second degree			Remark
							Share	%	Share	%	Share	%	Share	%			Title	Name	Relatio nship	
Independent Director	Taiwan	Hu, Chiu-Chiang	Male 61-70 Years old	2022.06.21	3 years	2010.05.15	0	0	0	0	0	0	0	0	Ph.D., Institute of Science and Technology Management, Chiao Tung University Master of Business Administration, Da Yeh University Department of Business Administration, Entrepreneur Management Research Class, National Chengchi University Bachelor of Telecommunications Engineering, Chiao Tung University	Chairman and President of Weitech Int. Co., Ltd Chairman of Weiji Investment Co., Ltd. Director of Promate Electronic Co., Ltd Director of LEADTEK Research Inc Director of Promate Solutions Corporation Independent director of V-TAC Technology Co., Ltd Remuneration Committee member of V-TAC Technology Co., Ltd Member of remuneration committee, audit committee, corporate governance and nomination committee, and environmental social governance committee of CIPHERLAB Co., Ltd. Director of Amazing Micro Electronic Co., Ltd. Supervisor of EVGA Corporation Legal Representative of Weikeng Industrial Co., Ltd. Director of Weitech Int. Co., Ltd Legal Representative of Weikeng Technology Pte Ltd.	None	None	None	None
Independent Director	Taiwan	Chen, Wen-Yu	Female 51-60 years old	2022.06.21	3 years	2016.6.21	0	0.00	0	0.00	0	0.00	0	0.00	EMBA, Institute of Finance, National Taiwan University EMBA, Institute of Business Administration, National Chengchi University Bachelor of Accounting, National Chengchi University	Hua Nan Financial Holdings Co., Ltd. — Hua Nan Securities, Vice President of Underwriting Business Department and Director of International Business Department Independent Director of ChipherLab Information Co., Ltd. Member of remuneration committee, audit committee, corporate governance and nomination committee, and environmental social governance committee of CIPHERLAB Co., Ltd.	None	None	None	None
Independent Director	Taiwan	Yu, Ming-Chang	Male 61-70 Years old	2022.06.21	3 years	2001.09.17	540,000	0.79	540,000	0.78	0	0.00	0	0.00	Master of Electrical Engineering, Tsinghua University	Director of Stark Technology Inc. Director of Machvision Inc. Legal representative of Aspeed Technology Inc. Member of remuneration committee, audit committee, corporate governance and nomination committee, and environmental social governance committee of CIPHERLAB Co., Ltd.	None	None	None	None
Independent Director	Taiwan	Tsai, Yu-Ping	Male 61-70 Years old	2022.06.21	3 years	2022.06.21	0	0.00	0	0.00	0	0.00	0	0.00	Juris Doctor, Santa Clara University, California The 15 th term of Entrepreneur Management Development Training Course of the Institute of Enterprise Management, National Chengchi University. Chairman of Meitung Limited	Chairman of Baoli Asset Management Co., Ltd. Vice President of the Enterprise Evaluation Society of ROC Director and President Hydroionic Technology Co., Ltd Director of Cellmax Taiwan Co., Ltd. Independent director, remuneration committee member and audit committee member of Welldone Company Independent director, audit committee member, remuneration committee member, nomination committee member and sustainable development committee member of Weikeng Industrial Co., Ltd. Member of remuneration committee, audit committee, corporate governance and nomination committee, and environmental social governance committee of CIPHERLAB Co., Ltd.	None	None	None	None

Note1: As the Company's size is not belonging to the large-scale enterprise, the Chairman concurrently serves as the General Manager to fully demonstrate the flexibility and high efficiency of the company's operations. In the year 2022, an additional independent director was elected to enhance corporate governance.

Major Shareholders of Institutional Shareholders

April 28, 2024

Name of institutional shareholders (Note 1)	Major shareholders of institutional shareholders (Note 2)
ChangeEn Management Consulting Co., Ltd.	Mr. Steven Liao (54.00%), Tsai, Yu-Shan (46.00%)

The information of Directors

1. Disclosure of the information on the professional qualifications of Directors, and independence of Independent Directors:

Qualifications Name	Professional qualifications and experience (Note 1)	Independence status (Note 2)	Number of public companies where the person holds the titles as an independent director
ChangeEn Management Consulting Co., Ltd. Repetitive : Steven Liao	Have more than five years of work experience in business, legal, finance, accounting, or corporate business	None	None
Lin, Yung-Fa	Have more than five years of work experience in business, legal, finance, accounting, or corporate business	None	None
Tan, Chen-Huan	Have more than five years of work experience in business, legal, finance, accounting, or corporate business	None	None
Yen, Wei-Chun	Have more than five years of work experience in business, legal, finance, accounting, or corporate business	None	2
Yang, Kuo-Liang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business	None	None
Hu, Chiu-Chiang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Chairman and President of Weitech Int. Co., Ltd	(Note 2)	1
Chen, Wen-Yu	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Hua Nan Financial Holdings Co., Ltd. — Hua Nan Securities, Vice President of Underwriting Business Department and Director of International Business Department	(Note 2)	None
Yu, Ming-Chang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Director of Stark Technology (Co.,) Inc. Director of MACHVISION, INC.	(Note 2)	None
Tsai, Yu-Ping	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Chairman of Meitong Limited	(Note 2)	2

Note 1 : None of the directors of the Company has any circumstance under any subparagraph of Article 30 of the Company Act

Note 2 : Independence status as below:

- (1) Not an employee of the Company or its affiliated enterprises.
- (2) Not a director or supervisor of the Company or its affiliated enterprises.
- (3) Non-self and their spouses, minor children, or in the name of others who hold more than 1% of the Company's total issued shares or natural person shareholders who hold the top 10 shares.
- (4) Spouses, relatives within the second degree of kinship, or direct blood relatives within the third degree of kinship of persons not listed in the preceding three paragraphs.
- (5) Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company.
- (6) No remuneration amount was received for providing commercial, legal, financial, accounting, and other services to the Company or its affiliated enterprise in the last 2 years.

Note 3: Mr. Tsai, Yu-Ping served as the independent director on June 21, 2022.

2. Diversity and Independence of Directors :

(1) Diversity of Board of Directors

The Company stipulates in the "Corporate Governance Best Practice Principles" that the composition of the Board of Directors should consider to be diversified, and formulate appropriate diversification policies based on its own operations, business model, and development demands, which should include but not be limited to the following two major criteria:

- 1) Basic conditions and values: Gender, Age, Nationality and Culture, etc.
- 2) Professional knowledge and skills: professional background (such as law, accounting, finance, marketing or technology), professional skills and industry experience, etc.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

- 1) Ability to make operational judgments.
- 2) Ability to perform accounting and financial analysis.
- 3) Ability to conduct management administration.
- 4) Ability to conduct crisis management.
- 5) Knowledge of the industry.
- 6) An international market perspective.
- 7) Leadership ability.
- 8) Ability to make policy decisions.

Achievement of diversity of Board members:

The Board of Directors of the Company should guide the Company's strategy, supervise the management level, and be responsible for the Company and its shareholders. The operation and arrangement of the corporate governance system should ensure the Board of Directors exercises its powers according to the law, the regulations of the Articles of Incorporation, or the resolution of the shareholders' meeting .

The specific management objectives are as follows:

- 1) The Board of Directors of the Company also pays attention to gender equality of members, and the board members should include at least one female director.
- 2) The Board of Directors of the Company focuses on operational judgment, operational management, and crisis-handling capabilities, and more than 2/3 of the directors should have relevant core project capabilities.
- 3) From the directors, the number of employees who are employees of the Company, parent company, subsidiary company, or brother company should be less than (including) 1/3 of the number of directors, so as to achieve the purpose of supervision.

Implementation of the board diversity policy:

22% of the board members are employees; 44% are independent directors; female directors take 11%, and the tenure of the four independent directors ranges from two to twelve years.

According to the goal of diversified management, the overall expertise of the Board of Directors has to include professionals in different fields who possess the knowledge, skills, and accomplishments necessary to perform their duties. The industrial experience and professional capabilities of each director are diverse and complementary, the implementation status please refer below table :

Core Item Title	Name	Gender	Industry Background	Served as an employee of company concurrently	Education Experience	Business management	Leadership and making decision ability	Knowledge of the industry	Accounting and financial analysis ability
Chairman Legal person director representative	Steven Liao	Male	V	V		V	V	V	V
Director	Lin, Yung-Fa	Male	V			V	V	V	V
Director	Tan, Chen-Huan	Male	V	V		V	V	V	V
Directors	Yang, Kuo-Liang	Male	V			V	V	V	V
Director	Yen, Wei-Chun	Male	V			V	V	V	V
Independent Director	Hu, Chiu-Chiang	Male	V		V	V	V	V	V
Independent Director	Chen, Wen-Yu	Female	V			V	V	V	V
Independent Director	Yu, Ming-Chang	Male	V			V	V	V	V
Independent Director	Tsai, Yu-Ping	Male	V			V	V	V	V

(2) Independence of Board of Directors

The Company has 9 directors currently, of which four independent directors take up 44%, none of the directors is spouses or relatives within the second degree of kinship, The Company never had a government agency or a single legal entity, and its subsidiaries take for more than one-third of the Board of Directors.

(2) Profiles of President, Vice President, Assistant Vps, and Heads of the Branches/Departments

April 28, 2024 Unit: Share %

Title	Nationality	Name	Gender	Date of first-time elected (Note 3)	Shares held currently		Current shares held by spouse and children of minor age		Total shareholding assuming the name of others		Major industrial (educational) experience	Position(s) held concurrently in any other companies	Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship			Remark
					Share	%	Share	%	Share	%			Title	Name	Relationship	
President	Taiwan	Steven Liao	Male	2013.5.14	0	0	10,000	0.01	0	0.00	Department of Nuclear Engineering, National Tsing Hua University Master, Mechanical Engineering, University of Washington, USA Department of Business Administration, Entrepreneur Management Research Class, National Chengchi University Ministry of Economic Affairs Whole plant output team marketing engineer Chairman and president of the CipherLab Co., Ltd	Chairman and president of the Company-legal representative Director of ChangeEn Management Consulting Co., Ltd Director of CipherLab USA, Inc. Director of Ace Motors Inc. Chairman of mPlus Technology Co., Ltd	None	None	None	Since the Company does not belong to a large enterprise, the chairman concurrently serves as the president to fully demonstrate the flexibility and high-efficiency operation of the Company *
Senior Vice President	Taiwan	Tan, Chen-Huan	Male	1996.07.01	1,386,215	2.02	773,209	1.13	0	0.00	Department of Nuclear Engineering, National Tsing Hua University Engineer of Guohui Information Manager of Sunlight Computer Co., Ltd Senior Vice President of CipherLab Co., Ltd.	Director of CIPHERLAB USA, Inc. Director of CIPHERLAB Limited(SAMOA) Chairman of CipherLab Electron Trade (Shanghai) Limited Company Director of mPlus Technology Co., Ltd	None	None	None	None
Associate	Taiwan	Li, Kan-Yang	Male	2012.03.01	1,000	0.00	0	0.00	0	0.00	MBA, Santa Clara University, USA Master of Food Science, University of Massachusetts, Amherst, USA Senior Brand Manager of American Energizer Comfort Co., Ltd. Taiwan Branch Senior Brand Manager, Nestle Taiwan Co., Ltd. Associate of CipherLab Co., Ltd.	None	None	None	None	None
Associate	Taiwan	Lai, Chin-Yi	Male	2018.07.20	0	0.00	0	0.00	0	0.00	Tamkang University Spanish Department/International Trade Department (auxiliary department) Nissho TEAC Business Director Southern Europe area sale of CipherLab Co., Ltd. Director of Asia Pacific area sales of CipherLab Co., Ltd.	None	None	None	None	None
Chief technology officer	Taiwan	Chen, To	Male	2021.11.08	1,243	0.00	1,484	0.00	0	0.00	Institute of Industrial Management, National Taiwan University of Science and Technology Assistant Manager of Application Division of Taixun Computer Co., Ltd Assistant Manager of Information Department of CipherLab Co., Ltd Assistant Manager of Information Department, Daily Project Department of Shye Shyang Mechanical Industrial Co., Ltd Information Technology Management/Senior Consultant of PwC Taiwan Senior Manager of Audit Office and CNC Supervisor of Hony Glas Technology Co., Ltd Manager of Information Department of K.H.S. Musical Instruments Co., Ltd. IT Director of Jieshan Technology Chief Operating Officer Technical Consultant of Ant's Power Co., Ltd CTO of CipherLab Co., Ltd	None	None	None	None	None
Accounting senior manager	Taiwan	Chang, Chia-Jung	Male	2014.08.11	0	0.00	0	0.00	0	0.00	Department of Accounting, Shih Shin University Assistant Manager of Fuzhong United Accounting Firm Manager of Finance and Accounting Department of International Integrated Systems Inc. Manager of Accounting Department of Taicang Jingfu Plastic Products Co., Ltd. Director of Finance and Management of L & D International Chief Financial Officer of Fortune Mfg. Co., Ltd Finance and Accounting Supervisor of CipherLab Co., Ltd	None	None	None	None	None

(3) Remuneration to Directors, Supervisor, President and Vice Presidents in Recent Year

1. Remuneration of Directors and Independent Director

December 31, 2023 unit : NT\$ thousand ; %

position	name	Director's Remuneration								The total amount of A, B, C, and D, and the proportion to the net profit after tax.		Remuneration received by part-time employee								The total amount of A to G, and the proportion to the net profit after tax.		Whether received remuneration from subsidiaries or investments outside of the company, or from the parent company.
		Remuneration (A)		Retirement pension (B)		Director's Salary (C)		Operating expenses (D)				Salary, bonuses, and special allowances, etc. (E)		Retirement pension (F)		Employee's Salary (G)						
		CIPHERLAB CO.	every company in financial report	CIPHERLAB CO.	every company in financial report	CIPHERLAB CO.	every company in financial report	CIPHERLAB CO.	every company in financial report	CIPHERLAB CO.	every company in financial report	CIPHERLAB CO.	every company in financial report	CIPHERLAB CO.	every company in financial report	CIPHERLAB CO.		every company in financial report	CIPHERLAB CO.	every company in financial report		
Chairman and CEO	Representative of CIPHER MANAGEMENT INC.: Mr. Steven Liao	0	0	0	0	0	0	60	60	60 thousand dollars -1.37%	60 thousand dollars -1.37%	3,948	3,948	0	0	0	0	0	0	4,008 thousand dollars -91.80%	4,008 thousand dollars -91.80%	None
Director	Mr. TAN, CHEN-HUAN	0	0	0	0	0	0	60	60	60 thousand dollars -1.37%	60 thousand dollars -1.37%	2,748	2,748	0	0	0	0	0	0	2,808 thousand dollars -64.32%	2,808 thousand dollars -64.32%	
Director	Mr. LIN, YUNG-FA	0	0	0	0	0	0	60	60	60 thousand dollars -1.37%	60 thousand dollars -1.37%	0	0	0	0	0	0	0	0	60 thousand dollars -1.37%	60 thousand dollars -1.37%	
Director	Mr. YEN, WEI-CHUN	0	0	0	0	0	0	50	50	50 thousand dollars -1.15%	50 thousand dollars -1.15%	0	0	0	0	0	0	0	0	50 thousand dollars -1.15%	50 thousand dollars -1.15%	
Director	Mr. YANG, KUO-LIANG	0	0	0	0	0	0	60	60	60 thousand dollars -1.37%	60 thousand dollars -1.37%	0	0	0	0	0	0	0	0	60 thousand dollars -1.37%	60 thousand dollars -1.37%	
Independent Director	Ms. CHEN, WEN-YU	0	0	0	0	0	0	540	540	540 thousand dollars -12.37%	540 thousand dollars -12.37%	0	0	0	0	0	0	0	0	540 thousand dollars -12.37%	540 thousand dollars -12.37%	
Independent Director	Mr. HU, CHIU-CHIANG	0	0	0	0	0	0	780	780	780 thousand dollars -17.87%	780 thousand dollars -17.87%	0	0	0	0	0	0	0	0	780 thousand dollars -17.87%	780 thousand dollars -17.87%	
Independent Director	Mr. YU, MING-CHANG	0	0	0	0	0	0	530	530	530 thousand dollars -12.14%	530 thousand dollars -12.14%	0	0	0	0	0	0	0	0	530 thousand dollars -12.14%	530 thousand dollars -12.14%	
Independent Director	Mr. TSAI, YU-PING	0	0	0	0	0	0	420	420	420 thousand dollars -9.62%	420 thousand dollars -9.62%	0	0	0	0	0	0	0	0	420 thousand dollars -9.62%	420 thousand dollars -9.62%	

Note : The Company has established the Audit Committee.

Range of Remuneration

Range of Remuneration for each director of the Company	Name of Directors			
	Total remuneration for the first four items (A+B+C+D)		Total remuneration for the first seven items (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Less than\$ 1,000,000	Representative of Changen Enterprise Management Consulting Co., Ltd. : Mr. Steven Liao, Tan, Chen-Huan, Lin, Yung-Fa, Yen, Wei-Chun, Yang, Kuo-Liang, Hu, Chiu-Chiang, Chen, Wen-Yu, Yu, Ming-Chang, Tsai, Yu-Ping	Representative of Changen Enterprise Management Consulting Co., Ltd. : Mr. Steven Liao, Tan, Chen-Huan, Lin, Yung-Fa, Yen, Wei-Chun, Yang, Kuo-Liang, Hu, Chiu-Chiang, Chen, Wen-Yu, Yu, Ming-Chang, Tsai, Yu-Ping	Lin, Yung-Fa, Yen, Wei-Chun, Yang, Kuo-Liang, Hu, Chiu-Chiang, Chen, Wen-Yu, Yu, Ming-Chang Tsai, Yu-Ping	Lin, Yung-Fa, Yen, Wei-Chun, Yang, Kuo-Liang, Hu, Chiu-Chiang, Chen, Wen-Yu, Yu, Ming-Chang Tsai, Yu-Ping
NT\$1,000,000(Include)~NT\$2,000,000(Not Include)	-	-	-	-
NT\$2,000,000(Include)~NT\$3,500,000(Not Include)	-	-	Tan, Chen-Huan	Tan, Chen-Huan
NT\$3,500,000(Include)~NT\$5,000,000(Not Include)	-	-	Representative of Changen Enterprise Management Consulting Co., Ltd. : Mr. Steven Liao	Representative of Changen Enterprise Management Consulting Co., Ltd. : Mr. Steven Liao
NT\$5,000,000(Include)~NT\$10,000,000(Not Include)	-	-		
NT\$10,000,000(Include)~NT\$15,000,000(Not Include)	-	-	-	-
NT\$15,000,000(Include)~NT\$30,000,000(Not Include)	-	-	-	-
NT\$30,000,000(Include)~NT\$50,000,000(Not Include)	-	-	-	-
NT\$50,000,000(Include)~NT\$100,000,000(Not Include)	-	-	-	-
Over NT\$100,000,000(Include)	-	-	-	-
Total	9 people	9 people	9 people	9 people

2. Remuneration of Supervisor: Not Applicable

Range of Remuneration for Supervisor: Not Applicable

3. Remuneration of President and Vice president

December 31, 2023 Unit: NT\$ Thousand %

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income		Remuneration from ventures other than subsidiaries or from the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Mr. Steven Iau ^{Note 1}	3,948	3,948	0	0	0	0	0	0	0	0	3,948	3,948	0
												-90.42%	-90.42%	
Senior Vice President	Tan Chen-Huan	2,748	2,748	0	0	0	0	0	0	0	0	2,748	2,748	0
												-62.94%	-62.94%	
CTO	Chen, To	3,100	3,100	0	0	0	0	0	0	0	0	3,100	3,100	0
												-71.00%	-71.00%	

Note 1 : Chairman Mr. Steven Liao served as President concurrently on May 14, 2013

Note 2 : The employee remuneration is the estimated number.

Range of Remuneration

Range of Remuneration for each president and vice president of the Company	The Name of President and Vice President	
	The Company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	-	-
NT\$1,000,000(Include)～NT\$2,000,000(Not Include)	-	-
NT\$2,000,000(Include)～NT\$3,500,000(Not Include)	Tan, Chen-Huan .Chen, To	Tan, Chen-Huan .Chen, To
NT\$3,500,000(Include)～NT\$5,000,000(Not Include)	Steven Liao	Steven Liao
NT\$5,000,000(Include)～NT\$10,000,000(Not Include)	-	-
NT\$10,000,000(Include)～NT\$15,000,000(Not Include)	-	-
NT\$15,000,000(Include)～NT\$30,000,000(Not Include)	-	-
NT\$30,000,000(Include)～NT\$50,000,000(Not Include)	-	-
NT\$50,000,000(Include)～NT\$100,000,000(Not Include)	-	-
Over NT\$100,000,000(Include)	-	-
Total	3 people	3 people

4. Managerial officers with the top five highest remuneration amounts (disclose their names and remuneration method)

December 31, 2023 Unit: thousand %

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman and President	Mr. Steven Liao	3,948	3,948	0	0	0	0	0	0	0	0	3,948 -90.43%	3,948 -90.43%	0
Senior Vice President	Tan Chen-Huan	2,748	2,748	0	0	0	0	0	0	0	0	2,748 -62.94%	2,748 -62.94%	0
CTO	Chen, To	3,100	3,100	0	0	0	0	0	0	0	0	3,100 -71.00%	3,100 -71.00%	0
Associate	Li, Kan-Yang	2,375	2,375	0	0	0	0	0	0	0	0	2,375 -54.40%	2,375 -54.40%	0
Associate	Lai, Chin-Yi	2,340	2,340	0	0	0	0	0	0	0	0	2,340 -53.60%	2,340 -53.60%	0

5. Employee Compensation amount paid to managers

December 31, 2023

Unit : NT\$ thousands ; thousands share ; %

	Title	Name	Stock Price	Cash	Total	Ratio of Total Amount to Net Income (%)
Manager	Chairman and President	Mr. Steven Liao	0	0	0	0
	Senior Vice President	Tan, Chen-Huan	0	0	0	0
	CTO	Chen, To	0	0	0	0
	Associate	Li, Kan-Yang	0	0	0	0
	Associate	Lai, Chin-Yi	0	0	0	0
	Senior Manager	Chang, Chia-Jung	0	0	0	0

Note : Employee Remuneration is the estimated number

6. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income and explain the policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance and future risks:

1) The ratio of the total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income:

Unit : thousand ; %

Title	2022				2023			
	The Company		The Company (Consulted Subsidiary)		The Company		The Company (Consulted Subsidiary)	
	Remuneration Amount ^{Note 1}	% of net profit after tax	Remuneration Amount ^{Note 1}	% of net profit after tax	Remuneration Amount ^{Note 1}	% of net profit after tax	Remuneration Amount	% of net profit after tax
Director	3,603	11.17	3,603	11.17	2,560	-58.63%	2,560	-58.63%
Supervisor	0	0	0	0	0	0.00%	0	0.00%
President and Vice President	11,893	36.87	11,893	36.87	9,796	-224.37%	9,796	-224.37%
Total	15,496	48.04	15,496	48.04	12,356	-282.99%	12,356	-282.99%

Note 1 : The remuneration of the director not included the related remuneration of the president and vice president who concurrently served as an employee.

Note 2 : "Employee Remuneration" in 2022 is the estimated number, and in 2023, there was no employee remuneration because the Company's suffered a loss.

2) The policies, standards, system and portfolios for the payment of remuneration, the procedures for determining remuneration :

- (1) The policies, standards, system, and portfolios for the payment of the Company director and independent directors' remuneration, comply with the law and Article 16 of "Remuneration Committee Constitution" as the determining remuneration policy and system
- (2) Director's Remuneration, according to Article 16 of the Company's Articles of Incorporation, follows the assessment of the Remuneration Committee, the determining remuneration of executing business shall be based on the degree of participation and contribution value of individual directors (including the risks and time invested, etc.) and refer the general standard at the same industry and also considering the overall operating performance and the factors of the external market and regularly review through the Remuneration committee and the Board of Director to approved giving by reasonable remuneration; related performance review and reasonable of salary will audit by Remuneration Committee and the Board of Director, also review the remuneration in a timely manner according to the actual situation and relevant laws and regulations in order to keep the balance between company's sustainable operation and risk control.

- (3) Director's compensation, according to Article 20 of the Company's Article of Incorporation, if the Company makes profit in the current year, the Company shall allocate no more than 3% of profit as director compensation, the independent director will not join in the distribution of director's compensation. The Company complies with the "Board of Directors Performance Evaluation Method" to review the director's compensation regularly, related performance reviews and reasonable salary will audit by the Remuneration Committee and the Board of Directors.
 - (4) The remuneration of manager of the Company, according to the main points of the salary operation, various work allowances and bonuses are clearly stipulated, in order to synthesize and reward the hard work on employee, the related bonus will be given by the year operating performance, the financial status, the operating status and personal work performance. Besides, if the Company makes a profit in the current year, 0.5%~10% will be appropriated as employee remuneration in accordance with Article 20 of the Company's articles of Incorporation.
 - (5) The portfolios of the Company's remuneration, it made by the organized rule of the remuneration committee, including the cash reward, stock options, dividends, retirement pensions or severance pay, various allowances, and other measures with substantial incentives rewards. The category is insistent with the record item guidelines about the remuneration for directors and managers of the listed company's annual report.
 - (6) Other than as disclosed in the above table, the remuneration earned by Directors providing services (e.g. providing consulting services as the parent company/all companies/reinvested enterprises in the financial report that are not employees, etc.) to have remuneration : NA
- 3) The correlation between company business performance and future risk:
- (1) The review for the remuneration given standard and system of the Company is considering from overall operating status, and according to the reach rate of the performance and contribution level as the given standards, in order to increase the efficient the whole organization team of the board of directors and managers. Also take reference of the salary standard of same industry, to ensure the remuneration of company's management level have competitive, in order to keep good talent management people.
 - (2) The review for the remuneration given standard and system of the Company is considering from overall operating status, and according to the achievement rate of the performance and contribution level as the given standards, to increase the overall organizational team effectiveness of the Board of Directors and managers. Also take reference of the salary standard of the same industry, to ensure the remuneration of the Company's management level has competitive, in order to keep good talent management people.

3.3 Implementation of Corporate Governance

(1) Operations of the Board of Directors

Information for operations of the Board of Directors

In 2023, a total of 6 (A) meetings of the Board of Directors were held. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	ChangeEn Management Consulting Co., Ltd. Repetitive: Steven Liao	6	0	100	Continue to serve, shall attend 6 times
Director	Lin, Yung-Fa	6	0	100	Continue to serve, shall attend 6 times
Director	Tan, Chen-Huan	6	0	100	Continue to serve, shall attend 6 times
Director	Yang, Kuo-Liang	6	0	100	Continue to serve, shall attend 6 times
Director	Yen, Wei-Chun	5	1	83	Continue to serve, shall attend 6 times
Independent Director	Hu, Chiu-Chiang	6	0	100	Continue to serve, shall attend 6 times
Independent Director	Chen, Wen-Yu	6	0	100	Continue to serve, shall attend 6 times
Independent Director	Yu, Ming-Chang	5	1	83	Continue to serve, shall attend 6 times
Independent Director	Tsai, Yu-Ping	5	1	83	Continue to serve, shall attend 6 times

Other mentionable items:

1. If any of the following circumstances occur of the status of Board of Directors, the dates of the meetings, sessions, contents of motion, all directors and independent directors' opinions and the Company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors: None

Board of Director	Proposal content and follow-up processing	Matters set in the Article 14-3 of Security Exchange Act	object or reserve opinions of Independent directors	Handling of Opinions of Independent Directors of the Company	Resolution result
The 1 st time of 2023 2023/03/29	The 1 st case: The Company's 2022 internal control system statement.	V	None	None	Discussed by all attended directors and approved without objection.
	The 2 nd case: The Company's 2022 annual parent company only financial statements and consolidated financial statements. Amendment to the Internal Control System and Internal Audit System.		None	None	
	The 3 rd case: The Company's 2022 annual business report.		None	None	
	The 4 th case: The Company's 2022 earning distribution case		None	None	
	The 5 th case: The Company's 2022 employee remuneration and director remuneration distribution case	V	None	None	
	The 6 th case: The schedule, venue and related matters of the Company's 2022 Annual General Meeting of Shareholders.		None	None	
	The 7 th case: Amendment of the procedures for the Prevention of Insider Trading		None	None	1. As this case pertains to the resolution of director's own compensation, Independent directors (Hu, Chiu-Chiang; Chen, Wen-Yu; Yu, Ming-Chang; Tsai, Yu-Ping) have abstained from participating in the discussion and voting.
	The 8 th case: Submit the 2023 annual remuneration proposals for directors, independent directors and remuneration committee members of the Company.	V	None	None	

					in accordance with legal requirements. 2. The other attended directors approved without objection.
	The 9 th case: Submit the 2023 annual salary and structure proposal for the managers of the Company case. Amending some articles of the Company's " Articles of Incorporation"	V	None	None	1. As this case pertains to the resolution of manager's own compensation, Chairman (Steven Liao), Managers(Tan, Chen-Huan; Chang, Chia-Jung) have abstained from participating in the discussion and voting, in accordance with legal requirements. 2. The other attended directors approved without objection.
	The 10 th case: Increase in short-term bank secured loan limits.		None	None	Discussed by all attended directors and approved without objection.
	The number of independent directors attended in person: 4				
The 2 nd time of 2023 2023/05/10	The 1 st case: The Company's consolidated financial statements for the first quarter of 2023.		None	None	Discussed by all attended directors and approved without objection.
	The 2 nd case: It is proposed to appoint the CPA of the Company and decide on their remuneration, and the independent assessment of the accountants is as explained.	V	None	None	
	The 3 rd case: Amendment of the Company's Corporate Governance Best Practice Principles		None	None	
	The 4 th case: The formulation of pre-approval policy for non-assurance services provided by CPA to the Company.		None	None	
	The 5 th case: Nomination of Mr. Chen Duo as the Chief Information Security Officer of the Company.		None	None	
	The number of independent directors attended in person: 4				
The 3 rd time of 2023 2023/06/27	The 1 st case: Plan to set up the Company's 2022 cash dividend distribution base date.		None	None	Discussed by all attended directors and approved without objection.
	The number of independent directors attended in person: 3				
The 4 th time of 2023 2023/08/09	The 1 st case: The Company's consolidated financial statements for the second quarter of 2023.		None	None	Discussed by all attended directors and approved without objection.
	The 2 nd case: Proposed establishment of a "Sustainability Committee" under the Board of Directors, and to formulate Organizational Charter for the Sustainability Committee of the Company.	V	None	None	1. As this case pertains to the resolution of their own interest, Chairman (Steven Liao), Independent directors (Hu, Chiu-Chiang; Chen, Wen-Yu; Yu, Ming-Chang; Tsai, Yu-Ping) have abstained from participating in the discussion and voting, in accordance with legal requirements. 2. In addition to the aforementioned board members, the other attending directors approved without objection. 3.After the resolution was passed, Mr. Hu, Chiu-Chiang was elected as the convener and chairman of the first term of the Company's Sustainability Committee.
	The 3rd case: Amendment of authorization Chart		None	None	Discussed by all attended directors and approved without objection.
	The 4 th case: Proposed remuneration adjustment of Chief Technology Officer, Mr. Chen Duo		None	None	

	The number of independent directors attended in person: 4				
The 5 th time of 2023 2023/11/01	The 1 st case: the Company's consolidated financial statements for the third quarter of 2023.		None	None	Discussed by all attended directors and approved without objection.
	The 2 nd case: Report on the company increase in the short-term loan credit amount from CTBC Bank		None	None	
	The 3 rd case: Report on the company increase in the short-term loan credit amount from Taiwan Bank		None	None	
	The 4 th case: Formulation of implementation of the Director Training Program.		None	None	
	The number of independent directors attended in person: 4				
The 6 th time of 2023 2023/12/26	The 1 st case: The Company's "2024 Consolidated Financial Report Forecast and Budget" report.		None	None	Discussed by all attended directors and approved without objection.
	The 2 nd case: The Company's 2022 employees and managers remuneration distribution case		None	None	Apart from the directors (including independent directors) who abstained from discussion and voting due to conflicts of interest, all other attending directors (including independent directors) approved without objection
	The 3 rd case: Submit the 2024 annual remuneration proposals for directors, independent directors and remuneration committee members of the Company.	V	None	None	Apart from the directors (including independent directors) who abstained from discussion and voting due to conflicts of interest, all other attending directors (including independent directors) approved without objection
	The 4 th case: Submit the 2024 annual salary and structure proposal for the managers of the Company.	V	None	None	Apart from the directors (including independent directors) who abstained from discussion and voting due to conflicts of interest, all other attending directors (including independent directors) approved without objection
	The 5 th case: 2024 Annual Audit Plan	V	None	None	Discussed by all attended directors and approved without objection.
	The 6 th case: The Company signed a credit contract with the financial institution, it is due and renewed in 2024		None	None	
	The 7 th case: Formulation of the Company operational guideline for financial transaction for related parties.		None	None	
	The number of independent directors attended in person: 3				

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion,causes for avoidance and voting should be specified: The status of conflict of interest have been noted in the resolutions of each case.

3. Implementation of evaluations by the Company's Board of Directors as below, the results of the self-evaluation were presented to the Board of Directors on March 13, 2024:

Evaluationcycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once every 1 year	2023/01/01 to 2023/12/31	All Board of Directors	Internal evaluation, self-evaluation from member of board of directors	1. Degree of Participation in the Company's operations: Excellent 2.Promote the decision-making quality of the Board of Directors: Excellent 3.Composition and constructure of the Board of Director: Extremely excellent 4.Director selection and ongoing professional development: Excellent 5. Internal control: Extremely excellent
		Individual directors		1. Comprehension of Company Objectives and Duties: Extremely excellent 2. Awareness of Directors' Responsibilities: Extremely excellent

			3. Degree of Participation in Company Operations: Excellent 4. Internal Relationship Management and Communication: Extremely excellent 5. Directors' Expertise and ongoing professional development: Excellent 6. Internal control: Extremely excellent
		Functional committee	1. Degree of Participation in the Company's operations: excellent 2. Responsibility awareness of functional Committee: Extremely excellent 3. Improve the decision-making quality of functional committees: Extremely excellent 4. Composition and selection of functional committee members: Extremely excellent 5. Internal control: Extremely excellent

4. In the current year and the most recent year to enhance the goal of the Board of Director function and the evaluation of the implementation situation.

1. Enhance the goal of the Board of Director function:

(1) Amend the "Board of Directors Meeting Procedures" to make the operation of the Board of Directors more systemize and make the announcement of important information on the major resolution according to the law and regulations and disclose on the Company's website in order to meet the requirements of improving information transparency.

(2) Independent directors are set up to strengthen the corporate governance function of the Board of Directors.

2. The evaluation of the implementation situation:

(1) The Board of Directors of the Company has approved the amendment to the "Board of Directors Meeting Procedures" on 2006/11/7, 2007/04/03, 2008/04/02, 2010/03/30, 2014/12/23, 2017/12/26, 2019/03/27, 2020/03/25 and 2022/12/28.

(2) There are 4 independent directors have been set up and the Board of Directors has approved the establishment of "Regulations on Responsibilities of Independent Directors" on 2010/03/30 and 2017/12/26

(3) The Company purchased liability insurance status for directors and supervisors: The Company has purchased US\$8 million liability insurance from Fubon Insurance Co., Ltd for all directors.

(4) The Company has set up the audit committee to replace the supervisor and has approved the "Audit committee organization regulations" on 2019/6/25.

5. Every Board of Directors meeting of the Company shall have at least one independent director attending in person.

(2) Participation of the Audit Committee in the operation of the Board of Directors

The Company set up the audit committee on June 25, 2019 to replace the right of supervisor. The Audit Committee convened five meetings (A) in 2023. The attendance is described below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Director	Hu, Chiu-Chiang	5	0	100	Continue to serve, shall attend 5 times
Independent Director	Chen, Wen-Yu	5	0	100	Continue to serve, shall attend 5 times
Independent Director	Yu, Ming-Chang	5	0	100	Continue to serve, shall attend 5 times
Independent Director	Tsai, Yu-Ping	4	1	80	Continue to serve, shall attend 5 times

Other mentionable items:

1. The Annual Key Tasks of Audit Committee

The Audit Committee is comprised of all four independent directors and it convenes prior to each quarterly Board of Directors meeting to review the company's internal control systems, the execution and significant findings of internal audits, and material financial and operational matters. The Audit Committee also communicates with the external auditors to effectively monitor the company's operations and risk management processes. For the year 2023, the Audit Committee held a total of 5 meetings. The primary review items of the Audit Committee are as follows:

- (1) Establish or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- (2) Evaluation on effectiveness of the internal control system.
- (3) Establish or amend the procedures for material financial and business matters such as the acquisition or disposal of assets,

derivatives trading, fund lending to others, endorsements or guarantees for others, in accordance with Article 36-1 of the Securities and Exchange Act.

(4) Matters involving directors' personal interests.

(5) Significant transactions involving assets or derivatives.

(6) Significant fund lending, endorsements or guarantees.

(7) Raising, issuance or private placement of equity-type securities.

(8) Appointment, dismissal or compensation of certified public accountants.

(9) Appointment or dismissal of finance, accounting or internal audit officers.

(10) First, Second, Third quarter financial reports and annual financial reports signed or sealed by the Chairman, managers and accounting officers.

(11) Other significant matters stipulated by the company or competent authorities.

2. For Audit Committee meetings that meet any of the following descriptions, state the date, session, contents of the motions, independent directors' dissenting opinions, qualified opinions or major recommendations, the results of the Audit Committee resolutions and how the Company has responded to Audit Committee's opinions:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

(2) Except for the previously mentioned matters, other resolutions that have not been approved by the Audit Committee but approved by more than two-thirds of all directors: None.

Audit Committee	Proposal content	Matters referred to in Article 14-5 of the Securities and Exchange Act	Not approved by the Audit Committee, but approved by more than two-thirds of all directors	Handling of Opinions of	Resolution result
The 1 st time of 2023 2023/03/29	The 1 st case: The Company's 2022 internal control system statement case.	V	None	None	All attending independent directors approved without objection.
	The 2 nd case: The Company's 2022 annual parent company only financial statements and consolidated financial statements.	V			
	The 3 rd case: the Company's 2022 annual business report.				
	The 4 th case: The Company's 2022 earning distribution case				
The 2 nd time of 2023 2023/05/10	The 1 st case: the Company's consolidated financial statements for the 1 nd quarter of 2023.		None	None	All attending independent directors approved without objection.
	The 2 nd case: It is proposed to appoint the CPA of the Company and decide on their remuneration, and the independent assessment of the accountants is as explained.	V			
	The 3 rd case: Amendment of Corporate Governance Best Practice Principle.				
The 3 rd time of 2023 2023/08/03	The 1 st case: the Company's consolidated financial statements for the 2 nd quarter of 2023.	V	None	None	All attending independent directors approved without objection.
	The 2 nd case: Amendment of authorization Chart.				
The 4 th time of 2023 2023/11/01	The 1 st case: the Company's consolidated financial statements for the 3 rd quarter of 2023.		None	None	All attending independent directors approved without objection.
The 5 th time of 2023 2023/12/26	The 1 st case: 2024 Annual Audit Plan		None	None	All attending independent directors approved without objection.
	The 2 nd case: Formulation of the Company operational guideline for financial transaction for related parties.				

3. The implementation status of recusal bearing on the interest-related proposals of an independent director: The status of recusal have been noted in the resolutions of each case.

4. Status of communication between Independent Directors, the Internal Audit Supervisor, and CPA :

The Company's internal auditing manager sends audit reports to independent directors according to the regulation and provides the report to the Audit Committee. In addition, certified accountants regularly review the financial report and explain the annual audit report so that independent directors can fully understand the Company's financial report

From 2023 to May 8, 2024, the key issues of the communication between independent directors, audit managers, and accountants are summarized below table:

(1) The communication status between Audit Committee and Accountant summary as below:

Date	Communication Items	Suggestions and results
2023/03/29	The 2 nd term, the 5 th meeting of Audit committee The accountant communicated with the management on the conclusion of the 2022 annual inspection.	The audit committee of the Company communicated well with CPA, and there was no objection.
2023/05/10	The 2 nd term, the 6 th meeting of Audit committee 1. The accountants explained the inspection status of consolidated financial reports in Q1, 2023 and discussed and communicated the questions raised by the participants. 2. Review the independence and suitability of the 2023 certification accountant and assessment accountant and the 2023 remuneration of the certification accountant.	The audit committee of the Company communicated well with CPA, and there was no objection.
2023/08/09	The 2 nd term, the 7 th meeting of Audit committee The accountants explained the inspection status of consolidated financial reports in Q2, 2023 and discussed and communicated the questions raised by the participants.	The audit committee of the Company communicated well with CPA, and there was no objection.
2023/11/01	The 2 nd term, the 8 th meeting of Audit committee 1. The audit committee communicated the main audit items in the audit report of the 2023 financial statements according to Auditing Standard No. 701. 2. The accountants explained the inspection status of consolidated financial reports in Q3, 2023 and discussed and communicated the questions raised by the participants.	The audit committee of the Company communicated well with CPA, and there was no objection.
2023/12/26	The 2 nd term, the 9 th meeting of Audit committee The audit committee only review the Company operational guideline for financial transaction for related parties, and there are no other things need to communicate with accountants.	N/A
2024/03/13	The 2 nd term, the 10 th meeting of Audit committee The accountant communicated with the management on the conclusion of the 2023 annual inspection.	The audit committee of the Company communicated well with CPA, and there was no objection.
2024/05/08	The 2 nd term, the 11 th meeting of Audit committee 1. The accountants explained the inspection status of consolidated financial reports in Q1, 2024 and discussed and communicated the questions raised by the participants. 2. Review the independence and suitability of the 2024 certification accountant and assessment accountant and the 2024 remuneration of the certification accountant.	The audit committee of the Company communicated well with CPA, and there was no objection.

(2) The communication status between Audit Committee member and Internal audit officer summary as below:

Date	Communication Items	Suggestions and results
2023/03/29	The 2 nd term, the 5 th meeting of audit committee 1. The internal audit executing report 2. Review the assessment of the effectiveness of the 2022 internal control system and 2022 annual statement of internal control system.	The audit committee of the Company communicated well with Internal Audit Manager, and there was no objection.
2023/05/10	The 2 nd term, the 6 th meeting of audit committee Internal audit business execution report.	The audit committee of the Company communicated well with Internal Audit Manager, and there was no objection.
2023/08/09	The 2 nd term, the 7 th meeting of audit committee Internal audit business execution report.	The audit committee of the Company communicated well with Internal Audit Manager, and there was no objection.

2023/11/01	The 2 nd term, the 8 th meeting of audit committee Internal audit business execution report.	The audit committee of the Company communicated well with Internal Audit Manager, and there was no objection.
2023/11/26	The 2 nd term, the 9 th meeting of audit committee 1. Internal audit business execution report. 2. Review 2024 annual audit plan.	The audit committee of the Company communicated well with Internal Audit Manager, and there was no objection.
2024/03/13	The 2 nd term, the 10 th meeting of audit committee 1. Internal audit business execution report 2. Review the assessment of the effectiveness of the 2023 internal control system and 2023 annual statement of internal control system.	The audit committee of the Company communicated well with Internal Audit Manager, and there was no objection.
2024/05/08	The 2 nd term, the 11 th meeting of audit committee Internal audit business execution report	The audit committee of the Company communicated well with Internal Audit Manager, and there was no objection.

(3)Corporate Governance Status, Differences with Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies and Reasons:

Assessment Criteria	Actual Governance			Deviation and Causes of Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Has the Company established and disclosed its corporate governance principles based on the “Corporate Governance Best-Practice Principles forTWSE/TPEX Listed Companies?”	V		The Company has established the “Corporate Governance Best Practice Principles for TWSE/ TPEX Listed Companies” and disclosed.	No deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
2. Shareholding structure and shareholders’ interests (1). Has the Company implemented a setof internal procedures to handle Shareholders’ recommendations, queries, disputes, and litigations?	V		The Company in order to ensure the right of shareholders has formulated various internal operating processes, including "Rules of Procedure for Shareholding Meetings" and "Internal Major Information Processing Procedures", and also has a spokesperson and acting spokesperson to handle suggestions, disputes, and doubts properly.	No deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
(2). Is the Company constantly informedof the identities of its major Shareholders and the ultimate controller?	V		The Company has set up a dedicated person internally to handle related matters and appointed Yuanta professional stock affair agency to handle the stock matters according to the laws, it can grasp the name list of main shareholders who actually control the Company; according to the law to declare the changes and pledges of the shares of the shareholding is over 10% of big shareholders per month regularly; another who shareholding over 50% or shareholder who has share ratio is top 10, and keep abreast of the name list of main shareholders who actually control the Company and the ultimate controller of the main shareholders, the Company is committed to maintaining good relationships with shareholders.	No deviation from Articles 19 of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
(3). Has the Company established andimplemented risk management practices and firewalls for companies it is affiliated with?	V		The people, assets, and financial management responsibilities are clear and independent between the Company and its affiliated enterprises. to require the financial, and business management report of the subsidiaries every month, and the risk control mechanism for the subsidiaries is implemented and also set up "Subsidiary Management Operation Measures" and " Affiliated Enterprises' Relevant Financial Business Regulations", and implemented after approved by the Board of Director on May 06, 2020 and December 26, 2023. In addition, the information transfection to and from the subsidiary has also set up a firewall in order to achieve risk control.	No deviation from Articles 14 of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
(4). Has the Company established internal policies that prevent insiders from trading securities against non-public information?	V		The Company has established “Policies governing the prevention of insider trading,” regulates that company's employee should follow the Securities Exchange Law, and cannot use unpublished information to make insider trading nor disclose it to others from using the unpublished information to make insider trading.	No deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment Criteria	Actual Governance			Deviation and Causes of Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1). Has the Board of Directors established and implemented diverse policies and specific management goals</p>	V		To achieve sustainability and balanced development, the level of the Company's Board of Directors has been diversified in order to reach the strategic goal and maintain sustainability as the key factor. when the Company set up the composition of the Board of Directors, will consider the diversified members in various ways, including but not limited to gender, age, culture and educational background, race, professional experience, skills, knowledge, and service period. The Board of Directors all appointments are based on the principle of meritocracy, and the benefits of the diversity of board members are fully taken into account with objective conditions when considering candidates. For related content please refer to information concerning the directors on this annual report.	No deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
<p>(2). Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?</p>	V		<p>(1) Nomination of Committee Member and Corporate governance :: To fulfill the Board of Director's authority and enhance management mechanism, the Company has proposed establishing a nomination committee to the Board of Directors' meetings on June 21, 2022, which approved the resolution to do so. The committee will execute its authority per "Nomination Committee Charter" approved by the Board of Directors: 1. Establish the diversified and independent standard required for senior manager, such as professionalism, skill, experience, and sex, and further recruit, approve, and nominate directors and senior managers as candidates. 2. Construct and develop the Board of Directors and other committees' organization structure. 3. Plan and conduct directors' additional study plans. 4. Establish the Company's Corporate Governance Best-Practice Principles.</p> <p>(2) Environmental social governance Committee: To implement environmental protection, social responsibility, corporate governance, and other environmental social governance goals, the Company has proposed establishing of a environmental social governance committee to the Board of Directors' meetings on August 9, 2023, which approved the resolution to do so. The committee will execute its authorities under "Environmental social governance Committee Charter" approved by the Board of Directors: 1. Review the Company's environmental social governance policies, strategies, and management principles. 2. Supervise the Company's promotion of matters related to environmental social governance and implementation plan. 3. Review the Company's public disclosure of material environmental social governance information such as</p>	No deviation from Article 28, "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment Criteria	Actual Governance			Deviation and Causes of Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			environmental social governance report and report to the Board of Directors. 4. Supervise the Company's execution on its greenhouse gas inventory and verification plan. 5. Supervise the Company's attention to material motion that concerns the Company's shareholders, employees, customers, suppliers, communities, government authorities, and stakeholders. 6. Other matters that the Board of Directors approved the resolution to instruct the committee to conduct.	
(3). Has the Company established a set of policies and assessment methodology to evaluate the performance of the Board? Is regular performance evaluation conducted, at least once a year, and the evaluation result is submitted to the Board to serve as a reference in determining the remuneration of individual Directors and a nomination for re-election?	V		The Company formulated the "Board of Directors Performance Evaluation Method" in 2020, currently, through the executive unit to do a self-check on the Board of Directors procedures and operation management every year, in order to ensure the operation of the Board of Directors is following the related law to executing.	No deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
(4). Does the Company regularly evaluate the independence of CPAs?	V		The Company regularly evaluates the independence before to appointed accountants every year and none of the CPAs is a related person to the Company, for the audit and non-audit public expenses have been approved by the report to the Board of Directors, evaluated according to Audit Quality Indicators(AQIs) provided by CPA's firm, and obtain the "Total independent statement" to enhance the independence of financial public information, through the result to evaluation, it complies with the Company's independence evaluation, the related assessment item please refer to the accountant information in this annual report.	No deviation from Articles 29 of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
4. Does the TWSE/TPEX listed company dedicate competent managers or a sufficient number of managers to take charge of corporate governance, and designate supervisors thereof to oversee the corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting the Board and Supervisors in legal compliance, convening Board/Shareholders' meetings in accordance with the law, applying for/changing company registry, and producing meeting minutes of Board/Shareholders' meetings)?	V		The Company has set up a part-time corporate governance unit to push the corporate governance practices, such as the marketing unit, human resource unit, etc., providing at least services as below: consulting opinions from each director before the Board of Director meeting, planning the agenda, and notifying all directors before the meeting's legal deadline also provides the relation meeting information, in order to let directors understand the content of the related issues, make the meeting minutes after the meeting, and provide the record content to directors within the regulation deadline. Make the performance evaluation on individual directors every year, handle matters of shareholders' meetings according to the law every year, make meeting minutes, handle company registration and change registration; matters related to investor relations, etc.	No deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

Assessment Criteria	Actual Governance			Deviation and Causes of Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has set up the stakeholder's area on the Company website (http://www.ir-cloud.com/taiwan/6160/irwebsite_c/pages.php?id=13) and assigned a dedicated person to handle the affairs of different interested parties, they are spokespersons, acting spokespersons and investor relations, and other related units, also have a public e-mail on the Company's website and the dedicated person is responsible for it, to enhance the communicated channel is smooth and maintain the legal right of the stakeholder's	No deviation from Articles 41 of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
6. Does the Company appoint the professional stock affair agency to handle the affairs of the shareholders' meeting?	V		The Company appointed the Yuanta professional stock affairs agency to handle stock affairs according to law.	No deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
7. Information Disclosure (1). Has the Company established a website that discloses financial, business, and corporate governance-related information? (2). Does the Company adopt other avenues for information disclosure (e.g. setting up an English website, designating specific personnel to collect and provide disclosure on the Company, implementing a spokesperson system, disclosing the process of institutional investor conferences on the Company website and etc.)? (3). Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and monthly operating status reports before the stipulated deadlines?	V		The Company set up the " stakeholder's area" with Chinese and English versions on the Company's website http://www.ir-cloud.com/taiwan/6160/irwebsite_c/ . regularly disclose each matter, financial information, and important messages to shareholders for reference. The Company has disclosed important regulations such as fund lending procedures, endorsement guarantee procedures, procedures for acquisition and disposal of assets, internal audit operations, and the briefs and video of Investors Conference on the Company website. Implement the spokesperson system, designate a dedicated person to be responsible for the collection and disclosure of public information, and provide it to the spokesperson, acting spokesperson, and relevant business departments to answer questions from interested parties and competent authorities. Currently, the Company actively estimated the feasibility of announcing and filing the quarterly financial report and monthly operation status in advance.	No deviation from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
8. Does the Company have any other important information (including but not limited to employees' rights, employee care, investor relations, supplier relationship, rights and interests of stakeholders, training for directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?	V		(1) Employee's rights and interests: To formulate all kinds of employee welfare measures, training, and retirement system in order to maintain the right of employees, and formulate employee safety and health regulation according to the law for the daily management (2) Employee care: The Company has employee feedback mailbox to establish a direct communication channel with employees; at the same time, a dedicated window has been set up in accordance with the Gender Equality in Work Act to respect the human rights of employees and express the Company's concern for colleagues.	No deviation from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

Assessment Criteria	Actual Governance			Deviation and Causes of Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>(3) Investors relationship: the Company set up the spokesperson acting spokesperson and investor relationship department, expect to be a good communication bridge between the Company and investors. Also, set up the investor's contact information and automatic email notification services on the Company website (with English version) and provide the appropriate and reasonable answers to reply to the calling in order to maintain communication with investors.</p> <p>(4) Supplier relationship: the Company formulated the main point of supplier operations management, keeping smooth communication channels with suppliers and holding the integrity principle when working with them.</p> <p>(5) The right of shareholders: the Company has been committed to technological innovation, through developing new technology and high additional value of new products, to creating a working environment for employees to grow, and seeking stable investment returns for shareholders through revenue and profit growing, pursuing the maximum value of shareholder, employee and the whole society. Also, set up the investor's contact information and automatic email notification services on the Company website (with English version) and provide the appropriate and reasonable answers to reply to the calling in order to maintain communication with investors.</p> <p>(6) The training status of the directors: The directors of the Company all have related financial, business, accounting, and information backgrounds, and the training status has been posted on MOPS according to the law. At the same time, the appointed CPA and legal personnel also provide the appropriate legal consulting service to assist improve their relevant legal literacy and prevent the possibility of breaking the law.</p> <p>(7) The implementation status of customer policy: The Company's daily operations are according to the related regulation and laws to formulate the system to let employees follow and also set up the legal unit to help sales or customers and other complaints, the audit office will check and disclose according to the procedures</p> <p>(8) The status of the Company's purchase of liability insurance for directors: The Company has purchased US\$8 million liability insurance from Fubon Property & Casualty Insurance for directors and key employees</p>	

Assessment Criteria	Actual Governance			Deviation and Causes of Deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
9. Please describe improvements that have been made about the results of the corporate governance evaluation as prescribed by the Taiwan Stock Exchange Corporate Governance Center, as well as priorities and measures for matters that have yet to be improved.(Companies not included in the evaluation do not need to fill in)	V		In 2023, the Company make an evaluation according to the evaluation indicators of the corporate governance center. The evaluation results were announced on April 30,2024, and the Company got 75.41 points. The evaluation results of TPEX Listed companies are listed in the range of 6~20%. Please refer to the following (Appendix 1) for the improved status in 2023, and for the summary with an overall score higher than 65% of the unscored questions and improvement status of the 2023 corporate governance evaluation results , please refer to the following (Appendix 2).	No deviation from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Appendix 1. The improved items of corporate governance evaluation that released in 2023

No.	Evaluation Index
1.11	Has the Company uploaded the English version of its Annual Report 16 days before the regular shareholders' meeting?
1.15	Has the Company established and disclosed internal regulations prohibiting directors or employees from trading securities using information that hasn't been published on the market on its company websites, the content includes(and it's not limited to) directors can't trade their securities thirty days before the publication of the Company's annual financial statement nor trade shares during the fifteen days prior to the publication of its quarterly financial statement and specify the implementation status?
2.24	Has the Company implemented data security risk management structure, established data security policies, specific management plans, and invested resource in data security management, and disclosed the status on the Company's website or annual report? 【If the Company has imported ISO27001, CNS27001 and other data security management system standard or other systems and standards that have the same or better effect, and acquire a third party verification, then plus one more point to the total score. 】
2.25	Have the Company's independent directors finished their continued education hours under "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies?"
4.3	Has the Company disclosed its specific promoting plans and implementation status of Environmental Social Governance(ESG) on its website, annual reports or ESG reports regularly?
4.17	Has the Company disclosed its supplier management policies, on its website, annual report, or ESG reports and demand the suppliers to comply with related regulation concerning environmental protection, job safety and welfare, and labor rights, and detail the implementation status?

Appendix 2. The summary and Explanation of 2023 Corporate Governance Evaluation Results on the overall scores higher than 65% and unscored questions type and improvements

No.	Evaluation Index	Things to be improved and measures to be strengthened
1.3	Has over half of the Company's total directors and the convener of its audit committee attended regular shareholders' meetings in person and disclosed the attendance list on the proceedings?	The Company will reinforce the attendance of directors and the convener of the audit committee and disclose the attendance list on the proceedings.
1.8	Has the Company uploaded its annual report 18 days before the regular shareholders' meeting?	The Company will upload the annual report within time limit.
3.5	Has the Company uploaded its annual financial statement disclosed in English 16 days before the regular shareholders' meeting?	The Company will upload the financial statement within time limit.

(4) Remuneration Committee:

1. The information of Remuneration Committee members

December 31, 2023

Capacity	Qualifications Name	Professional qualifications and experiences(Note 1)	Independence status	Number of other public companies at which the person concurrently served as the remuneration committee member
Independent Director (convener)	Hu, Chiu-Chiang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Chairman and President of Director of Weitech Int. Co., Ltd	Note 2	1
Independent Director	Chen, Wen-Yu	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Hua Nan Financial Holdings Co., Ltd. — Hua Nan Securities, Vice President of Underwriting Business Department and Director of International Business Department	Note 2	0
Independent Director	Yu, Ming-Chang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Director of Stark Technology Inc. Director of MACHVISION, INC.	Note 2	0

Note 1: None of the directors of the Company has any circumstance under any subparagraph of Article 30 of the Company Act

Note 2 : Independent status as below:

- (1) Not an employee of the Company or its affiliated enterprises.
- (2) Not a director or supervisor of a company or its affiliated enterprises.
- (3) Natural person shareholders who are not themselves and their spouses, minor children, or others who hold more than 1% of the Company's total issued shares or hold the top 10 shares.
- (4) Not spouses, relatives within the second degree of kinship, or direct blood relatives within the third degree of kinship of persons not listed in the preceding three paragraphs.
- (5) Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company
- (6) No amount of remuneration was received for providing business, legal, financial, accounting, and other services to the Company or its affiliated companies in the past two years.

2. Duties and responsibility range of Remuneration Committee

A. The duty of the remuneration committee is to evaluate the Company's directors and managers remuneration policy and system in a professional and objective position and make recommendations to the Board of Directors for reference in its decision-making.

B. Responsibility range :

- (1) The remuneration committee shall exercise the care of a good administrator in faithfully performing its official powers and shall submit its recommendations for deliberation by the Board of Directors:
- (2) Proposals on remuneration are submitted to the Board of Directors for discussion, but only if the supervisors' remuneration is stipulated in the Company's articles of incorporation or the resolution of the shareholders' meeting authorizes the Board of Directors to handle it:

I 、 Periodically reviewing this Charter and making recommendations for amendments.

II 、 Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors and managerial officers

- (3) The committee shall follow the following principles when performing the functions and powers of the preceding paragraph:

I 、 To ensure the arrangement of remuneration is complying with related regulations and is enough to attract the excellent talented people.

II 、 The performance evaluation and remuneration of directors, and managers should refer to standards in the same industry and consider the time invested by each person and the responsibilities should take, the status of the achievement goal, the performance in other positions, and the salary that the Company gives to the same level position and also through the achievement of company's short-term and long-term business goals and the Company's financial status to evaluated the rationality of the relationship between individual performance and the Company's operating performance and future risks

- III 、 Should not guide the directors and managers to exceed the Company's risk behaviors in order to pursue remuneration.
- IV 、 The percentage of directors and senior managers' short-term performance bonuses and the date of part of variable salary payment is should determine by considering the characteristics of the industry and the feature of the Company's business.
- V 、 The member of the committee is not allowed to join the discussion and vote to determine their personal remuneration decision.
- VI 、 The remuneration referred to in the previous paragraph includes cash remuneration, stock options, dividends, retirement pensions or severance pay, various allowances, and other measures with substantial rewards; the category is insistent with the record item guidelines about the remuneration for Directors, and Managers of the listed company's annual report.
- (4)When the Board of Directors discusses the suggestion of remuneration, it should consider matters like the amount of remuneration, the payment method, and the future risk of the Company.
- (5)The remuneration of the directors and managers of the subsidiaries of the Company needs to be approved by the Board of Directors as follows the subsidiary defines the decision matters, it should provide the proposal from this committee and then submit it to the Board of Directors for discussion.
3. Operation of Remuneration Committee
- A 、 The total number of members in the Remuneration Committee amounts to three persons.
- B 、 The term of office for the current members: June 21, 2022 to June 20, 2025. In the most recent year, a total of 3 (A) meetings were held by the Remuneration Committee. The attendance is as follows:

Position	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Hu, Chiu-Chiang	3	0	100%	None
Member	Chen, Wen-Yu	3	0	100%	None
Member	Yu, Ming-Chang	3	0	100%	None

4. Proposal discussed and relocation result by the Remuneration Committee and the Company's treatment to the Remuneration Committee's opinions is as the following:

Date of meeting	Term	Proposal in the meeting	Resolution	Opinions of Committee's suggestions or objection
2023/03/29	The 5 th term, the 3 rd meeting	The 1 st case: The 2022 year-end bonus case of the Company's managers. The 2 nd case: The 2022 employee's and director's remuneration distribution. The 3 rd case: 2023 the remuneration distribution suggestion case of the Company's directors, independent directors, and remuneration committees. The 4 th case: Propose the Company's 2023 manager's remuneration and structure suggestion.	Approved the case with no objection. Approved the case with no objection. The remuneration of independent directors are individual resolutions, except for the recusal of independent directors during voting, the chairman of the meeting inquired the opinions from other present directors and approved with no objection. Approved the case with no objection.	None None None None
2023/08/09	The 5 th term, the 4 th meeting	The 1 st case: The 2022 director's remuneration distribution case of the Company. The 2 nd case: To suggest an adjustment on the remuneration of the Company's manager, CTO Chen, To.	The case has the distribution amount of Chairman and general manager Steven Liao, the representative of ChangeEn Management Consulting Co., Ltd., who was present and conducted his recusal from the discussion and voting under the regulations. Approved the case with no objection. Approved the case with no objection.	None None
2023/12/26	The 5 th term, the 5 th meeting	The 1 st case: The Company's 2022 manager's and employee's remuneration distribution. The 2 nd case: To suggest the Company's 2024 director's, independent director's, and remuneration committee's remuneration. The 3 rd case: To suggest the Company's manager's 2024 remuneration and its structure	The case has the employee's distribution amount of Chairman and general manager Steven Liao, who was present and conducted his recusal from the discussion and voting under the regulations. Approved the case with no objection. The remuneration of independent directors are individual resolutions, except for the recusal of independent directors during voting, the chairman of the meeting inquired the opinions from other present directors and approved with no objection. The case has the manager's distribution amount of Chairman and general manager Steven Liao, who was present and conducted his recusal from the discussion and voting under the regulations.	None None None

Other matters to be noted :

- 1.The Board of Directors of the company has adopted all suggestions from the Remuneration Committee
- 2.The minutes of meetings of the company's Remuneration committee have been clearly documented, and there are no objections or qualified opinions.

5. Nomination of Committee Member and Corporate governance :

A. The information of the nomination of committee member :

Title	Name	Professional qualifications and experience
Convener	Hu, Chiu-Chiang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience Chairman and President of Weikeng Industrial Co., Ltd
Member	Chen, Wen-Yu	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Hua Nan Financial Holdings Co., Ltd. — Hua Nan Securities, Vice President of Underwriting Business Department and Director of International Business Department
Member	Yu, Ming-Chang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Director of Stark Technology Inc. Director of MACHVISION,INC.
Member	Tsai, Yu-Ping	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Chairman of Meitung Limited
Member	Mr. Steven Liau	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Chairman and President of Cipher Lab Co., Ltd
Note: Establishment date of the committee: 21 st June, 2022		

B. The responsibility and authority scope of Corporate Governance and Nomination Committee

- a) Define the standards for the professional knowledge, skills, experience, gender and other diverse backgrounds and independence required by board members and senior managers, and use them to find, audit and nominate candidates for directors and senior managers.
- b) Construct and develop the organizational structure of the board of directors and committees, conduct performance evaluation of the board of directors, committees, directors and senior managers, and evaluate the independence of independent directors.
- c) Plan and implement the directors' education plan.
- d) Formulate the Company's "Corporate Governance Practice Principles"

C. Operation of Corporate Governance and Nomination Committee

- a) The total number of members in the Corporate Governance and Nomination Committee amounts to 5 persons.
- b) The term of office for the current members: June 21, 2022 to June 20, 2025. In the most recent year, a total of 2 (A) meetings were held by the Corporate Governance and Nomination Committee. The attendance is as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B / A)	Remark
Convener	Hu, Chiu-Chiang	2	0	100	None
Member	Chen, Wen-Yu	2	0	100	None
Member	Yu, Ming-Chang	2	0	100	None
Member	Tsai, Yu-Ping	2	0	100	None
Member	Mr. Steven Liau	2	0	100	None

D. Proposal discussed and resolution result by the Corporate Governance and Nomination Committee and the Company's treatment to the Corporate Governance and Nomination Committee's opinions is as the following :

Date of meeting	Term	Proposal in the meeting	Resolution	Opinions of Committee's suggestions or objection
2023/05/10	1 st term 1 st meeting	The 1 st case : Nomination of Mr. Chen Duo(CTO) as the Chief Information Security Officer of the Company. The 2 nd case: Amendment of Corporate Governance Practice Principles	Approved the case with no objection. Approved the case with no objection.	None None
2023/11/01	1 st term 2 nd meeting	The 1 st case : Formulation of Implementation of directors training plan	Approved the case with no objection.	None
Other matters to be noted : The Company's treatment to the Corporate Governance and Nomination Committee's opinions : The Board of Directors of the company has adopted all suggestions from the Corporate Governance and Nomination Committee				

6. Sustainability Development Committee :

A. The member information of Sustainability Development Committee :

Title	Name	Professional qualifications and experience
Convener	Hu, Chiu-Chiang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Chairman and President of Weikeng Industrial Co., Ltd
Member	Chen, Wen-Yu	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Hua Nan Financial Holdings Co., Ltd. — Hua Nan Securities, Vice President of Underwriting Business Department and Director of International Business Department
Member	Yu, Ming-Chang	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Director of Stark Technology Inc. Director of MACHVISION, INC.
Member	Tsai, Yu-Ping	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Chairman of Meitong Limited
Member	Mr. Steven Liao	Have more than five years of work experience in business, legal, finance, accounting, or corporate business Work experience : Chairman and President of Cipher Lab Co., Ltd
Note: Establishment date of the committee: 9 th August, 2023		

B. The responsibility and authority scope of Sustainability Development Committee

- Review the company's sustainable development policies, strategies, and management guidelines.
- Supervise the company's implementation of sustainability-related matters and action plans.
- Review significant sustainability information that disclosed in the company's sustainability report and other public disclosures, and report to the board of directors
- Supervise the company's significant issues concerning shareholders, employees, customers, suppliers, communities, government agencies, and other stakeholders.
- Handle other matters as instructed by the board of directors

C. Operation of Sustainability Development Committee

- The total number of members in the Sustainability Development Committee amounts to 5 persons.

- b) The term of office for the current members: August 9, 2023, to June 20, 2025. In the most recent year, a total of 1 (A) meetings were held by the Sustainability Development Committee. The attendance is as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B / A)	Remark
Convener	Hu, Chiu-Chiang	1	0	100	None
Member	Chen, Wen-Yu	1	0	100	None
Member	Yu, Ming-Chang	1	0	100	None
Member	Tsai, Yu-Ping	0	1	100	None
Member	Mr. Steven Liao	1	0	100	None

- D. Proposal discussed and resolution result by the Sustainability Development Committee and the Company's treatment to the Sustainability Development Committee's opinions is as the following : :

Date of meeting	Term	Proposal in the meeting	Resolution	Opinions of Committee's suggestions or objection	Date of meeting
2023/12/26	1 st term 1 st meeting	1. Progress report on the preparation planning of the 2023 sustainability report. 2. 2022 Greenhouse gas inventories report.	None	NA	NA
Other matters to be noted : The company's treatment to the Sustainability Development Committee's opinions : The Board of Directors of the company has adopted all suggestions from the Sustainability Development Committee.					

(5) Implementation status of promoting sustainable development and discrepancies with the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons:

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
1. Does the Company have a governance structure that promotes sustainable development, establishes a special unit, or designates an existing unit and the Board of Directors of the Company authorizes the senior level management to handle relevant matters and the Board of Directors supervise relevant matters?	V		<p>1. The governance structure promoting ESG: The Company's Board of Directors approved the resolution to establish "ESG committee" on August 9, 2023, as the highest advisory organization of planning and discussing ESG related matters and report to the Board.</p> <p>2. The composition, operation, and implementation status of the current year: (1)The ESG committee has independent directors as its convener and meeting chairman, and an ESG promotion and execution office is established under its authority to ensure the promotion and implementation of ESG related matters. (2) Each the Company's responsible unit oversees the implementation, and the promotion and execution office will report the implementation status, results, and review to the ESG committee twice per year. The main topics include but are not limited to the following: a. Preparation and status on the ESG report. b. Employee safety, working environment and job welfare. c. Intellectual property rights management status. d. ESG implementation status. e. Greenhouse inventory and verification plan status. f. Social welfare implementation status. (3)2023 Implementation status (Mainly The operating scope of the parent company in Taiwan) has been reported to the ESG committee on December 26, 2023.</p> <p>3. Cooperating with the Company's new governing blueprints, the ESG committee will continue to promote each ESG goals throughout the Company as well as paying attention to international ESG trends and regulations to improve corporate ESG. The Company has also established ESG related regulations as the base operating and management guidelines of each company in the Group concerning the risk factors and opportunities of environment, social, and corporate governance.</p> <p>4. The Sustainability Office assigns responsible personnel to regularly report to the Board of Directors on operational effectiveness (including communication with stakeholders) every year, as well as issues of concern to stakeholders, specific promotion plans and implementation status. It is expected to complete the 2023 Sustainability Report in 2024. , and will be placed on the company's website for review by interested parties before August 31, 2024. The relevant handling situation was reported to the board of directors on December 26, 2023. The board of directors listened to the report of the management team. The board of directors evaluated and supervised the management policy, strategy and goal formulation and review measures reported by the operating class, frequently reviewed the progress of the strategy, and urged the management team to follow The planning process continues.</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons									
	Yes	No	Summary										
2. Has the Company performed risk assessment pertaining to the environment, community and corporate governance issues related to the operation of the Company in accordance with the materiality principle and established the corresponding risk management policies or strategies?	V		<div>1. According to the analysis based on the materiality principle and communication with internal and external stakeholders, and through reviewing in and out of the country research reports, and literature and integrating assessment data from each department and subsidiaries, so that to evaluate the importance of ESG issues, formulate the effective identification and evaluate the assessment, supervise, and control risk management policies and take specific action plans to reduce the impact of related risks.</div> <div>2. Based on the risk after assessing, formulate relevant risk management policies or strategies as follows:</div> <table><tr><th>Important issue</th><th>Risk Assessment Project</th><th>Explanation</th></tr><tr><td>environment</td><td>Environmental impact and management</td><td><div>1. The Company will through the implementation of production process safety management and systemized management cycle to reduces pollution emissions effectively and the impact on the environment.</div><div>2. The Company's market covers the world, and its products must comply with environmental protection regulations and have passed the certifications of Germany TUV 9001 quality assurance, ISO14001 environment, and CCC in China.</div></td></tr><tr><td></td><td>Give back to society / Environmental protection</td><td><div>The Company is aware of the corporate social responsibility of "Taking from the society and Using it for the society", it took action to care for the society and gradually expand care and participate in social non-profit organizations and other related activities.</div><div>The Company held a beach cleaning activity on October 14, 2023, and invited all employees to participate, using the action to support and build a happiness city together.</div><div>Through the way of cleaning the beach, bending down and moving our hands, rethinking our relationship with the environment, and learning how to be friendly to the land and ocean, doing tiny efforts for the earth together.</div></td></tr></table>	Important issue	Risk Assessment Project	Explanation	environment	Environmental impact and management	<div>1. The Company will through the implementation of production process safety management and systemized management cycle to reduces pollution emissions effectively and the impact on the environment.</div> <div>2. The Company's market covers the world, and its products must comply with environmental protection regulations and have passed the certifications of Germany TUV 9001 quality assurance, ISO14001 environment, and CCC in China.</div>		Give back to society / Environmental protection	<div>The Company is aware of the corporate social responsibility of "Taking from the society and Using it for the society", it took action to care for the society and gradually expand care and participate in social non-profit organizations and other related activities.</div> <div>The Company held a beach cleaning activity on October 14, 2023, and invited all employees to participate, using the action to support and build a happiness city together.</div> <div>Through the way of cleaning the beach, bending down and moving our hands, rethinking our relationship with the environment, and learning how to be friendly to the land and ocean, doing tiny efforts for the earth together.</div>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
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Evaluation Item	Implementation status			Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No			
			Society	Occupational safety	The Company has set up a dedicated person for labor safety and health management and an emergency and hold health checking and safety and health education training for employee every year in order to maintain the health, and safety of the employee, and provide the employee with fire drill regularly of every year and routine the "Labor safety and health education series" training for employees.
				Sustainable Development Quality Education Goals	The Company considers UN SDGs' sustainable development of high-quality education as the goal and had the communication lecture with the education principal group "Ministry of Education's 2023 Year junior high and elementary School Principal Professional Learning Community" in March 2022, chairman and 14 Taipei city elementary schools principals have attended this lecture, sharing the entrepreneur's thinking and best practice experience in business management, and having in-depth exchanges and discussions with school principals on school affairs management. The Company has provided excellent-quality AIDC(Automatic Identification and Data Capture) software and hardware equipment for many years, in order to combine digitalization to enhance experience and create value and wish to further industry-university cooperation to optimize the growth environment and work together for the sustainable development of society.
				Give back to society / Environmental protection	The Company is aware of the corporate social responsibility of "Taking from the society and Using it for the society", it took action to care for the society and gradually expand care and participate in social non-profit organizations and other related activities. The Company held a beach cleaning activity on October 14, 2023, and invited all employees to participate, using the action to support and build a happiness city together.

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
				Through the way of cleaning the beach, bending down and moving our hands, rethinking our relationship with the environment, and learning how to be friendly to the land and ocean, doing tiny efforts for the earth together.
			Product Safety	<p>1.The Company's current products are totally compliant with the EU's RoHS Directive on Restricting the Use of Hazardous Substances in Electrical and Electronic Equipment so the recycling and disposal of waste electrical and electronic equipment can meet environmental protection requirements.</p> <p>2.In order to ensure the quality of customer service at the same time, the Company has established a customer communication website, it can handle the customer's complaints through the Company website or e-mail and actively do customer service satisfaction surveys every year to strengthen the cooperative relationship between customers.</p> <p>3.In order to transfer the risk of commodity liability, reduce the loss of finances and improve product safety, the Company has purchased product liability insurance.</p>
			Corporate Governance	Through the established governance organization and implemented internal control mechanism to ensure that all company's employees and operations truly comply with related regulations of law
			Strengthen the functions of directors	<p>1. Plan the related training issue for directors and provide the director with the newest regulations, system development, and policy every year.</p> <p>2. Help directors to insure the liability insurance to protect them from lawsuits or claims.</p>
			The communication of stakeholder	1. In order to avoid different positions from stakeholders and the Company, causing misunderstandings raising business risks, etc., the Company's website has set up

Evaluation Item	Implementation status					Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary			
					stakeholder concerns topics and communication methods. 2. The Company seeks to maintain good cooperative relationships with stakeholders, hoping to through perfect communication to achieve the protection of their rights, the Company's website has set up a communication channel for stakeholders.	
3. Environmental Issue (1) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	V		According to the industrial characteristics, the Company establishes the appropriate environmental management system including collecting and evaluating that effective and timely information on the effect on the natural environment caused by operating activity, setting up the measurable goal of environmentally sustainable, and regularly reviewing the sustainability and relevance of its development, formulate the specific plan or action plan, etc. executing behavior, and regularly reviewing the effectiveness of its operation. The Company has established a ESG promotion and execution office to formulate, promote and maintain the environmental management system and specific action plans, and have environmental education classes for management and employees. The Company in order to fulfill its social responsibility to protect the earth's environment develops relevant processes and technologies to reduce the use of harmful substances in electronic and electrical equipment and enhance to provide excellent products, reasonable prices, and satisfied service as the guideline of business operating and request all suppliers provide the raw material which meets environmental requirements. Currently, all products of the Company meet the EU RoHS directive on the restriction of hazardous substances in electronic and electrical equipment, Restriction of the use of Hazardous substances, so that the recycling and disposal of waste electronic and electrical equipment meet environmental protection requirements. They have passed the Germany TUV ISO 9001 quality assurance, ISO 14001 environment, and CCC certification in China. Relevant materials comply with RoHS regulations to reduce the load and environmental impact.			No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
(2) Is the Company committed to enhancing the efficiency of resources and using renewable materials with low impact on the environment?	V		Considering the influence of eco-effective and natural environment impacts, the related Energy saving and carbon reduction are : 1. Promoting employee power saving measures such as regular power saving hours during lunch break, reduce unnecessary lighting equipment, and manage the usage of papers in offices, further reducing the costs and effectively reduce greenhouse gas emission. (Ongoing) 2. Substituting LED lights for old lighting equipment in offices. (Ongoing) 3. The Company's main product's materials and components comply with environment regulations, and supplier management department has notified the environmental protection standard to suppliers, establishing a green supply chain and conduct audits on a regular basis to eliminate			No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons																																																
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			disqualified suppliers to keep improving the material source to achieve the Company's carbon emission goals. (Ongoing) 4. Promote recycle to reduce garbage and waste. (Ongoing) 5. Reduce pollutants, toxins, and waste emission, and process waste via laws and regulations appointed manufacturers regularly. (Ongoing)																																																	
(3) Has the Company assessed the potential risks and opportunities for business operations now and the future regarding climate change and will it adopt response measures relating to climate issues?	V		<p>CIPHERLAB Co., Ltd has implemented internal control system and internal audit system and has established risk management policies to implement ESG related integrated risk management concerning environment, social and corporate governance. Because of the extreme climate caused by global warming, the impact of energy and climate change related issues are getting more significant recently, and CIPHERLAB Co., Ltd has to fulfill its Corporate ESG responsibility to ensure its sustainable development in the industry.</p> <p>CIPHERLAB Co., Ltd took the structure suggested by Task Force on Climate-related Financial Disclosures (TCFD) and put related issues into a variety of scopes, such as governance, strategy, risk management, indicators, and goals, and appointed the members in the ESG committee to identify climate related risks and opportunities to plan the following responding strategies and report to the Board of Directors per year under the Board's supervision.</p> <p>The status of climate related risks and opportunities of CIPHERLAB Co., Ltd:</p> <p>1. The combined report of climate related risks and opportunities and annual ESG risks management issues will be reported to the Board of Director's by the General Manager, and the Board will supervise the implementation status.</p> <table><tr><th colspan="8">2023 Climate-related risks and opportunities</th></tr><tr><th>Code</th><th>Risk</th><th>Risk Level</th><th>Time Scope</th><th>Code</th><th>Opportunity</th><th>Opportunity level</th><th>Time Scope</th></tr><tr><td>R6</td><td>Change in customers behavior</td><td>High</td><td>Short, mid, long term</td><td>O2</td><td>Adopt better efficiency production and sale procedure</td><td>High</td><td>Short, long term</td></tr><tr><td>R7</td><td>Uncertainty in Market</td><td>High</td><td>Short, mid, long term</td><td></td><td></td><td></td><td></td></tr><tr><td>R8</td><td>Price hike of material</td><td>High</td><td>Short, mid, long term</td><td></td><td></td><td></td><td></td></tr><tr><td>R13</td><td>Rise in temperature</td><td>High</td><td>Short, long term</td><td></td><td></td><td></td><td></td></tr></table> <p>Note1: Short-term 1-3 years, mid-term is 3-5 years, long-term is over 6 years. Note2: R/Risk, O/Opportunity</p> <p>2. The General manager is the committee of climate-related risks and opportunities, and each first-class officer implements risk identification, evaluation, and responding measures.</p>	2023 Climate-related risks and opportunities								Code	Risk	Risk Level	Time Scope	Code	Opportunity	Opportunity level	Time Scope	R6	Change in customers behavior	High	Short, mid, long term	O2	Adopt better efficiency production and sale procedure	High	Short, long term	R7	Uncertainty in Market	High	Short, mid, long term					R8	Price hike of material	High	Short, mid, long term					R13	Rise in temperature	High	Short, long term					No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
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	Yes	No	Summary	
			Climate-related impact and response	
			Risk and opportunity item	
			Impact and response	
			Change in customers behavior	<p>The increasing customer focus on the demand for low-carbon products has prompted companies to intensify their efforts and concentrate on energy and greenhouse gas management, thereby contributing to enhanced operational performance and the achievement of net-zero emissions goals. In the short term, the Company prioritizes the promotion of cloud-based remote equipment management systems (ReMoCloud and EnDeCloud), specifically targeting key vertical markets such as logistics, warehousing, retail, and manufacturing. Additionally, it introduces new products tailored to the specific application needs of these sectors to strengthen its market position. The new product (RS36) launched in 2023 successfully achieved a 5.3% reduction in carbon emissions. In the medium to long term, the Company will collaborate with strategic partners within the industry to expand the reach of project coverage and strengthen market outreach by providing comprehensive solutions. This initiative will strengthen regional market operations, establish a global management network, and enhance global competitiveness. Concurrently, the Company remains committed to its climate change mitigation objectives. The goal is to achieve an annual reduction of over 3% in carbon emissions through new product</p>

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
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				development by 2026, thereby contributing to the objectives for low carbon products.
			Uncertainty in Market	The Company follows the internal operational management processes and continuously communicates over new technologies needed by the potential product application market. It focuses on developing key products and technologies, currently maintaining its niche market with handheld industrial computers featuring CipherLab's exclusive operating system. Additionally, it leverages the momentum of mainstream handheld industrial computers featuring the Android operating system, aiming to expand its comprehensive product line of handheld industrial computers. In the short term, the Company focuses on enhancing the R&D of industrial-grade and high-end barcode scanners, as well as introducing new products with extended application of optical technology. In the mid to long-term, the Company will prioritize conducting thorough market research in key markets to gain a better understanding of the application needs of end-users. This understanding will serve as the foundation for new product development, allowing the Company to focus R&D resources on selected significant projects.
			Price hike of materials	The Company prioritizes establishing long-term trust and cooperative relationships with multiple suppliers to reduce dependence on any single supplier

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary	
				and to secure their support. In the short term, it closely monitors changes in the market and industry, including trends in raw material prices and supply situations, anticipates potential scenarios in advance, and signs long-term supply contracts to ensure stable supply and pricing. In the mid to long-term, the Company focuses on establishing alternative raw materials to reduce the impact of the rising costs or shortages in major raw material. Additionally, it utilizes technological tools and data analytics to monitor and manage supply chain risks, maintains frequent and effective communication with suppliers, shares timely information, and resolves issues promptly.
			Rise in temperature	Due to global warming, the number of high-temperature days has increased, which has affected operating electricity usage. It is estimated that the increased electricity bills and usage might lead to increased fixed costs. The Company's responding measures include the implementation of electricity-saving promotions, effective monitoring of energy consumption data, and regular assessing and improving energy management effectiveness as short-term solutions. As the mid to long-term solution, the Company has implemented greenhouse gas inventory in 2022 and set energy conservation and carbon reduction goals to reduce the impact of rising temperatures due to greenhouse gas

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
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				emissions, which are achieved through implementation of risk monitoring and early warning systems every year, hoping to accomplish 2050 carbon neutrality goal.
			Adopt better efficiency production and sale procedure	The Company implements standardized operational processes and order tracking, coupled with regular sales forecast reviews, to significantly shorten production lead times and enhance material management. Currently, the Company prioritizes program automation to test product functionality and enhance quality control on the production line, aiming for superior quality that secures customer approval. Continued collaboration with leading manufacturers not only improves overall product quality but also optimizes transportation processes and resource efficiency. The Company also hopes to reduce costs and enhance both in-house production and outsourcing management capabilities by leveraging on the purchasing advantages offered by these leading manufacturers. In the mid to long term, the Company aims to leverage its influence to encourage suppliers to prioritize social responsibility and environmental protection. The Company remains dedicated in its commitment to supply chain ESG policies and advocates for industry sustainability to drive long-term industry growth.

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(4) Has the Company calculated the greenhouse gasemissions, water consumption, and total weightof waste in the past 2 years. It formulated policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption, or other waste management?	V		The environment management system of the Company includes establishing an " Environmental policy" in order to " follow the environment protection regulations, keep requesting industry waste reduction, saving product energy use, implement environmental pollution prevention ", states the Company's determination to continuously improve and improve quality and environment.	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies																																
			<table><tr><td colspan="3">2022 Greenhouse Gas Inventory</td><td>Total water withdrawn and consumption</td></tr><tr><td rowspan="2">Category 1</td><td>Total emission</td><td>Intensity</td><td rowspan="7">Total water withdrawn: The water bill for the leased building and factory where the Company and factory are located is included in the management fee. The estimated value is 5,402.304 m³ (thousand cubic meters) Total water consumption: The Company does not have water consumption due to its operation characteristics.</td></tr><tr><td>(mt CO2e)</td><td>(mt CO2e/NTD million)</td></tr><tr><td>Parent Company</td><td>29.42</td><td>0.0246</td></tr><tr><td rowspan="2">Category 2</td><td>Total emission</td><td>Intensity</td></tr><tr><td>(mt CO2e)</td><td>(mt CO2e/NTD million)</td></tr><tr><td>Parent Company</td><td>517.27</td><td>0.4331</td></tr><tr><td rowspan="2">Category 3</td><td>Total emission</td><td>Intensity</td></tr><tr><td>(mt CO2e)</td><td>(mt CO2e/NTD million)</td></tr><tr><td>Parent Company</td><td>955.41</td><td>0.799992</td></tr><tr><td colspan="4">Note1: Operating Income is NT\$1194.271 million.</td></tr></table>	2022 Greenhouse Gas Inventory			Total water withdrawn and consumption	Category 1	Total emission	Intensity	Total water withdrawn: The water bill for the leased building and factory where the Company and factory are located is included in the management fee. The estimated value is 5,402.304 m³ (thousand cubic meters) Total water consumption: The Company does not have water consumption due to its operation characteristics.	(mt CO2e)	(mt CO2e/NTD million)	Parent Company	29.42	0.0246	Category 2	Total emission	Intensity	(mt CO2e)	(mt CO2e/NTD million)	Parent Company	517.27	0.4331	Category 3	Total emission	Intensity	(mt CO2e)	(mt CO2e/NTD million)	Parent Company	955.41	0.799992	Note1: Operating Income is NT\$1194.271 million.			
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	Yes	No	Summary						
				(mt CO2e)	(mt CO2e/ NTD million)	estimated value is 5,952.096 m ³ (thousand cubic meters)	The Company does not have water consumption due to its operation characteristics.		
			Parent Company	528.24	0.4017	Total water consumption:			
			Category 3	Total emission	Intensity	The Company does not have water consumption due to its operation characteristics.			
				(mt CO2e)	(mt CO2e/ NTD million)				
			Parent Company	946.57	0.7338				
			Note1: Operating Income is NT\$1290.037 million.						
			Waste: 0.4735 metric ton of hazardous waste in 2023, 0.314 metric ton of non-hazardous waste in total / 0.0385 metric ton of hazardous waste in 2022 and 0.0515 metric ton in total of non-hazardous waste. (The source of the data is that Foli Enterprise Co., Ltd. is a Class A company engaged in the removal of general waste, general industrial waste and hazardous industrial waste. It is a special manufacturer entrusted by the Company to deal with waste removal. The removal license is 2020 New Taipei City Waste A Qing Zi No. 0118).						
			Relevant energy saving, carbon reduction, and waste management measures include:						
			1. Reduce and control the usage of paper at the office, saving power during lunchtime regularly and reduce unnecessary lighting features to save electricity and environment friendly						
			2. The material and parts of the current main production products of the Company have met the requirement of environmental protection, the supplier management department has notified the suppliers of the environmental protection specifications, established a green supply chain, regularly implemented audits, and appropriately replaced unsuitable suppliers and continuously improve the materials used in this product, reduce waste generation, and achieve the goal of reducing carbon emissions.						
3. Strengthen waste recycling and resource recovery to achieve the purpose of waste reduction.									
4. Reduce the emission of pollutants, toxic substances, and waste, and regularly and properly dispose of waste through contracted manufacturers.									

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons										
	Yes	No	Summary											
4. Social Issues (1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	V		<p>The Company agrees and voluntarily follows “International human rights conventions”, " The United Nations Global Compact “, “The International Labor Office Tripartite Declaration of Principle "and "The United Nations Guiding Principles on Business and Human Rights”, formulated and passed “ the Company’s human rights policy” in November 2022 to prohibit any violations and violations of human rights, and also announced it on the Company's website. Based on this, it can fully protect employees' legal rights and enhance the human rights awareness of the employee and partner in order to promote the positive development of society.</p> <p>1. The human rights management policy of the Company and specific plans are as follows:</p> <table><tr><th>Item</th><th>Plan and Performance</th></tr><tr><td>Diversity inclusive and equal opportunity</td><td>1. By the local government labor law and international regulations and implement internal related regulations. 2. Provide employees with the agender equal and diverse working environment, keeping open, fair principles not because the personal gender, race, class, age, marriage, language, thought, religion, policy party, place of birth, outlook, facial features, physical and mental disabilities to have any language, attitude, and behavior of discriminatory, and work together to create a dignified, safe, equal and free from discrimination and harassment working environment.</td></tr><tr><td>Prohibition of forced and compulsory labor</td><td>1. Respect employee's willingness, forbidden of force, and have set up the appeal channels 2. The working hours of employees are based on the agreement between the employer and staff as the principle, the Company arranges the attendance hours, shifts, schedule, and break time according to the laws and operating status. Due to the actual needs of working, after the employer and staff meeting approval, the normal working time can be extended, the extended working time will comply with the regulation of labor law and should provide the application for the overtime fee and compensatory leave.</td></tr><tr><td>Child labor is forbidden</td><td>In order to protect the physical and mental health of minors, the hiring standards comply with the minimum age limit of the local regulations.</td></tr><tr><td>Reasonable salary</td><td>1. Provide employees with a reasonable salary</td></tr></table>	Item	Plan and Performance	Diversity inclusive and equal opportunity	1. By the local government labor law and international regulations and implement internal related regulations. 2. Provide employees with the agender equal and diverse working environment, keeping open, fair principles not because the personal gender, race, class, age, marriage, language, thought, religion, policy party, place of birth, outlook, facial features, physical and mental disabilities to have any language, attitude, and behavior of discriminatory, and work together to create a dignified, safe, equal and free from discrimination and harassment working environment.	Prohibition of forced and compulsory labor	1. Respect employee's willingness, forbidden of force, and have set up the appeal channels 2. The working hours of employees are based on the agreement between the employer and staff as the principle, the Company arranges the attendance hours, shifts, schedule, and break time according to the laws and operating status. Due to the actual needs of working, after the employer and staff meeting approval, the normal working time can be extended, the extended working time will comply with the regulation of labor law and should provide the application for the overtime fee and compensatory leave.	Child labor is forbidden	In order to protect the physical and mental health of minors, the hiring standards comply with the minimum age limit of the local regulations.	Reasonable salary	1. Provide employees with a reasonable salary	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
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			and working conditions	and related benefits according to the law and regulations 2. Under the premise of stabilizing the life of employees and improving work efficiency, provide all kinds of welfare measures.
			Health and Safety Workplace	1. Keep pushing for the improvement of the plan/project 2. Establish safety and healthy working environment, reduce the risk of workplace safety and health, promote the physical and mental health of the employee, in order to reach the balance between work and life, and held safety and health, fire control, etc., and related education training irregularly, adopt necessary preventive measures to prevent occupational disasters happen, in order to reduce the dangerous factors of the working environment.
			Harmony Labor Relations	1. Establish a gender-equal workplace, the Company implements the Unpaid Parental Leave for Raising Children system, at the same time, also provides colleagues with family care leave, menstrual leave, maternity leave, paternity leave, and breastfeeding rooms, etc. 2. Provide diverse and open communication channels, hold employer and staff meeting regularly, strive to promote harmony between employer and labor, create a good employer-staff relationship, and effectively mediate differences of opinion, if the Company operating activity and internal management changes have a significant impact on labor rights it should communicate through the labor -staff meeting to process the good two-way communication
			Appeal system	The Company in order to achieve the goal of colleagues' complaint cases with fair handling, has set up a smooth complaint channel so that the following situations can be fully conveyed. When employees have all kinds of problems within the Company, they can file complaints with all level's supervisors, and human resources units through the Company's complaint channels, and the Company has a mechanism for processing. In addition, in order to maintain gender equality in work and provide employees and job seekers with a working and service environment free from sexual harassment, a

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
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			<div>dedicated complaint telephone, fax and e-mail address for sexual harassment prevention are set up. During the investigation of the complaint, it is handled in a confidential, and the name of the complainant or other relevant information sufficient to identify the complainant is not disclosed to protect the complainant. Regarding the content of the resolution of the appeal investigation, the complainant and the respondent are also informed in writing. If the complainant or the respondent has any objection to the resolution of the appeal case, they can also re-submit a complaint to the Company.</div> <div>Privacy protection The Company in order to protect the human rights and privacy of customers, established a comprehensive information security management mechanism and followed strict control regulations and protection measures.</div>	
			<p>2. To maintain and ensure basic human rights, the Company agrees with and support all human rights and basic principles described in each international human rights agreement, fulfills the responsibility to respect and protect human rights, and has established human rights policies to protect employee's legal interests and rights, promote employee's and partner's human rights awareness, and to promote a positive social development. The related policies are as follow:</p> <p>a. The Company has established "Working regulations," "Procedures of Complaint and Punishment of Sexual Harassment," "ESG best-practice Principles," "Welfare Protection Plan" and other management policies and procedures that comply with the Labor Act and dedicates itself to create a well around working environment to protect employee's interests, rights, and welfare and make sure there is no discrimination, inhuman treatment. The Company will treat every employee equally regardless of their race, religion, sex, age, and nationality.</p> <p>b. The Company cares for every colleague's welfare, safety, and dignity and also complies with Taiwanese Labor Act, local government policies for foreign factories, and international labor interests and rights regulations, including Universal Declaration of Human Rights, etc.</p> <p>3. Implementation wise:</p> <p>a. The Company has implemented recruitment management and confirm the applicant's id to eradicate child labor. The Company has never hired a child labor that's under 16 years of age and has never encountered any labor dispute. The Company prohibits forced labor and obeys local labor laws and regulations.</p> <p>b. The Company recruits unemployed workers and has established a stable employment Plan to provide stable employment opportunities to people who may face employment difficulties, including the long-term unemployed, to stabilize and promote the job market. CIPHERLAB Co., Ltd has provided job opportunities for these people and integrated them into our corporate</p>	

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			<p>environment through cooperation with the Keelung Employment Service Center. Between 2021 and 2023, the Company hired 60 workers, allowing them to reintegrate into society and achieve the goal of living independently. Meanwhile, the Company's participation also promotes the development of the job market, creates more employment opportunities for the society, and promotes the economic development of the society.</p> <p>c. The Company incorporates flextime, letting employees to avoid commuting hours or adjust their time flexibly for their family.</p> <p>d. The Company implements holidays system to encourage work-life balance.</p> <p>e. The Company provides new employees with education and training on employee work rules, job safety and health, job ethics and integrity, and human rights protection policies. Sixty underwent the training for a total of 180 hours. The Company also promotes a friendly and equal workplace culture and creates a gender-friendly workplace. As for labor communications, the Company values the voices of all employees and has set up a general manager-employee feedback mailbox and a grievance channel mailbox (IA@cipherlab.com.tw). These mailboxes are handled by a dedicated department so that every employee can be heard and responded to.</p>	
(2) Has the Company established and implemented reasonable measures for employee benefits (including: remuneration, holidays and other benefits) and appropriately reflect the business performance or achievements in the employee remuneration?	V		<p>The Company has related the main point and implemented reasonable employee welfare measures</p> <p>1. Employee Remuneration: (1) The achievement bonus and year-end bonus are distributed after considering the current seniority and annual performance evaluation in order to motivate the colleagues to fight for the Company's goals (2) Employee remuneration is according to the Company's article of incorporation, it will be calculated by 0.5~10% of the Company's current year profit (3) Telephone allowance for managers level (4) Long-service bonuses (5) Talent recommendation rewards.</p> <p>2. Employee activities and benefits: The Company established an employee welfare committee to distribute allowance according to the law every year, plan, and provide good quality welfare for colleagues, the actual implementation is as below: The allowance for employee travel and employee social activities, and holding employee activities from irregularly, movie night activity, traveling activities, enriching the leisure life of employees, annual festival and birthday gift card or gifts, marriage allowance, funeral ceremony or wreath, maternity hospitalization condolences.</p> <p>The vacation system, it's based on a fixed 2 days of weekends giving the employee 10 days of annual leaves per year when the employee is serving over one year (the employee who not serving over one year will giving annual leave according to the ratio). The employee who needs a long time left due to baby care, major injuries, or major accidents can also apply for parental leave and leave without pay to balance personal and family care needs.</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary	
			<p>3. Diversification and equality in the workplace: To achieve equal salary for equal work and equal promotion opportunities for different genders, and to maintain over 20% female manager positions to promote sustainable and inclusive economic growth. The female employee average takes 42.17% and the female manager average take 6.83% in 2023. The Company attach great importance to employee's right and benefits and share the profits earned with employees, maintain a good working environment, including all group's physical and mental care. (1) Hiring the disability employee to reach 100% target and customize the appropriate job and environment facility (2) Implementing the empowerment of women in a friendly workplace, so that colleagues of all genders can work with peace of mind.</p> <p>4. Employee care and health: Labor insurance/Health insurance/Group insurance/Business trip safety insurance, annual leave, 2 days weekend, health check, set up "Massage station" provide the massage service, compliance with Article 34 of Occupation Safety and Health Committee and its implementation regulations, formulate "Workplace Health and Safety Rules", labor retirement system.</p> <p>5. Employee's family and life: CipherLab child care center measure, nursing room.</p> <p>6. The education and development of employees: Training for new employees, training allowance, patent awards, computer allowance, humanistic reading weekly, newspaper and magazines.</p> <p>Business performance is reflected in employee remuneration</p> <ul style="list-style-type: none"> Article 20 of the Articles of Incorporation If the Company makes a profit in the current year, 0.5%~10% will be allocated as employee remuneration and no more than 3% of profit as director compensation. But if the Company still has accumulated losses, it should reserve them in advance to make up for the losses, and according to the aforementioned ratio allocate employee remuneration and director remuneration. The aforementioned employee remuneration can be paid in stock or cash, the recipients of remuneration included employees of affiliated companies who meet conditions. The aforementioned director's remuneration should be paid in cash only. The overall salary policy The Company participated in the market salary surveys every year, according to the standard of market salary, economic trends, and personal performance to adjust salary, in order to maintain overall salary competitiveness. In 2023, the Company Taiwan region included manager positions and non-manager positions, and the average annual salary increase was 2.41%. 	

Evaluation Item		Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons						
		Yes	No	Summary							
(3)	Does the Company provide employees with a safe and healthy work environment and regularly provide safety and health education to employees?	V		<p>Occupational Safety and Health policy: The Company follows the Occupational Safety and Health Act, respects the safety and health requirements of relevant interest groups, and takes disaster prevention and disaster prevention as the core concept to build a healthy and safe workplace. The Company has set up a dedicated person to take care of Workplace Health and Safety Rules and first-aid and held employee health checks and health and safety training in order to keep employees healthy and safe, train the employee with the “Labor Safety and Health education series” for training and practice. The number of employee occupational accidents in 2023: 0 accident. Related publicity or improvement regulations: 1. Formulate labor safety rules, prevent occupational accidents, and maintain the safety and health of the Company's workplace. 2. Implement safety and health education and training, and strengthen publicity. 3. Implement emergency response regulations and drills. 4. Education and training on firefighting, fire prevention, and AED operation. 5. Emergency person training. 6. Employee health check. 7. Prevent hazards caused by radiation or noise. 8. Implemented work environment monitoring twice every year to ensure the safety of employee's workplaces.</p> <table><tr><th>Year</th><th>Occupational Safety Education and Training Hours</th></tr><tr><td>2023</td><td>210.2 Hours</td></tr><tr><td>2022</td><td>300.0 Hours</td></tr></table> <p>9. Provide details on the number of fire incidents, casualties, and the ratio of casualties to the total number of employees for the year, as well as relevant improvement measures implemented in response to the fires: None in 2023.</p>	Year	Occupational Safety Education and Training Hours	2023	210.2 Hours	2022	300.0 Hours	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
Year	Occupational Safety Education and Training Hours										
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(4)	Does the Company establish effective training programs for employee's career development?	V		<p>The Company focuses on the quality of products improvement and the ability of R&D innovation from employees, in order to create a better environment for employee career development, formulate the employee training regulation, encourage employees to participate in all kinds of professional skill training in addition to cultivating employees' professional functions, and further expanding employees' international vision, understand the industry market trends and technical capabilities. Besides the training for new entering employees, through the internal lecturers and E-learning platform, assist the new employee to understand the Company's culture and fast integrate into the business operating. The Company also has a training subsidy, if the employee is assigned to attend an external training class by the supervisor, the training fee will be covered by the Company, and if the employee due to personal learning wishes and is approved by the responsible supervisor, the Company will subsidize part of the training costs. Let employees make full use of company resources to achieve the purpose of self-learning and growth.</p>	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies						

Evaluation Item		Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons				
		Yes	No	Summary					
(5)	Does the Company’s product and service comply with related regulations and international rules for customers’ health and safety, privacy, sales, labelling and set policies to protect rights of the consumers and customers and for their appeal procedures?	V		The Company upholds responsibility for products and treats "customer satisfaction" as the guild of business operations, implementing each consumer's right, and the whole product information has been provided, including the customer service and repair warranty after selling, there is no exaggeration and false advertising. The Company has also established customer relationship management policies, including customer’s privacy, quality of services, and timely response and feedback. All appeals for products and services can be processed by the Company's website or e-mail, using a "Positive active way " to deal with customer complaints and approach customer complaints, analyze and improve the content of customer complaints to prevent similar things from happening again. The Company promises to keep working on improving the quality of its products and services, committing itself to create an environment for sustainable development, and proactively taking part in activities concerning its social responsibility.	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies				
(6)	Has the Company established supplier management policies demanding compliance with relevant regulations and their execution status regarding issues such as environmental,occupational safety, and health or labor rights?	V		<div>The Company has established “Procedures of Evaluating Purchase and Suppliers” to specify the management policies of suppliers, and related units like Purchase, Production Control, Technology, and Quality Departments will operate under the regulation. The implementation status of supplier self-evaluation, counseling or education, performance assessment are as follow:</div> <table><tr><th>New Supplier Assessment</th><th>Annual Supplier Assessment</th></tr><tr><td>1. All suppliers should comply with the company’s environmentally restricted substance management specifications. 2. All suppliers must comply with the Supplier Code of Conduct. 3. Companies certified by ISO9000 or third-party certification units do not need to conduct manufacturer evaluation operations, but suppliers of important materials (such as panel LCD/LED panel, battery, lens Camera, housing plastic Housing-plastic, iron Suppliers of housings, antenna communication modules, etc.) are not limited to this. 4. Suppliers must be verified by ISO9001 and ISO14000 5. The supplier evaluation results will be listed in “Supplier Evaluation Report” and only the suppliers that acquired a score over 75 can be listed.</td><td>1. Annual evaluation items will be based on delivery rate, delay rate, and cooperation degree. 2. The assessment frequency is every six months. 3. Quality Assurance department will evaluate the delivery rate and purchase unit will evaluate the delay rate. 4. Evaluation Ranks: A: Can be listed as inspection-free supplier and will have priority when the Company considers an increase in purchase B: Maintain regular purchase C: The Company will not offer new equipment development or make new purchases. D: The Company will provide suppliers with consulting, and if the supplier can’t improve their ranks, the Company will terminate the contract. 5. The Company’s consulting team will follow the suppliers’</td></tr></table>	New Supplier Assessment	Annual Supplier Assessment	1. All suppliers should comply with the company’s environmentally restricted substance management specifications. 2. All suppliers must comply with the Supplier Code of Conduct. 3. Companies certified by ISO9000 or third-party certification units do not need to conduct manufacturer evaluation operations, but suppliers of important materials (such as panel LCD/LED panel, battery, lens Camera, housing plastic Housing-plastic, iron Suppliers of housings, antenna communication modules, etc.) are not limited to this. 4. Suppliers must be verified by ISO9001 and ISO14000 5. The supplier evaluation results will be listed in “Supplier Evaluation Report” and only the suppliers that acquired a score over 75 can be listed.	1. Annual evaluation items will be based on delivery rate, delay rate, and cooperation degree. 2. The assessment frequency is every six months. 3. Quality Assurance department will evaluate the delivery rate and purchase unit will evaluate the delay rate. 4. Evaluation Ranks: A: Can be listed as inspection-free supplier and will have priority when the Company considers an increase in purchase B: Maintain regular purchase C: The Company will not offer new equipment development or make new purchases. D: The Company will provide suppliers with consulting, and if the supplier can’t improve their ranks, the Company will terminate the contract. 5. The Company’s consulting team will follow the suppliers’	No deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
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Evaluation Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary	
			6. When raw material supplier is established, it must attach "Component End-of-Life Commitment," "Product Quality Guarantee," "Environment Commitment," "Supplier Questionnaire," "Integrity Commitment," "Supplier Evaluation Report," and "Conflict Minerals-Free Statement."	improvement status on their deficiencies and help them with improving their quality, technology, production process, yield, performance in environmental protection, safety, and health, and ask for a commitment for emission reduction.
5 Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Does the Company obtain the confirmation or affirmation opinion from a third party for the aforementioned reports?		V	To prepare and declare the sustainability report as the corporate governance 3.0 sustainable development blueprint to promote the instruction specifically, but the paid-in capital of the Company is NT\$680,000,000, didn't meet the requirement to prepare a sustainability report so didn't have a sustainability report, still, the Company prepared its ESG report for 2023 and planned to report it to the Board of Directors on August 7, 2024, and if the Board approved the resolution, the Company will upload the ESG report to MOPS and the Company's website. The Company hasn't obtained third-party Confirmation or guarantee opinion from a third-party verification unit, failure to obtain confirmation or guarantee opinion from a third-party verification unit, when regulations of the competent authority apply in the future, such regulations shall apply.	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons and adopts related policy in the future: To prepare and declare the sustainability report as the corporate governance 3.0 sustainable development blueprint to promote the instruction specifically, but the paid-in capital of the Company is NT\$680,000,000, didn't meet the requirement to prepare a sustainability report. The Company commenced the compilation of its sustainability report for 2023 since 2024.
6. If the Company has its own regulations established according to the "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies", please describe the differences between its implementation and the established Principles: The Company's the Board of Directors has approved to formulated "Corporate Society Responsibility Best Practice Principle" on December of 2011, and have approved the amendment by the Board of Director in March 2023 and was renamed to "ESG Best-Practice Principles", in order to enhance the implement of CSR. The Company will follow this principle to review the implement status and making improvement, until now there is no deviation.				
7. Other important information that helps to understand the implementation of sustainable development: 1. The Company has paid taxes in accordance with the law and fulfilled its obligations of the Company. In the meantime, all employees of the Company have spared no effort to donate money to give back to society, extending the tentacles of care all over the world. 2. To coordinate labor-management relations, regular labor-management meetings are held by the law to explain and respond to employees' doubts about related labor laws and regulations, to promote the development of employees' human rights, and will not discriminate to treat employees due to race, religion, nationality, and gender. 3. Provide equal employment Opportunities: when the Company hires employees will adopt the appropriate and applicable method regardless of race, gender, age, political orientation, or religious belief, and considers if the individual person has professional knowledge and skill to provide equal employment opportunities for the interview candidates and make sure all job is voluntary. 4. To fulfill social responsibility is the responsibility and obligation of the Company, the Company has approved the German TUV ISO 9001 quality assurance, ISO 14001 environmental certification, and CCC certification in China, use the material which meets the regulation of RoHS, the products have passed the 3rd party certified in order to meet international standards to maintain product output and safety, to reduce the loading and impact on the environment; in the meantime, keeping develop new technology to reduce the environmental pollution, through all kinds of the system to promote and establish completed written and procedural system so as to protect company assets and core technology.				

(6) Climate-Related Information of TWSE/TPEX Listed Company
Implementation of Climate-Related Information

Item	Implementation status										
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	In response to the impacts of extreme weather events caused by global warming, as well as energy and climate-related issues on the Company's supervision and governance, the Company has, according to the Task Force on Climate-related Financial Disclosures (TCFD), appointed the General Manager as the committee of climate-related risks and opportunities, responsible for leading each first-class officer in implementing risk identification, evaluation, and response measures. This task force conducts annual surveys to assess risks and opportunities associated with actual and potential climate-related impacts. The results of these assessments, including climate risk and opportunity governance, strategies, and situations, are integrated into the annual ESG risk management agenda. Subsequently, the content, along with developed response strategies, is compiled into ESG reports. The implementation of these strategies is overseen by the Corporate Social Responsibility Committee, with progress and schedule planning conducted twice yearly and included in Board reports under the Board's supervision.										
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	<p>1. The Company's Corporate Social Responsibility Committee meeting referred to the 2°C Scenario (2DS) and utilized tools provided by the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) for discussing and assessing physical climate risks. The decision was made to adopt the 2DS/RCP2.6 Scenario as the Company's framework for evaluating physical climate risks. Within this framework, themes describing climate change risks and opportunities were developed, covering physical risks, regulatory transition risks, etc. From December 2023 onwards, a questionnaire on climate change-related risks and opportunities was distributed to 27 senior managers within the Company, aiming to identify climate-related risks and opportunities from various perspectives. The findings were integrated by the management division to identify overall risks and opportunities.</p> <p>2. The risk and opportunity items identified for 2023 are as follows:</p> <table> <tr> <th>Period</th><th colspan="2">Risk and opportunity item</th><th>Impact and response</th></tr> <tr> <td>Short, medium, and long term</td><td>Risks</td><td>Change in customers behavior</td><td>The increasing customer focus on the demand for low-carbon products has prompted companies to intensify their efforts and concentrate on energy and greenhouse gas management, thereby contributing to enhanced operational performance and the achievement of net-zero emissions goals. In the short term, the Company prioritizes the promotion of cloud-based remote equipment management systems (ReMoCloud and EnDeCloud), specifically targeting key vertical markets such as logistics, warehousing, retail, and manufacturing. Additionally, it introduces new products tailored to the specific application needs of these sectors to strengthen its market position. The new product (RS36) launched in 2023 successfully achieved a 5.3% reduction in carbon emissions. In the medium to long term, the Company will collaborate with strategic partners within the industry to expand the reach of project coverage and strengthen market outreach by providing comprehensive solutions. This initiative will strengthen regional market operations, establish a global management network, and enhance global competitiveness. Concurrently, the Company remains committed to its climate change mitigation objectives. The goal is to achieve an annual reduction of over 3% in carbon emissions through new product development by 2026, thereby contributing to the objectives for low carbon products.</td></tr> </table>			Period	Risk and opportunity item		Impact and response	Short, medium, and long term	Risks	Change in customers behavior	The increasing customer focus on the demand for low-carbon products has prompted companies to intensify their efforts and concentrate on energy and greenhouse gas management, thereby contributing to enhanced operational performance and the achievement of net-zero emissions goals. In the short term, the Company prioritizes the promotion of cloud-based remote equipment management systems (ReMoCloud and EnDeCloud), specifically targeting key vertical markets such as logistics, warehousing, retail, and manufacturing. Additionally, it introduces new products tailored to the specific application needs of these sectors to strengthen its market position. The new product (RS36) launched in 2023 successfully achieved a 5.3% reduction in carbon emissions. In the medium to long term, the Company will collaborate with strategic partners within the industry to expand the reach of project coverage and strengthen market outreach by providing comprehensive solutions. This initiative will strengthen regional market operations, establish a global management network, and enhance global competitiveness. Concurrently, the Company remains committed to its climate change mitigation objectives. The goal is to achieve an annual reduction of over 3% in carbon emissions through new product development by 2026, thereby contributing to the objectives for low carbon products.
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Item	Implementation status			
	Short, medium, and long term	Risks	Uncertainty in Market	The Company follows the internal operational management processes and continuously communicates over new technologies needed by the potential product application market. It focuses on developing key products and technologies, currently maintaining its niche market with handheld industrial computers featuring CipherLab’s exclusive operating system. Additionally, it leverages the momentum of mainstream handheld industrial computers featuring the Android operating system, aiming to expand its comprehensive product line of handheld industrial computers. In the short term, the Company focuses on enhancing the R&D of industrial-grade and high-end barcode scanners, as well as introducing new products with extended application of optical technology. In the mid to long-term, the Company will prioritize conducting thorough market research in key markets to gain a better understanding of the application needs of end-users. This understanding will serve as the foundation for new product development, allowing the Company to focus R&D resources on selected significant projects.
	Short, medium, and long term	Risks	Price hike of materials	The Company prioritizes establishing long-term trust and cooperative relationships with multiple suppliers to reduce dependence on any single supplier and to secure their support. In the short term, it closely monitors changes in the market and industry, including trends in raw material prices and supply situations, anticipates potential scenarios in advance, and signs long-term supply contracts to ensure stable supply and pricing. In the mid to long-term, the Company focuses on establishing alternative raw materials to reduce the impact of the rising costs or shortages in major raw material. Additionally, it utilizes technological tools and data analytics to monitor and manage supply chain risks, maintains frequent and effective communication with suppliers, shares timely information, and resolves issues promptly.
	Short and long term	Risks	Rise in temperature	Due to global warming, the number of high-temperature days has increased, which has affected operating electricity usage. It is estimated that the increased electricity bills and usage might lead to increased fixed costs. The Company’s responding measures include the implementation of electricity-saving promotions, effective monitoring of energy consumption data, and regular assessing and improving energy management effectiveness as short-term solutions. As the mid to long-term solution, the Company has implemented greenhouse gas inventory in 2022 and set energy conservation and carbon reduction goals to reduce the impact of rising temperatures due to greenhouse gas emissions, which are achieved through implementation of risk monitoring and early warning systems every year, hoping to accomplish 2050 carbon neutrality goal.

Item	Implementation status															
	Short and long term	Opportunities	Adopt better efficiency production and sale procedure	The Company implements standardized operational processes and order tracking, coupled with regular sales forecast reviews, to significantly shorten production lead times and enhance material management. Currently, the Company prioritizes program automation to test product functionality and enhance quality control on the production line, aiming for superior quality that secures customer approval. Continued collaboration with leading manufacturers not only improves overall product quality but also optimizes transportation processes and resource efficiency. The Company also hopes to reduce costs and enhance both in-house production and outsourcing management capabilities by leveraging on the purchasing advantages offered by these leading manufacturers. In the mid to long term, the Company aims to leverage its influence to encourage suppliers to prioritize social responsibility and environmental protection. The Company remains dedicated in its commitment to supply chain ESG policies and advocates for industry sustainability to drive long-term industry growth.												
3. Describe the financial impact of extreme weather events and transformative actions.	In response to the major climate-related risks and opportunities, the Company has evaluated the potential financial impacts on revenue, costs, and capital expenditures. The Company remain committed to improving capacity utilization efficiency, introducing environmentally friendly materials, developing low-carbon products, reducing operational costs, and increasing overall revenue.															
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	<div>The Company's climate risk identification, assessment, and management processes are as follows:</div> <table><tr><th>Steps</th><th>Process content</th></tr><tr><td>1</td><td>The Corporate Social Responsibility Committee (Office of Execution) completes the collection of climate-related environmental background information</td></tr><tr><td>2</td><td>Assessing the climate-related risks and operational scope</td></tr><tr><td>3</td><td>Establishing a list of climate-related risks and opportunities</td></tr><tr><td>4</td><td>Developing an internal operational impact survey questionnaire</td></tr><tr><td>5</td><td>The Corporate Social Responsibility Committee (Office of Execution) implements the analysis regarding climate-related risks, opportunities, and operational impacts</td></tr></table> <div>The Company's risk management mechanism has incorporated climate-related risks and opportunities into the operations of each division. Each division within the Company conducts risk management tailored to its respective scope of operations, establishes effective internal management measures and operating procedures. Additionally, climate risks are included in the long-term operational risk management of the Company.</div>				Steps	Process content	1	The Corporate Social Responsibility Committee (Office of Execution) completes the collection of climate-related environmental background information	2	Assessing the climate-related risks and operational scope	3	Establishing a list of climate-related risks and opportunities	4	Developing an internal operational impact survey questionnaire	5	The Corporate Social Responsibility Committee (Office of Execution) implements the analysis regarding climate-related risks, opportunities, and operational impacts
Steps	Process content															
1	The Corporate Social Responsibility Committee (Office of Execution) completes the collection of climate-related environmental background information															
2	Assessing the climate-related risks and operational scope															
3	Establishing a list of climate-related risks and opportunities															
4	Developing an internal operational impact survey questionnaire															
5	The Corporate Social Responsibility Committee (Office of Execution) implements the analysis regarding climate-related risks, opportunities, and operational impacts															
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	<div>The Company utilized tools provided by the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP) for discussing and assessing physical climate risks. The decision was made to adopt the 2DS/RCP2.6 Scenario as the Company's framework for evaluating physical climate risks. Within this framework, themes describing climate change risks and opportunities were developed, covering physical risks, regulatory transition risks, etc.</div> <div>The Company's Climate-Related Risk and Opportunity Assessment Form using topics applicable for the Computer and Peripheral Equipment Manufacturing Industry as the basis:</div>															

Item	Implementation status					
	2023 Climate-Related Risk and Opportunity Assessment Form					
	Climate change risks	Magnitude of risks	Time horizon	Climate change opportunities	Magnitude of opportunities	Time horizon
	Enhanced emissions-reporting obligations	Low	Medium and long term	Adopt better efficiency transportation methods	Medium	Long term
	Vulnerability to litigation risks	Low		Adopt better efficiency production and sale procedure	High	Short and long term
	Replacement of current products and services with low-carbon alternatives	Medium	Long term	Recycling and reuse	Medium	Long term
	Investment failures in new technologies	Medium		Adopt low-carbon energy	Low	Long term
	Costs of transitioning to low-carbon technologies	Medium	Medium and long term	Implement incentive-based policies	Low	Long term
	Change in customers behavior	High	Short, medium, and long term	Adopt new technologies	Medium	Long term
	Uncertainty in market	High	Short, medium, and long term			
	Price hike of materials	High	Short, medium, and long term	Note 1: Short term refers to 1-3 years, medium term refers to 3-5 years, and long term refers to 6 years and above. Note 2: Propose response measures for items flagged as high risk, indicated by a gray background.		
	Changes in consumers preference – Industry stigmatization	Low				
	Increased concern and negative feedback from stakeholders	Medium				
	Increased severity of extreme weather events such as typhoons and floods	Medium				
	Changes in precipitation patterns and extreme variability in weather patterns	Medium				
	Rise in temperature	High	Short and long term			
	Rise in sea levels	Medium				

Item	Implementation status
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	Currently, there is no transition plan in place.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	The Company has not yet adopted internal carbon pricing.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	<p>The Company has been implementing the ISO 14064-1 standard for quantifying and reporting greenhouse gas emissions since 2022, using it as the base year. Inventory assessments are conducted annually. The greenhouse gas inventory for 2023 was completed on March 4, 2024, covering all types of greenhouse gases (CO₂, CH₄, N₂O, HFCS, PFCS, SF₆, and NF₃) generated within the report boundary (parent company). Furthermore, the inventory comprehensively includes all direct greenhouse gas emissions sources and indirect greenhouse gas emissions sources, categorized as follows: Scope 1 (mobile combustion, fugitive emissions), Scope 2 (purchased electricity), Scope 3 (upstream transportation, downstream transportation), and Scope 4 (organization procurement of raw material extraction, manufacturing, and processing processes).</p> <p>The Company has established annual intensity reduction targets for total emissions based on the greenhouse gas inventory report. These targets are intended to be achieved through energy-saving and carbon reduction initiatives, with the ultimate goal of reaching carbon neutrality by 2050. Currently, the Company has not planned to acquire renewable energy certificates.</p>
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separately fill out in points 1-1 and 1-2 below).	The Company completed the greenhouse gas inventory report for 2023 on March 4, 2024, and the company's paid-in capital has not reached NT\$ 5 billion, so it does not need to be confirmed yet. It will be processed in accordance with the prescribed timetable in the future.

1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

1-1-1 Greenhouse Gas Inventory Information

	Greenhouse Gas Inventory for 2022		Greenhouse Gas Inventory for 2023	
Scope 1	Total emission volume	Intensity	Total emission volume	Intensity
	(metric tons CO ₂ e)	(metric tons CO ₂ e/NT\$ million)	(metric tons CO ₂ e)	(metric tons CO ₂ e/NT\$ million)
Parent company	29.42	0.0246	30.16	0.0234
Scope 2	Total emission volume	Intensity	Total emission volume	Intensity
	(metric tons CO ₂ e)	(metric tons CO ₂ e/NT\$ million)	(metric tons CO ₂ e)	(metric tons CO ₂ e/NT\$ million)
Parent company	517.27	0.4331	528.24	0.4017
Scope 3	Total emission volume	Intensity	Total emission volume	Intensity
	(metric tons CO ₂ e)	(metric tons CO ₂ e/NT\$ million)	(metric tons CO ₂ e)	(metric tons CO ₂ e/NT\$ million)
Parent company	955.41	0.799992	946.57	0.7338
Note 1: The parent company's revenue in 2022 was NT\$ 1,194.271 million.				
Note 2: The parent company's revenue in 2023 was NT\$ 1,290.037 million.				

1-1-2 Greenhouse Gas Assurance Information

The company's paid-in capital has not reached NT\$ 5 billion, so it does not need to be confirmed yet. It will be processed in accordance with the prescribed timetable in the future.

1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

CipherLab has established 2022 as the baseline year for greenhouse gas inventory and management. In line with the government's goal of achieving net zero emissions by 2050, the short-term (1-3 years) carbon reduction objectives are planned as follows:

Time horizon	Management strategies	Objectives
Short term (1-3 years)	<ol style="list-style-type: none">1. Developing effective carbon management measures to enhance fundamental carbon reduction initiatives.2. Identifying high-risk carbon-emitting activities through analysis of greenhouse gas inventory data, with the goal of optimizing these activities to reduce their carbon emissions.3. Conducting investigation and analysis of the current energy situation, and prioritizing the replacement or upgrading of equipment with high energy consumption and emissions.4. Promoting energy efficiency and encouraging energy-saving behaviors to encourage energy conservation.5. Optimizing transportation processes to reduce unnecessary travel distances.	Continuously promoting energy-saving measures with the goal of achieving an annual energy reduction of at least 1%.

- (7) Fulfilling ethical management and differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons thereof: The Company has followed the Ethical Corporate Management to operating, comply with related regulations and internal control system honesty operating, and no deviation from “ Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies”.

Assessment Criteria	Implementation (Note 1)			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies and the Reasons
	Yes	No	Summary	
1. Establishment of the ethical corporate management policy and programs (1) Does the Company establish an ethical corporate management policy that the Board of Directors approved and document such policy and procedure, as well as ensuring the commitment of the Board and Management team in the implementation of the policy thereof, in the bylaws and publicly available documents?	V		The Company has formulated "Ethical Management and Guidelines for Conduct " which are approved by the Board of Directors, it states clearly the coverage of ethical corporate policy, sets up preventing dishonest behavior plans, handling procedures, and reporting systems, and implements them accordingly. 1. The " Ethical Management and Guidelines for Conduct " has been disclosed on the Company's website publicly to express the policies and practices of integrity management. 2. The " purchased order sheet" that the Company provides to the supplier and the "Business Integrity Commitment Letter" signed by the supplier both express the policy and practice of integrity operation and commercial bribery and other improper commercial behavior gifts are prohibited. 3. The integrity management statement has been signed by the Company's directors and senior managers.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
(2) Has the Company established a risk assessment mechanism against unethical conducts, analyzed and assessed business activities within their business scope on a regular basis that are at a higher risk of being involved in unethical conducts, and established prevention programs at least covering the preventive measures specified in Paragraph 2, Article 7 “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?	V		Ethical Management and Guidelines for Conduct of the Company has listed all kinds of prevention plans and handling procedures for business activities with relatively high risks of dishonest behavior within the business scope, including forbidden provide or accept improper benefits, the handling procedures of accepting improper benefits, forbidden the facilitating payments and handling procedures, political donations handling procedures, charitable donations or sponsorships handling procedures, avoidance of interests, prohibition of engaging in unfair competition, prevention of products or services from harming interested parties, prohibition of insider trading, and confidentiality agreements, following and declaring the ethical management policy, and ethical management assessment before establishing business relationships explaining the integrity management policy to business partners, avoiding transactions with dishonest operators, the contract clearly stipulates ethical management, handling of company personnel involved in dishonesty. The handling of dishonest behavior by the Company has covered the preventive measures for the behaviors in Item 2 of Article 7 of the " Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies"	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies

Assessment Criteria	Implementation (Note 1)			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies and the Reasons
	Yes	No	Summary	
(3) Does the Company establish relevant policies that are duly enforced to prevent unethical conduct, provide and implement operating procedures, behavioral guidelines, the penalty for violation and appeal system in such policies, as well as evaluating and amending the aforementioned policies on a regular basis?	V		The Company's "Ethical Management and Guidelines for Conduct" have listed detailed behavior instructions, the violation of punishment, and the appeal system to implement.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
2. Implementation of ethical management (1) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		It is necessary to first evaluate the legitimacy of agents, suppliers, customers, or other business contacts, the ethical management policy, and whether they have ever been involved in dishonest behavior records before the Company establishes business relations with others, in order to ensure the fairness of their business operations, transparent and will not ask for, offer or accept bribes. The contract signed between the Company and the supplier of the transaction object clearly stated the terms of honest behavior: the "Purchase order" provided by the Company to the supplier of the transaction object and the "Business Integrity Commitment Letter" signed by the supplier all have clear terms of honest behavior forbidden commercial bribery, bribery, and other improper business gifts.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
(2) Does the Company task a unit that reports directly to the Board of Directors and promotes ethical standards, making periodical updates (at least once a year) to the Board on business integrity management policy and the supervision of measures for prevention of unethical conduct?	V		The chairman's office of the Company as the dedicated unit, handling the amendment of Integrity Management Operational Procedures and Behavioral Guidelines, implementation, explanation, consulting service and notification content registration setting file, etc., related operating and supervising execution. It is responsible for assisting the Board of Directors and management level to formulate and supervise the implementation of Ethical operating policy and prevention plan to ensure Integrity Management Operational Procedures and Behavioral Guidelines implementation and report the implementation status to the Board of Directors at least once per year regularly. The implementation result of the Ethical operational policy has been reported to the Board of Directors on December 26, 2023, by the dedicated unit. Implementation status of Ethical management: 1. Education training: In 2023, the Company held internal education training in related ethical management (Corporate social responsibility and employee ethics, confidential information protection awareness training, business secret protection, etc.) the number of attendance is 60, the total is 30 person-hours.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies

Assessment Criteria	Implementation (Note 1)			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies and the Reasons
	Yes	No	Summary	
			<p>2. Law compliance declaration:</p> <p>(1) On November 30, 2023, the Company sent an e-mail to the Company's chairman/president and all directors, and the Company's insiders to process the law compliance promotion of the "Ethical Management and Guidelines for Conduct"</p> <p>(2) On June 1, 2023, and November 1, 2023, the Company sent an e-mail to all the Company's employees to process the law compliance promotion of " Ethical Management Procedures and Behavioral Guidelines"</p> <p>3. Reporting system: In 2023 and as of April 30, 2024, the Company's integrity complaint mailbox has not received any complaints and reports.</p> <p>4. Promise:</p> <p>(1) Directors and senior managers sign the integrity management statement.</p> <p>(2) The new employees have signed the business secrets and intellectual property rights confidentiality declaration statement, the total is 67pcs.</p> <p>5. The implementation status of the director's interest conflicts avoiding : There is no such thing</p> <p>6. In 2023, there is no violate the integrity of the operation by the Company's colleagues</p> <p>The Company's legal department is the dedicated unit to handling business secrets, responsible for formulating and implementing the Company's operating secrets, trademarks, patents, works, and intellectual property management, saving and confidentiality procedures and should review the implementation result regularly, making sure the operating procedures continue to be effective. The Company's dedicated unit should report to the Board of Directors on the matter of "Preventing products or services from harming stakeholders", the dealing way, and follow-up review and improvement measures.</p>	
(3) Does the Company have any policy that prevents conflict of interest and channels that facilitate the report of conflicting interests?	V		<p>" Ethical Management and Guidelines for Conduct" of the Company have listed the policy of avoiding interest conflicts. When the Company's employees do business if they find out any conflicts of interest with themselves or the legal person they have represented or the situations that may allow them, their parents, children, or their interested parties to obtain improper benefits, they should report the related issue to their direct supervisor or the dedicated unit of the Company, the direct supervisor shall provide the appropriate guidelines.</p>	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies

Assessment Criteria	Implementation (Note 1)			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies and the Reasons
	Yes	No	Summary	
(4) Has the Company implemented effective accounting and internal control systems to maintain business integrity? Do internal or external auditors review these systems on a regular basis?	V		The Company has a rigorous accounting system, dedicated accountants, financial units, and internal audit units, which execute daily internal control management and report to directors' meetings and the Board of Directors according to the law. The financial report is certified by CPA to ensure the fairness of financial statements.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
(5) Does the Company conduct internal and external ethical training programs on a regular basis?	V		The Company held education training, and internal publicity for the employee regularly and arrange chairman, president, and senior management to convey the importance of integrity in order to implement the ethical management of the Company. In 2023, the Company held internal education training in related ethical management (Corporate social responsibility and employee ethics, confidential information protection awareness training, business secret protection, etc.) the number of attendance is 60, the total is 30 person-hours.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
3. Implementation of whistle-blowing system (1) Does the Company provide incentives and means for Employees to report malpractice? Does the Company dedicate personnel to investigate the reported malpractice?	V		The Company encourages internal or external employees to report dishonesty or improper behavior, according to the severity of the reported issue to give rewards, the internal employee who made false reports or malicious accusations, should have disciplinary action and with serious circumstances shall be dismissed. The Company has set up and announced the internal independently reported mailbox IA@cipherlab.com.tw on the internal website. Additionally, the "Purchase order" provided by the Company to the supplier of the transaction object and the "Business Integrity Commitment Letter" signed by the supplier all have clear terms of honest behavior forbidding commercial bribery, bribery, and other improper business gifts, it also has independently reported mailbox for internal or external employee of the Company to use. The Company has a dedicated unit to handle the reporting issue, if the reporting issue is involved by a general employee it should report to the head of the department, if the reporting issue is involved by directors and senior managers it should report to the independent directors. the dedicated unit and the manager who gets the report should investigate related truths immediately, and provide assistance from regulatory compliance or other relevant departments when necessary.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies

Assessment Criteria	Implementation (Note 1)			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies and the Reasons
	Yes	No	Summary	
(2) Has the Company set up standard investigation procedures and a related confidentiality mechanism for the matter being reported?	V		<p>The Company has set up standard operating procedures for the investigation of the reported issue :</p> <ol style="list-style-type: none"> 1. The Company handle report issue and a related person should make a written statement to protect the identity of the whistleblower and content for confidentiality and promise to protect the whistleblower not being improperly dealt with due to the report situation. 2. If the person who is reported has violated the relevant laws or the Company's integrity management policies and regulations, it shall immediately request the person being reported to stop the relevant behavior and deal with it appropriately, and if necessary, request damages compensation through legal procedures in order to keep reputation and rights of the Company. 3. The taken report, the investigation process, and the investigation results should all be kept in written documents and kept for five years, and the preservation can be done electronically. Before the expiration of the storage, if any lawsuit related to the content of the report occurs, the relevant data shall be kept until the end of the lawsuit. 4. For the reports that have been verified to be true, the relevant units of the Company shall be responsible for reviewing the relevant internal control systems and operating procedures and proposing improvement measures to prevent the same behavior from happening again. 5. The responsible unit of the Company shall report to the Board of Directors about the whistleblower issue, its handling way, and follow-up review and improvement measures. 	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
(3) Does the Company take measures to protect the reporter from improper treatment?	V		The Company handle whistleblower issue and promise to protect the whistleblower not being improperly dealt with due to the report situation.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies
4. Enhanced Information Disclosure Has the Company published information relating to the Company's "Code of Business Conduct" on its website or MOPS?	V		The Company has disclosed the content and implement results of the Ethical Management and Guidelines for Conduct" on the Company website and MOPS and also announced the promotion result on the Company website and the annual report.	No deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies

Assessment Criteria	Implementation (Note 1)			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/ TPEX Listed Companies and the Reasons
	Yes	No	Summary	
5. The Company who have established corporate responsibility code of conduct in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”, please describe the current practice and any deviations from the code of conduct: The Company has formulated the "Ethical Management Procedures and Behavioral Guidelines" and is always paying attention to the development of corporate integrity management regulation, and reviewing and improving the Company's ethical management policy to enhance the effectiveness of the Company's ethical management.				
6. Other important information which can help to realize the Company's integrity management operation status: The Company in order to show the attitude of Ethical Management Operation, the important customer and supplier will do business with the project team at the major management level, to confirm the fair and public spirit of the operation.				

(8) In the "Investor Relations" section of the Company's website, set up "Company Important Regulations" under "Corporate Governance" to place the Company's Articles of Incorporation, operating procedures for capital lending to others, operating procedures for endorsement guarantees, corporate governance practices principle, and sustainable development practices principle, Ethical Management Procedures and Behavioral Guidelines, insider trading prevention management policy, human rights policy, moral standards, etc. are available for investors to inquire about.

(9) Other important information sufficient to enhance the understanding of the operation of corporate governance: The Company will disclose important information and Investor Conference-related information immediately and post the related information on MOPS and the Company's website.

1. Rules and regulations related to corporate governance have been formulated:

Articles of Incorporation	Internal Major Information Processing Procedures	The Organizational Charter of the Nominating Committee	Intellectual property management plan
Procedures for Financial Derivatives Transactions	Rules Operating the Scope of Powers of Independent Directors	Corporate Governance Best-Practice Principles	Human right policy
Procedure for Lending Funds to Other Parties	Board of Directors Performance Evaluation Method	Sustainable Development Practices Principle	Moral standard
Operating Procedures of Endorsement / Guarantees	Audit Committee Charter	Ethical Management and Guidelines for Conduct	Purchasing and Supplier Evaluation Procedures
Procedures for Acquisition and Disposal of Assets	Remuneration committee Charter	Management Policy of the Prevention of Insider Trading	ISO 14001 2020.12.02-2023.12.01 ISO 14001 2023.12.02-2026.12.01
Implement the directors' education plan.	Operational guideline for financial transaction for related parties.		

2. Check the main relevant regulations and measures: The Company's website :http://www.ir-cloud.com/taiwan/6160/irwebsite_c/pages.php?id=12
(Investor relationship/ Corporate Governance / Corporate Important Regulations)

(10) Internal Control System Execution Status

1.Statement of Internal Control System: Please refer page 250.

2.Those who entrust an accountant to review the internal control system shall disclose the accountant's review report: The Company did not entrust an accountant to review the internal control system, so there is no accountant's review report.

(11) In the most recent fiscal year and up to the date of publication of the annual report, sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of the internal control system, main deficiencies and improvement Status: The Company has no internal personnel who have been punished in accordance with the law or have been punished for major violations of the internal control system. The deficiencies were mainly discovered by the auditors in accordance with the Company's internal control system and have been improved by tracking.

(12) The Current Fiscal Year and Up to the Date of Publication of the Annual Report, Major Resolutions of Shareholders' Meeting and Board Meeting:

Board of Director	Term	Proposal content	Resolution result
2023/03/29	13 th term, 6 th meeting	1. The Company's 2022 internal control system statement.	Discussed by all attended directors and approved without objection.
		2. The Company's 2022 annual parent company only financial statements and consolidated financial statement	Discussed by all attended directors and approved without objection.
		3. The Company's 2022 annual business report.	Discussed by all attended directors and approved without objection.
		4. The Company's 2022 earning distribution	Discussed by all attended directors and approved without objection.
		5. The Company's 2022 employee remuneration and director remuneration distribution case	Discussed by all attended directors and approved without objection.
		6. The schedule, venue and related matters of the Company's 2023 Annual General Meeting of Shareholders.	Discussed by all attended directors and approved without objection.
		7. Amendment of the procedures for the Prevention of Insider Trading	Discussed by all attended directors and approved without objection.
		8. Submit the 2023 annual remuneration proposals for directors, independent directors and remuneration committee members of the Company.	As this case pertains to the resolution of director's own compensation, Independent directors (Hu, Chiu-Chiang; Chen, Wen-Yu; Yu, Ming-Chang ;Tsai, Yu-Ping) have abstained from participating in the discussion and voting, in accordance with legal requirement. The other attended directors approved without objection.
		9. Submit the 2023 annual salary and structure proposal for the managers of the Company case	As this case pertains to the resolution of manager's own compensation, Chairman (Steven Liao), Managers(Tan, Chen-Huan; Chang, Chia-Jung) have abstained from participating in the discussion and voting. In accordance with legal requirements, due to conflict of interest, The Chairperson has designated Hu, Chiu-Chiang as the acting Chairperson. The other attending directors approved without objections
		10. Increase in short-term bank secured loan limits in 2022.	Discussed by all attended directors and approved without objection.
2023/05/10	13 th term, 7 th meeting	1. The Company's consolidated financial statements for the first quarter of 2023.	Discussed by all attended directors and approved without objection.
		2. It is proposed to appoint the CPA of the Company and decide on their remuneration, and the independent assessment of the accountants is as explained	Discussed by all attended directors and approved without objection.
		3. Amendment of the Company's Corporate Governance Best Practice Principles	Discussed by all attended directors and approved without objection.
		4. The formulation of pre-approval policy for non-assurance services provided by CPA to the Company.	Discussed by all attended directors and approved without objection.
		5. Nomination of Mr. Chen Duo (CTO) as the Chief Information Security Officer of the Company.	Discussed by all attended directors and approved without objection.

Board of Director	Term	Proposal content	Resolution result
2023/06/27	13 th term 8 th meeting	1. Plan to set up the Company's 2022 cash dividend distribution base date.	Discussed by all attended directors and approved without objection.
2023/08/09	13 th term 9 th meeting	1. The Company's consolidated financial statements for the second quarter of 2023.	Discussed by all attended directors and approved without objection.
		2. Proposed establishment of a "Sustainability Committee" under the Board of Directors, and to formulate Organizational Charter for the Sustainability Committee of the Company.	As this case pertains to the resolution of their own interest, Chairman (Steven Liao), Independent directors (Hu, Chiu-Chiang; Chen, Wen-Yu; Yu, Ming-Chang; Tsai, Yu-Ping) have abstained from participating in the discussion and voting, in accordance with legal requirements. In addition to the aforementioned board members, the other attending directors approved without objection. After the resolution was passed, Mr. Hu, Chiu-Chiang was elected as the convener and chairman of the first term of the Company's Sustainability Committee.
		3. Amendment of authorization Chart	Discussed by all attended directors and approved without objection.
		4. Proposed remuneration adjustment of Chief Technology Officer, Mr. Chen Duo	Discussed by all attended directors and approved without objection.
2023/11/01	13 th term 10 th meeting	1. the Company's consolidated financial statements for the third quarter of 2023.	Discussed by all attended directors and approved without objection.
		2. Report on the company increase in the short-term loan credit amount from CTBC Bank in 2023	Discussed by all attended directors and approved without objection.
		3. Report on the company increase in the short-term loan credit amount from Taiwan Bank in 2023	Discussed by all attended directors and approved without objection.
		4. Formulation of implementation of the Director Training Program.	Discussed by all attended directors and approved without objection.
2023/12/26	13 th term 11 th meeting	1. The Company's "2024 Consolidated Financial Report Forecast and Budget" report.	Discussed by all attended directors and approved without objection.
		2. The Company's 2022 employees and managers remuneration distribution case	Apart from the directors (including independent directors) who abstained from discussion and voting due to conflicts of interest, all other attending directors (including independent directors) approved without objection
		3. Submit the 2024 annual remuneration proposals for directors, independent directors and remuneration committee members of the Company.	Apart from the directors (including independent directors) who abstained from discussion and voting due to conflicts of interest, all other attending directors (including independent directors) approved without objection

Board of Director	Term	Proposal content	Resolution result
		4. Submit the 2024 annual salary and structure proposal for the managers of the Company.	Apart from the directors (including independent directors) who abstained from discussion and voting due to conflicts of interest, all other attending directors (including independent directors) approved without objection
		5. 2024 Annual Audit Plan	Discussed by all attended directors and approved without objection.
		6. The Company signed a credit contract with the financial institution, it is due and renewed in 2024	Discussed by all attended directors and approved without objection.
		7. Formulation of the Company operational guideline for financial transaction for related parties.	Discussed by all attended directors and approved without objection.
2024/03/13	13 th term 12 th meeting	1. The Company's 2023 internal control system statement.	The proposal has been approved unanimously following consultation with all directors by the Chairperson.
		2. The Company's 2023 annual business report and financial statement.	The proposal has been approved unanimously following consultation with all directors by the Chairperson.
		3. The Company's 2023 proposal of appropriation for loss	The proposal has been approved unanimously following consultation with all directors by the Chairperson.
		4. The schedule, venue and related matters of the Company's 2024 Annual General Meeting of Shareholders.	The proposal has been approved unanimously following consultation with all directors by the Chairperson.
		5. Amendment of the Board of Directors Performance Evaluation Measures	The proposal has been approved unanimously following consultation with all directors by the Chairperson.
2024/05/08	13 th term 13 th meeting	1. The Company's 2024 Consolidated Financial Statement for the first quarter	The proposal has been approved unanimously following consultation with all directors by the Chairperson.
		2. Proposal of appointing the Company's CPA and resolution of their payment and the evaluation on the CPA's independence.	The proposal has been approved unanimously following consultation with all directors by the Chairperson.
		3. Non-assurance services of Deloitte Taiwan and its affiliates.	The proposal has been approved unanimously following consultation with all directors by the Chairperson.

Date of Board of Director meeting	Proposal content	Status
2023/06/27	1. Approval of 2022 annual business report and financial statement	In the year 2022, the company's consolidated operating revenue amounted to NT\$1,257,962 thousands, with a net profit after tax of NT\$32,254 thousands. The earnings per share were NT\$0.47. The resolution was passed at the 2023 shareholders' meeting, with 32,944,130 shares in favor, accounting for 94.85% of the voting rights present
	2. Approval of 2023 earning distribution plan	In year 2022, the company reported a net profit after tax of NT\$32,253,274. After considering the remeasurement of defined benefit plans for year 2022 amounting to NT\$2,324,318 and deducting the income tax on defined benefit plan losses of NT\$464,863, the company allocate NT\$3,411,273 to the statutory surplus reserve and NT\$10,423,661 to the special surplus reserve. Additionally, with the beginning-of-year undistributed earnings of NT\$439,716, the total distributable profit for the fiscal year 2022 is NT\$41,564,833. The proposed cash dividend for shareholders is NT\$0.60 per share, totaling NT\$41,093,472. The remaining undistributed earnings at the end of the period amount to NT\$471,361. The resolution was passed at the shareholders' meeting of year 2023, with 32,944,132 shares in favor, accounting for 94.85% of the voting rights present.

- (13) In the most recent year and up of the publication date of the annual report, if a director or supervisor has expressed a different opinion with respect to a material resolution passed by the Board of Directors and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None
- (14) Summary of resignations and dismissals, During the last fiscal year and as of the printing date of the annual report, of the Company's related person (including chairman, president, accounting officer, financial officer, internal Audit officer, head of Corporate governance and R&D officer): None

3.4 Information of CPAs' Professional Service Fees

Amount : NT\$ thousand

Name of Accounting Firm	Name of CPA	Audit period by the CPAs	Fees for Audit	Non-audit fee	Total	Remark
Deloitte & Touche Tohmatsu Limited	Ruske Ho	2023.01.01-2023.12.31	NT\$2,260 Thousand	NT\$272 Thousand	NT\$ 2,532 Thousand	-
	Alice Huang	2023.01.01-2023.12.31				

Note : Non-audit fees : NT\$ 34 thousand is the cost of report typing and printing ; NT\$58 thousand is the cost of CPAs auditing travel ; NT\$180 thousand is the cost of transfer pricing report.

- (1). If the accounting firm is changed and the audit fee paid in the replacement year is less than the audit fee in the previous year, the amount and reasons for the audit fee before and after the replacement shall be disclosed: There is no such case.
- (2). If the audit fee has decreased by more than 10% compared with the previous year, the amount, proportion and reason of the audit public fee reduction shall be disclosed: There is no such case.

3.5 Information on Replacement of CPAs

1. Information regarding the former CPAs

1-7. Information regarding the former CPAs			
Date of replacement			
Reason for replacement and explanation	Not applicable.		
Describe whether the Company terminated or the CPAs terminated or did not accept the engagement	Parties		
	Circumstances	CPAs	The Company
	Terminated the engagement	Not applicable.	Not applicable.
	No longer accepted (discontinued) the engagement	Not applicable.	Not applicable.
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent year, specify the opinion and the reasons	Not applicable.		
Disagreement with the Company?	Yes		Accounting Principles or practices
			Disclosure of financial reports
			Audit scope or steps
			Other
	No	v	
	Specify details: None		
Other disclosures (Any matter required to be disclosed under sub-item 1-4 to 1-7 of Article 10.6)	None		

2. Information Regarding the Successor CPAs

Name of accounting firm	Not Applicable
Name of CPAs	
Date of engagement	
Subjects discussed and results of any consultation with CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the Company's financial report.	
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs	

3. The reply letter from the former CPA regarding the Company's disclosures regarding the matters under Article 10.6, 1 and 1-3 of regulations: Not Applicable
4. The Company's audit committee evaluates the independence and suitability of its CPAs every year. In addition to requiring the CPAs to provide "Statement of Independence" and "Audit Quality Indicators (AQIs)," the Company also refers to the standards and 13 AQI indicators in the table below to evaluate. The Company not only confirms that the CPAs have no other financial interests or business relationships with the Company except for fees for visas and financial and tax cases, but the CPAs' family members also do not violate the requirements for independence. Moreover, the Company confirms that the CPAs and their firm have better audit experience and training hours than average according to the AQI indicators. The evaluation results of the most recent year were discussed and approved by the Audit Committee on May 8, 2024, and reported to the Board of Directors on May 8, 2024, which approved the evaluation of the independence and suitability of the CPAs.

Item	Assessment Content	Yes	No	Independence
1	If the CPA of the Company has been employed in the Company for two years before the start of certification or within one year of resignation.		√	Y
2	If the CPA of the Company holds shares of the Company.		√	Y
3	If the CPA of the Company has borrowed money from the Company.		√	Y
4	If the CPA of the Company has a relationship of joint investment or benefit sharing with the Company.		√	Y
5	If the CPA of the Company is served as a director, supervisor, manager, or significant influence position of the Company and the conflict of interest at present or in the last two years.		√	Y
6	If the CPA of the Company is responsible for the management functions involved in the Company's decision-making.		√	Y
7	If the CPA of the Company has a relationship as the spouse, lineal blood relative, lineal relationship by marriage, or collateral blood relative within the four-degree kinships of the manager of the Company.		√	Y
8	If the CPA of the Company imply directly or indirectly a certain relationship or solicit business by way of inducement.		√	Y
9	If the CPA of the Company charge any commissions related to the business of the Company.		√	Y
10	If the CPA of the Company has a lawsuit or the competent authority corrects case.		√	Y
11	If the CPA of the Company has certified continuous service for seven years.		√	Y
12	If the CPA of the Company promotes or intermediary the stocks or other securities issued by the Company.		√	Y
13	If the CPA has complied with the Accountants Professional Ethics Bulletin No. 10 on independence regulations and has obtained the "Independence Statement" issued by the certified accountant.	√		Y

5. It regularly evaluated the suitability of accountants once a year, and the evaluation items are as follows:

Ethical Behavior of Accountants	
Item	Evaluation Result
Whether to be punished by the competent authority	No
Financial report quality	
Item	Evaluation Result
1. Whether the issued financial report is prepared in accordance with the accounting principles prescribed by the competent authority.	Yes
2. Whether the content of the financial report needs to be corrected due to errors.	No
3. Whether the financial reporting has been corrected by the competent authority.	No
Timeliness of Financial Reporting	
Item	Evaluation Result
1. Whether the annual financial report is completed within three months after the end of the year.	Yes
2. Whether the semi-annual financial report is completed within 45 days after the end of the semi-annual year.	Yes
3. Whether the financial reports for the first quarter and the third quarter are completed within 45 days after the end of the first quarter and the third quarter.	Yes
Auditors' professionalism	
Item	Evaluation Result
1. whether the auditors have the accountant license.	Yes
2. Whether the auditors are aware of the changes in laws and regulations.	Yes
3. Whether the Company's problems can be clarified immediately.	Yes

3.6 The Company's Chairman, President, Officers in charge of Financial or Accounting Affairs has served in Its Certified Public Accountant Firm or Its Alleviated Enterprise for the Most Recent Fiscal Year, shall Disclose their Name, Title and the position They Worked in the Certified Public Accountant's firm Period of its Affiliated: None.

3.7 Change in shares held and pledged by Directors, Managers, and Major Shareholders holding over 10% of outstanding shares in the Most Recent Year and up to the Publication of the Annual Report

(1) Changes in Shareholdings of Directors, Supervisors, Managers and Major Shareholders:

Title	Name	2023		As of published date in 2024	
		Pledged shares Increased (decreased)	Number of shares held Increased (decreased)	Pledged shares Increased (decreased)	Number of shares held Increased (decreased)
Chairman	ChangeEn Management Consulting Co., Ltd. Repetitive : Steven Liao	—	—	—	—
Director	Lin, Yung-Fa	—	—	—	—
Director and Senior Vice President	Tan, Chen-Huan	—	—	—	—
Director	Yen, Wei-Chun	—	—	—	—
Director	Yang, Kuo-Liang	—	—	—	—
Independent Director	Chen, Wen-Yu	—	—	—	—
Independent Director	Hu, Chiu-Chiang	—	—	—	—
Independent Director	Yu, Ming-Chang	—	—	—	—
Independent Director	Tsai, Yu-Ping	—	—	—	—
Associate	Li, Kan-Yang	—	—	—	—
Associate	Lai, Chin-Yi	—	—	—	—
Financial Accounting Senior Manager	Chang, Chia-Jung	—	—	—	—
Chief Technology Officer	Chen, To	—	—	—	—

- (2) The equity transfer information: The Company's directors, managers and major shareholder have not transferred their equity to related parties
- (3) Equity Pledge Information : There are no such things.

3.8 The Information of the Relationship among the Top Ten Shareholders who are Interested or Spouse, relatives within Second-Degree of Kinships

April 28, 2024
Unit : Share ; %

Name	Shares hold by one's self		Shares held by spouse and children of minor age		Shares held by assuming the name of others		Names and relationships of the top ten shareholders who have a relationship with each other or are relatives of a spouse or a second degree kinship.		Remark
	Shares	% of shareholdings	Shares	% of shareholdings	Shares	% of shareholdings	Name	Relationship	
ChangeEn Management Consulting Co., Ltd.	6,706,934	9.79	0	0.00	0	0.00	None	None	None
Repetitive : Steven Liao	0	0.00	10,000	0.01	0	0.00	None	None	None
Lin, Yung-Fa	6,613,376	9.66	0	0.00	0	0.00	None	None	None
Lin, Rung-Yuan	4,638,000	6.77	0	0.00	25,000	0.04	None	None	None
Jinjun Investment Co., Ltd.	3,089,995	4.51	0	0.00	0	0.00	None	None	None
Repetitive : Li, Tian-Tsan	0	0.00	0	0.00	0	0.00	None	None	None
Tan, Chen-Huan	1,386,215	2.02	773,209	1.13	0	0.00	Yang, Yu-Jen	Husband	None
HSBC (Taiwan) Commercial Bank Co., Ltd. is entrusted to keep the investment account of Arcadian Emerging Markets Micro-Cap Securities Master Fund.	1,153,000	1.68	0	0.00	0	0.00	None	None	None
Yang, Hong-Zhi	790,010	1.15	0	0.00	0	0.00	None	None	None
Yang, Yu-Jen	773,209	1.13	1,386,215	2.02	0	0.00	Tan, Chen-Huan	Wife	None
Li, Ren-Chuan	543,665	0.79	0	0.00	0	0.00	None	None	None
Yu, Ming-Chang	540,000	0.79	0	0.00	0	0.00	None	None	None

3.9 The Number of Shares of the Company held by the Company, the Company's Directors and Managers, and the Company Directly and Indirectly Controlled by the Company in the same business, and Combine to calculate total Shareholding Percentage

December 31, 2023
Unit : Share ; %

Re-investment Business	Investment of the Company		Investments of directors, supervisors, managers, and directly or indirectly controlled enterprises		Comprehensive investment	
	Shares	% of shareholdings	Shares	% of shareholdings	Shares	% of shareholdings
Welcome Design K.K.	40	4	—	—	40	4
JRC International Pty Limited	760	19	—	—	760	19
CipherLab USA, INC.	5,000,000	100	—	—	5,000,000	100
CipherLab Limited (SAMOA)	4,150,000	100	—	—	4,150,000	100
CipherLab Electron Trade (Shanghai) Limited Company	—	—	4,150,000	100	4,150,000	100
mPlus Technology Co., Ltd	3,700,000	95	—	—	3,700,000	95

IV. Capital Overview

4.1 Capital and Share

(1) Source of Share Capital : Types of shares issued in the most recent year and up to the publication date of the annual report

As of published date

Month/ Year	Issuance Price	Approved share capital		Paid-in share capital		Remark		
		Share	Amount	Share	Amount	Source of share capital	Shares paid with properties other than cash	Others
1988.10	10	500,000	5,000,000	500,000	5,000,000	Establishment	—	—
1994.09	10	1,750,000	17,500,000	1,750,000	17,500,000	Increased in cash NT\$12,500 thousand	—	—
1996.09	10	3,000,000	30,000,000	3,000,000	30,000,000	Increased in cash NT\$12,500 thousand	—	—
1997.09	10	8,000,000	80,000,000	8,000,000	80,000,000	Increased in cash NT\$50,000 thousand	—	—
1998.07	10	19,500,000	195,000,000	19,500,000	195,000,000	Increased in cash NT\$99,000 thousand Capitalization by earnings NT\$16,000 thousand	—	—
1999.09	10	30,000,000	300,000,000	22,230,000	222,300,000	Capitalization by earnings NT\$7,800 thousands, Capitalization NT\$19,500 thousands	—	Note 1
2000.09	10	30,000,000	300,000,000	26,676,000	266,760,000	Capitalization by earnings NT\$28,899 thousand, Capitalization NT\$15,561 thousand	—	Note 2
2001.08	10	30,000,000	300,000,000	28,352,400	283,524,000	Capitalization by employee bonus NT\$3,426 thousand, Capitalization NT\$13,338 thousand	—	Note 3
2002.09	10	40,000,000	400,000,000	32,067,940	320,679,400	Capitalization by employee bonus NT\$ 8,803thousand , Capitalization by earnings NT\$28,352,400	—	Note 4
2003.08	10	60,000,000	600,000,000	39,839,228	398,392,280	Capitalization by employee bonus NT\$ 13,577 thousand, Capitalization by earnings NT\$64,135,880	—	Note 5
2004.09	10	60,000,000	600,000,000	50,003,858	500,038,580	Capitalization by employee bonus NT\$14,000 thousand, Capitalization by earnings NT\$ 87,646,300	—	Note 6
2005.08	10	90,000,000	900,000,000	62,184,968	621,849,680	Capitalization by employee bonus NT\$16,803 thousand, Capitalization by earnings NT\$105,008,100	—	Note 7
2006.06	10	90,000,000	900,000,000	70,981,120	709,811,200	Capitalization by employee bonus NT\$13,339,560, Capitalization by earnings NT\$74,621,960	—	Note 8
2014.03	10	90,000,000	900,000,000	69,299,120	692,991,200	Treasury Stock Retired 1,682,000 share	—	Note 9
2015.03	10	90,000,000	900,000,000	68,489,120	684,891,200	Treasury Stock Retired 810,000 share	—	Note 10

Note 1 : Through 1999.07.17 the Ministry of Finance Securities and Futures Commission Approved-certified No.: (88)/Tai-Cai-Certificate(1) No.63273

Note 2 : Through 2000.07.13 the Ministry of Finance Securities and Futures Commission Approved-certified No.: (89)/Tai-Cai-Certificate(1) No.60469

Note 3 : Through 2001.06.12 the Ministry of Finance Securities and Futures Commission Approved-certified No.: (90)/Tai-Cai-Certificate(1) No.136295.

Note 4 : Through 2002.07.15 the Ministry of Finance Securities and Futures Commission Approved-certified No.: (91)/Tai-Cai-Certificate(1) No. 139134.

Note 5 : Through 2003.06.27 the Ministry of Finance Securities and Futures Commission Approved-certified No.: (92)/Tai-Cai-Certificate(1) No. 128648.

Note 6 : Through 2004.07.07 the Executive Yuan Financial Supervisory Commission Securities and Approved-certified No.: Jin-Guan-Certificate-1 No. 0930128920.

Note 7 : Through 2005.06.09 the Executive Yuan Financial Supervisory Commission Securities and Approved-certified No.: Jin-Guan-Certificate-1 No.0940123043.

Note 8 : Through 2006.05.10 the Executive Yuan Financial Supervisory Commission Securities and Approved-certified No.: Jin-Guan-Certificate-6 No.0950116119.

Note 9 : Through 2014.03.21 the Ministry of Economic Affairs Jing-So-Zi Order No.10301043810 approved.

Note 10 : Through 2015.03.10 the Ministry of Economic Affairs Jing-So-Zi Order No. 10401042140 approved.

April 28, 2024 Unit : Share

Type of shares	Authorized capital			Remarks
	Issued Shares	Un-issued shares	Total	
Common stock	68,489,120	21,510,880	90,000,000	TPEX-listed company stock

(2) Shareholder Structure

April 28, 2024 Unit : Share

Shareholder structure Quantity	Governmental agencies	Financial institutions	Other institutions	Individual	Foreign institutions or foreigners	Total
Number of shareholders	0	0	234	31,842	37	32,113
Shares held	0	0	10,604,103	56,108,618	1,776,399	68,489,120
Shareholdingpercentage	0.00%	0.00%	15.48%	81.93%	2.59%	100.00%

Note: The Company has no shareholders from China.

(3) Status of Ownership Dispersion

April 28, 2024

Shareholding class	Number of shareholders	Shareholding	Shareholding ratio (%)
1 to 999	24,975	197,505	0.29
1,000 to 5,000	5,569	11,929,496	17.42
5,001 to 10,000	868	6,988,875	10.20
10,001 to 15,000	233	3,029,252	4.42
15,001 to 20,000	151	2,856,888	4.17
20,001 to 30,000	125	3,313,072	4.84
30,001 to 40,000	63	2,273,797	3.32
40,001 to 50,000	32	1,490,823	2.18
50,001 to 100,000	58	4,075,840	5.95
100,001 to 200,000	16	2,103,814	3.07
200,001 to 400,000	10	2,612,354	3.81
400,001 to 600,000	5	2,466,665	3.60
600,001 to 800,000	2	1,563,219	2.28
800,001 to 1,000,000	0	0	0.00
Over 1,000,001	6	23,587,520	34.45
Total	32,113	68,489,120	100.00

Note 1: The Company does not have preferred stock shares issued.

(4) List of Major Shareholders

April 28, 2024

Share Name of major shareholder	Shares held(share)	Shareholding percentage (%)
ChangeEn Management Consulting Co., Ltd. Repetitive : Steven Liao	6,706,934	9.79%
Lin, Yung-Fa	6,613,376	9.66%
Lin, Jiun-Yau	4,638,000	6.77%
Jinqun Investment Co., Ltd. Repetitive : Li, Tian-Tsan	3,089,995	4.51%
Tan, Chen-Huan	1,386,215	2.02%
HSBC (Taiwan) Commercial Bank Co., Ltd. is entrusted to keep the investment account of Arcadian Emerging Markets Micro-Cap Securities Master Fund.	1,153,000	1.68%
Yang, Hong-Zhi	790,010	1.15%
Yang, Yu-Jen	773,209	1.13%
Li, Ren-Chuan	543,665	0.79%
Yu, Ming-Chang	540,000	0.79%

(5) Share Prices for the Past 2 Fiscal Years, together with the Company's Net Worth Per Share, Earnings Per Share, Dividends Per Share, and Related Information

Item \ Year		2022	2023	Current year as of March 31, 2024
Market price per share (Note 1)	Highest	20.50	39.65	23.35
	Lowest	13.00	16.70	20.10
	Average	16.05	26.15	21.79
Net worth per share	Before distribution (Note 2)	11.76	11.10	11.15
	After distribution (Note 2)	11.16	11.10	11.15
Earnings per Share	Weighted average amount of shares (Thousand Share) (Note 2)	68,489,120	68,489,120	68,489,120
	Earnings per share (Note 2)	0.47	(0.06)	0.00
Dividends per share	Cash dividends (Note 3)	0.60	0	Not applicable
	Bonus share	-	-	
		-	-	
	Accumulated unpaid dividends	-	-	
Analysis of ROI	Price earnings ratios (Note 4)	34.15	435.83	
	Price to dividend ratio (Note 5)	26.75	0	
	Dividend Yield (Note 6)	3.74%	0%	

Note 1 : Setting forth the highest and lowest market price per share of common stock for each fiscal year. And calculating each fiscal year's average market price based upon each fiscal year's actual transaction prices and volume.

Note 2 : The financial information for the year ended March 31, 2024 has been audited by accountants.

Note 3 : The Company has no cash dividend in 2023.

Note 4 : Price earnings ratios= Average closing price per share of the year/ EPS

Note 5 : Price dividend ratios= Average closing price per share of the year/ cash dividend per share

Note 6 : Cash dividend yield= Cash dividend per share/average closing price per share of the year

(6) Dividend Policy and Execution Status:

1. Dividend Policy :

The dividend policy distribution stipulated in the Articles of Incorporation of the Company, the Company has cooperated with the amendment to Article 235 of the Company law, on Aug 24, 2021, the Board of Directors approved the amendment of Article of Incorporation " If the Company make profit in the current year, it should allocate 0.5% ~10% as the employee remuneration and no more than 3% for director remuneration." But if the Company has accumulated loss, it should reserve them to make up for the loss in advance, after that allocate employee and director remuneration according to the aforementioned ratio. The aforementioned employee remuneration can be paid in stock or cash, and the payment recipients include employees of affiliated companies who meet conditions. The directors' remuneration referred to in the preceding paragraph shall be paid in cash only. The first two items shall be implemented by a Board of Directors resolution and reported to the shareholders' meeting. If the Company has an earning after annual final accounts, it should pay taxes according to the law, to make up the accumulated losses and then allocate 10% as the legal reserve; but when the legal reserve has reached a paid-in capital of the Company, it should no longer be designated. The rest will be designated or reversed to the special reserve in accordance with law and regulations; if there is still balance, combined with the accumulated unappropriated earnings, the Board of Directors will prepare earning distribution meeting and submit to the shareholders' meeting for resolution on shareholder dividends distributions. The Company's dividend policy will consider the Company's environment, future capital demand, and long-term financial planning and meet shareholders' needs for cash inflows. The actual distribution of the current year's earnings should not be less than 50% of the distributable earnings as standard. The current industry of the Company belongs to the growth stage, the profit is keeping grow up and the financial structure is completed with a stable profit per share, the cash dividend shouldn't be lower than 10% of the total dividend".

2.Dividend Distribution to be Proposed to the Shareholders' Meeting:

The company incurred a net loss after tax in 2023. Dividend Distribution will not be made as per the Article of the Company.

3.If a material change in dividend policy is expected, it should be explained: There is no major change in the Company's dividend policy

(7) The impact of the free rationed shares that proposed at this shareholders' meeting on the company's operating performance and earnings per share: Not applicable

(8) The remuneration of employee, directors and superiors:

1. The ratio or range of remuneration for employees, directors and supervisors as stated in the Company's articles of Incorporation:

According to the Articles of Incorporation of the Company, if the Company make profit in the current year, it should allocate 0.5% ~10% as the employee remuneration and no more than 3% for director remuneration. But if the Company has accumulated loss, it should reserve them to make up for the loss in advance, after that allocate employee remuneration and director remuneration according to the aforementioned ratio. The aforementioned employee remuneration can be paid in stock or cash, and the payment recipients include employees of affiliated companies who meet conditions. The directors' remuneration referred to in the preceding paragraph shall be paid in cash only.

The first two items shall be implemented by a Board of Directors resolution and reported to the shareholders' meeting. The Company established an audit committee to replace the supervisor on 2019/6/25.

2. The basis for estimating the amount of employees, directors, and supervisors' compensation, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated Figure, for the current period:

(1) The company incurred a net loss after tax in 2023. The employee remuneration and director and supervisor remuneration will not be distributed.

(2) Accounting process when the actual distribution amount has a difference from the estimated amount:
The Board of Directors has approved the actual distribution amount have different from the estimated amount, it should treat as changes in accounting estimated and listed as an expense in the next year.

(3) The Company established an audit committee to replace the supervisor on 2019/6/25.

3. The Board of Directors approved the distribution of remuneration:

(1) The company incurred a net loss after tax in 2023. The employee remuneration and director and supervisor remuneration will not be distributed.

(2) The amount of any employee profit-sharing compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration.
Not applicable.

4. The distribution of the remuneration of employees, directors, and supervisors in 2022

Unit : NT\$ Thousand/Share

	Resolution of shareholders' meeting Actual distribution amount	The original Board of Directors passed Proposed distribution amount	Difference number	Reason for difference
1. Distribution status: :				
1.Employee Remuneration				
(1)Number of shares	—	—	—	—
Stock Amount	—	—	—	—
Percentage of outstanding shares at the end of 2022	0.00%	0.00%	—	—
(2)Cash Amount	4,208,598	4,208,598	—	—
2.Directors and Supervisor Remuneration	1,262,579	1,262,579	—	—
2. The related information of Earnings per share				
1.Original Earning per share	0.47	0.47	—	—
2.Estimated Earnings per share	0.47	0.47	—	—

(9) The Company's repurchase of the Company's shares : None

4.2 Issuance of Corporate Bonds: None

4.3 Preferred Shares: None

4.4 Issuance of Global Depositary Receipts: None

4.5 Status of Employee Stock Option Plan: None

4.6 Status of Employee Restricted Stock New Share: None

4.7 Status of New Shares Issuance in Connection with Merger and Acquisitions: None

4.8 Financing Plans and Implementation:

- (1) The content of plan: As of the quarter before the publication date of the annual report, the content and implementation status of the previous plans for the issuance or private placement of securities that have not been completed or not been in the last three years and whose benefits have not yet appeared: None
- (2) Implement status: None

V. Operational Highlight

5.1. Business Content

(1) The Coverage of Business

1. The main content of the Company's business

The Company specializes in the R&D, manufacturing, marketing, and trading of products related to "Mobile Computing Systems & Automatic Data Collection". According to the classification of industrial products by the Statistics Department of the Ministry of Economic Affairs, the Company's industry is the "Data I/O Peripheral Equipment Industry". In addition, according to the classification of the China Credit Information Service, the Company belongs to the electronic and electrical industry of manufacturing industry. The business items listed in the Business registration certificate of the Company are as follows:

Electronic products include computers, computer peripherals, electronic cash registers, barcode readers and their applications, magnetic card readers and their applications, electronic testing instruments, electronic measuring instruments and computer software programs, etc. manufacturing, and trading business.

- The maintenance products trading and maintenance business of the aforementioned paragraph
- The import and export trading business of the aforementioned paragraph
- As the agent for domestic and foreign manufacturers to quote and bid for distribution business of the aforementioned paragraph
- Restrained Telecom Radio Frequency Equipment and Materials Importing
- Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
- Besides licensed businesses, it can operate businesses that are not prohibited or restricted by laws and regulations

2. Proportion of business

The Company's business revenue and product ratios for the last two years are as follows:

Unit : NT\$ Thousand

year	2022		2023	
	Sales Amount	%	Sales Amount	%
Pocket-Size Industrial Computer	894,124	71.08	991,862	72.96
Handheld Automatic identification scanner	132,076	10.50	79,448	5.84
WEARABLE DEVICE	0	0	1,727	0.13
Others	231,762	18.42	286,512	21.07
Total	1,257,962	100.00	1,359,549	100.00

Note: Other items include sales of spare parts

3. The current major products of the Company:

The major products of the Company included the Android platform, Windows platform, CipherLab OS platform, and other pocket-sized industrial computers and handheld barcode scanners. Currently, the major selling products are as follows:

Product Category	Major Product
Pocket-Sized Industrial Mobile Computer (Mobile Computer)	CipherLab OS products: 8000 series 、8200 series 、8300 series 、8400 series 、8600 series. Windows OS products: 9700 series Anti-bacterial protection series products: 8001H series Android OS products : RK25 series 、RS35 series 、RS51 series 、RK95 series 、Hera51 Mobile Ordering POS series
Handheld Barcode Scanner includes wired and wireless Bluetooth (Hand-held Scanner)	CCD barcode scanner Laser barcode scanner 2D barcode scanner Anti-bacterial protection series barcode scanner Hand-held RFID reader Omnidirectional Presentation Scanner

4. New products planned to be developed

1. (1) Core technology team continues to conduct R&D on 5G, WiFi 6E, and sensing technology.
 - A. 5G: Global industries have increasing demands for data transmission and data processing, and the requirements of user experience are also constantly becoming stricter. Thus, CIPHERLAB Co., Ltd must invest in figuring solutions that can provide higher data transmission rates, reduce delays, save energy, and reduce costs. 5G is also more flexible and expandable, allowing various application methods for commercial users to tailor their networks to their specific needs, which is particularly beneficial for corporations that need to operate in diverse locations or conditions. CIPHERLAB has imported 5G to meet the demands and challenges of the new Artificial Intelligence of Things (A-IoT).
 - B. WiFi 6E (IEEE 802.11ax): WiFi 6E is an upgraded version of WiFi 6, adding a 6 GHz frequency band to the existing 2.4 GHz and 5 GHz frequency bands. The 6 GHz band has a larger frequency spectrum and less interference, allowing higher speeds and lower delays. In addition, this band has more channels to accommodate more devices to solve the problems with increased equipment and data traffic. Compared with 802.11ac, its transmission rate increases by 150%, and its delays decrease by 75%, offering a superior user experience for advanced applications like fully wireless offices and the Internet of Things (IoT).
 - C. Sensing recording module:
 - a. Temperature sensing module: The Company will cooperate with key partners this year to quickly launch it into the market as a Minimum Viable Product (MVP) to confirm the usage scenarios of logistics operators in practice and then conduct research and modification based on the feedback with the hope of the module becoming a demanded and profitable product.
 - b. 3D sensing module: It can measure the size of product packaging when shipping or picking up, providing more accurate and digital information for calculating the volume and space for transportation. The Company hopes to provide a better user experience and improved work efficiency for warehousing, manufacturing, and logistics industries by offering accurate and convenient measurement vehicles and services.
 - D. AI:
 - a. Tire serial number identification: A customized model for specific scenarios based on demand. The Company trains the existing AER Camera Sensor and develops a real-time tire serial number identification system, emphasizing automation, accuracy, speed, and convenience, reducing human errors.
 - b. 7-Segment Identification: For medical industry customers, it integrates the images in the existing AER Scan Engine to perform 7-Segment digital identification on the device to quickly identify the numbers, emphasizing speed and convenience and reducing human errors.
- (2) Public and private cloud corporate device management and Agility Intelligence data system development plan:
 - A. ReMoCloud/EndeCloud public and private cloud corporate device management system: Public and private cloud corporate device management system can assist IT administrators in protecting and managing mobile devices owned by the corporate. It can include the registered devices in the scope of corporate management with a significantly reduced deployment and configuration time, allowing IT administrators and department officers to manage the active status of the devices effortlessly and limiting the use of corporate devices to work purposes only. In addition, Multi-Factor Authentication (MFA) enhances data

security, and IT personnel can configure settings and management from anywhere without being restricted by location to improve work efficiency.

- a. New device tracking function allows corporates to effectively manage the geographical location of devices in various places and limit the workplace and record the movement trajectories to facilitate adjustment to flow and improve work efficiency.
- b. The machine learning function provides customers with a platform for training neural artificial intelligence by themselves to enhance the evolutionary capabilities of Artificial Intelligence of Things through edge computing, making the application of machines that perform repetitive tasks more efficient.
- c. Import GDPR EU General Data Protection Regulations to protect human rights and privacy.

B. Agility Intelligence Agile Smart Data System: The Agile Smart Data System can get insight into customers' mission goals, work needs, working abilities, and future trends via big data analytics and provides visual statistical analysis reports and dashboard management to help improve the management efficiency of IT and department officers and identify the key improvements to the business.

C. EagleEyes Remote Device Control System: Provides a more real-time and complete device control through remote control, device tracking, environmental sound, and remote image functions to further achieve the purpose of remote collaborative work.

D. Contactless payment: Provides an integration platform for third-party payment tools under PCI international standard agreements to achieve contactless transactions to meet the needs of the last-mile cash flow consumer market.

(3)Scanner Development Plan: The COVID-19 pandemic has caused retailers to accelerate their ongoing digital transformation trend and adopt RFID more on a broader scale. According to global data center data, the RFID market is estimated to grow at a compound annual growth rate of 20% in the next five years, especially in the retail, logistics, and warehousing industries. In addition to quickly acquiring the location and quantity of properties and goods, the application of collecting environmental parameters (like temperature) has also increased. CIPHERLAB Co., Ltd will develop next-gen RFID products with ergonomic designs that allow long usage hours and are easy to use without training.

(4)Mobile POS and Self-Service Systems: In the post-COVID-19 era, demands for mobile payments and self-service systems that can reduce crowds are huge. CIPHERLAB Co., Ltd develops and optimizes the UI for the new contactless operation mode and further integrates various payment mechanisms to enhance software and hardware integration services.

(2)Industry Overview

1.Industry current status and development

The major product of the Company is Mobile Compute and Handheld Barcode Scanner, both of them are AIDC: Automatic Identification and Data Capture products.

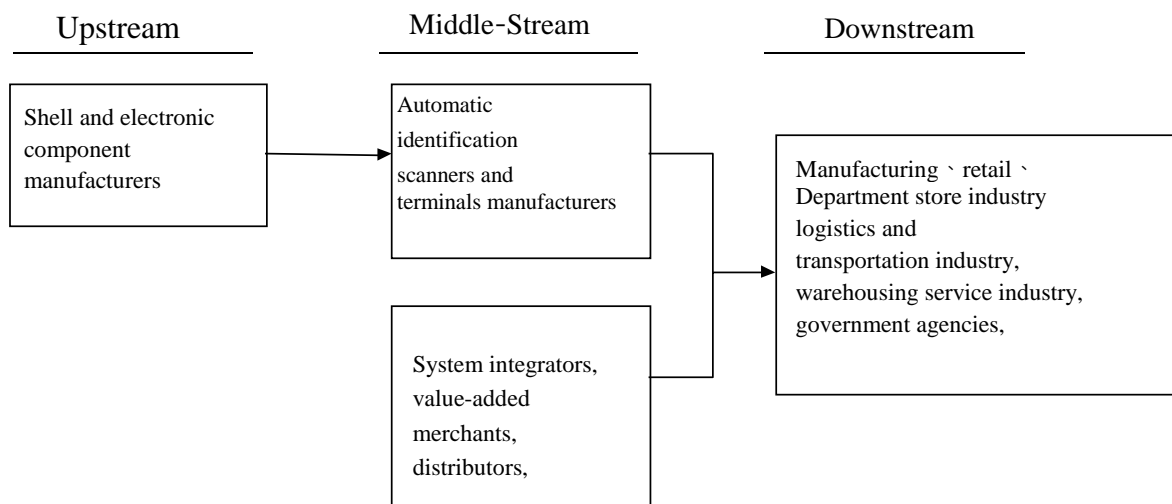
The automatic identification system has some features with fast data input speed, reducing people input errors, real-time process management, and programmability, it can satisfy the requirement of enterprises and government for improving efficiency and reducing costs. In recent years, each kind of data collecting and wireless communication technology has been ever-changing, for example, handwriting input, video data, RFID reading, and wide-area wireless transmission are all integrated into mobile computer products.

The coverage application of automatic identification products has been used widely in every kind of industry, including retail warehouse management analysis operation, logistic industry object management, manufacturing inventory management, vehicle entry, and exit access control, etc., to the medical system, administrative agency document flow management. The current application level has extended gradually to animal husbandry, market survey, police system, etc.

2. The relationship between upstream, midstream and downstream of the industry

The upstream of the industry is mainly domestic and foreign shell and electronic component manufacturers, through the midstream manufacturers of automatic identification scanners and terminals, system integrators, value-added merchants, distributors, etc., to provide downstream manufacturing, retail, department stores industry, logistics and transportation industry, warehousing service industry, government agencies, and other users need products.

The relationship between the Upstream, middle-stream, and downstream of the industry is shown in the figure below:



3. Various development trends of products

Looking forward to the future, automatic identification product development generally includes the following directions:

- (1) Android operating platform has become mainstream of the market;
- (2) Wireless immediate information transmission technology;
- (3) RFID (HF, UHF, NFC) Introduction and application of radio frequency identification system;
- (4) 2D barcode and image identification system development;
- (5) Integrated solutions replace single-model sales
- (6) Cloud long distance device management system

4. Products Competitive situation

The main competitors of the Company's products are mainly from Europe, American, Japan and other self-owned brand manufacturers:

- (1) The main competitors of pocket-sized industrial computers are :Zebra(USA), Honeywell (USA), Datalogic(Italy), DENSO (Japan) etc.
- (2) The main competitors of handheld barcode scanners are: Zebra(USA),Honeywell (USA) Datalogic(Italy), DENSO (Japan) etc.

(3) Technology and R&D Overview

1. R&D expenses invested in the most recent years

Unit : NT\$ Thousand

Item \ Year	2022	2023
R&D Expenses	147,333	188,133
Operating revenue	1,257,962	1,359,549
% of net revenue	11.71%	13.84%

2. Successfully developed technologies or products in the most recent year

Year	R&D outcomes
2012	8200H Antimicrobial Protection Series Pocket-Sized Industrial Mobile Computer (cops, CipherLab Operating System)
	1664H Antimicrobial Protection Series Handheld 2D imager Barcode Scanner
	1662/1664 Pocket-Sized Bluetooth Barcode Scanner
	8700 Pocket-Sized Industrial Mobile Computer (cops, CipherLab Operating System)
	1861 Handheld HF RFID Reader
	CP50 Industrial Mobile Computer(Windows Embedded Handheld Operating System, 3.8G Wireless Transmission, Multiple read-head options)
2013	CP60 Pocket-Sized Industrial Mobile Computer(Windows Embedded Handheld Operating System, Windows CE, 3.8G Wireless Transmission, Cisco CCX certified, WiFi Wireless Transmission)
	9200 Pocket-sized Industrial Mobile Computer (Windows Embedded Handheld Operating System , 3.5G Wireless Transmission , Cisco CCX certified, WiFi Wireless Transmission)
	1663: Pocket-sized Bluetooth Linear Imager Scanner
2014	9700 Handheld Industrial Mobile Computer (Windows Embedded Handheld operating system , Windows CE operating system , Cisco CCX certified, WiFi Wireless Transmission, Multiple read-head and keypad options)
	CP55 Handheld Industrial Mobile Computer (Windows Embedded Handheld Operating System, Windows Embedded Compact 7 Operating System , HSDPA/HSUPA Wireless Transmission, With RFID HF function)
	3G Cradle Transmission and charging stand for use with 8001 mobile computer
2015	RS30 : Handheld Industrial Mobile Computer work with Android 4.4, passed Google GMS certification
	CP60UHF: Adding can read RFID tag read-head to the current product CP60.
	1500P/1560P/1504A/1564A : Improve the reading and data processing performance of 1500 series
2016	1504B : Equipped with self-developed 2D scanning engine, the existing product 1500 series, adding 2D products with high price performance ratio.
	SM2B:2D Read the module and obtain a patent, the research and development results can be implemented into the Handheld Industrial Computer
	Web-based ScanMaster: Provide users with the convenience of setting up for scanner more easily, there is no any software needs to be installed, only check the setting on the browser, and it can be used immediately
	SM1:1D Read the module, optimize the decoding algorithm, and obtain a patent, among which the USB SKU is suitable for decoding read-heads of kiosks, scanners, or handheld industrial computers.
	MDS: The software products are developed for CE/WEH/Android platforms specially and can help customers they Android handheld mobile terminals on hand, through the MDS system to set up from backstage and install the software, to achieve the purpose of centralized management.
	Application software products specially developed for the Android platform:
	1. Button assignment: The application software that the users can set up a hotkey to execute specified according to their needs. 2.WIFI setting tuning: It can solve the problems that customers meet in WIFI settings, shorten the time for mobile terminal deployment due to the complexity of WIFI settings, and let products be quickly deployed in the field of use. XAMARIN-ENABLED SDK: This development tool can let the original software developed by Windows quickly port to the Android platform, which is helpful for Android products selling.

Year	R&D outcomes
2017	<p>2500 Series: A new generation of industrial Scanner, integrated 1D/2D reading module and the core technology of Bluetooth transmission encryption, and obtained a patent.</p> <p>RS31: Continuing the RS30 mid-level Android 6 & 7 handheld industrial mobile computer, and obtained Google's GMS certification, upgraded new software and hardware platforms, and improved product cost performance.</p> <p>RS50: Handheld industrial mobile computer (Equipped with Android 6 operating system, with 1D/2D, WiFi wireless transmission, and LTE functions), that meets the AIDC high specifications of the industry flagship model.</p> <p>9700A: Special machines designed for the logistics and warehousing industry, especially the keyboard design of VT and TN3200/5250, can provide agile solutions for enterprise ERP.</p>
	<p>Application software products specially developed for the Android platform:</p> <ol style="list-style-type: none"> 1.Terminal emulation : Specifically for industry-specific applications, the Android device has architecture a virtual terminal, the purpose is to achieve the connection between the Android device and its users and the large-scale computer and provide enterprise solutions. 2.Signature : Provides a simple and fast handwritten electronic signature way, and can be stored in different file formats, such as JPEG, PNG, BMP, PDF, etc., providing a digital solution for enterprise data. 3.HF RFID Configuration : Through this software to read the data content of the card and converted into an input format available for Android. In addition, the NFC label analysis function can provide detailed content of the label, which helps customers improve work efficiency and data digitization.
2018	<p>RK25 Series : Rugged Mobile Computer</p> <p>It is suitable for retail, medium and small warehouses, and field service industries that need to collect and input a large data environment. RK25 is equipped with 2 types of numeric keypads to meet different user behaviors, especially the user who is used to touch typing, working in harsh outdoor conditions, and the user who needs to have a customized keypad function. RS25 extends the smartphone design, equipped with 4" display and multiple point touch panel, obtained GMS certification, equipped with the newest 4 core 1.4GHz processor and IEEE 802.11 a/b/g/n/ac dual-band communication and other latest functions, can let users simple the complex work process. The most important is to meet the durability of industry standards and provide comprehensive accessories and software and let users exert productivity during their daily work.</p> <p>2200 Series : Omnidirectional Presentation Scanner</p> <p>It is designed for retail, hospitality Industry, and transportation industry, multi-angle and high-speed scanning capabilities enhance effective data collection under various work demands. Equipped with an Ultra high-frequency RFID reader and EAS label degaussing functions, let you can easily and effectively finish the checkout operation. and also have other convenient functions, including additional software tools, automatic interface detection, and fixed-mount accessories, it is the best choice that for users to simplify the checkout process.</p> <p>5300 Series: Remo Factory Smart Manufacturing Solutions</p> <p>This solution has also crossed-border and integrated with software and hardware platforms such as PLC, MES, and dispatching systems in the manufacturing site.</p> <p>Equipped with the "AG" development software, managers only click on the function in the menu and it can quickly set up the production line script to meet the needs, not because of the changes in the production line schedule and need to reset writing new software, so that it can meet highly customized requirements of the production line. In the cloud aspect, there are Nemo Server and MDM management programs, Nemo Server can be connected with MES and SFC to generate reports automatically, for small and medium-sized enterprises with limited work content and limited resources, Nemo Server can already meet the needs of this MES and assist Manufacturers to stand firm in the new generation market and strengthen their competitiveness.</p> <p>Application software products specially developed for the Android platform:</p> <ol style="list-style-type: none"> 1.AppLock <p>It is an application program that software to self-develop, equipped with a special desktop model, can let administrators and users use different operating interfaces. Administrators can manage all kinds of application programs and system setting on the mobile device, and allow them to decide different levels of function for operators to use. It's convenient for administrators to provide</p>

Year	R&D outcomes
	<p>different operating modes for the different on-site workers. For example, various message reminders, operations, network connections, download of applications., etc. can all be controlled by the administrator.</p> <p>2.Reader service/ Reader config</p> <p>The related development and application of Reader is a main project of the Company, the latest innovative research and development of Reader besides related barcode settings and switches, also input the concept of profile. Let every user design a profile for the operation scenario, and can save multiple profiles, in order to reach that different situation can choose and match the different profiles arbitrarily. And each profile can be set up for different content, and the corresponding applications program to be opened are also different. It can be set by the user to automatically bring the scanned barcode into the application program developed by the customer to achieve a more convenient effect.</p>
2019	<p>RS51 :</p> <p>It provides logistic transportation, store point direct delivery, and on-site workers with a rugged touch mobile computer that is faster and can flexibly respond to market upgrades and changes. Passed Google Android Enterprise Recommended (AER) certification, and will support the Android version updates in the future. Equipped with the Android 8.0 operating system, it has upwardly compatible so that the device can flexibly respond to market upgrades and changes, keep pace with the times, and maximize the benefits of device investment.</p> <p>Hera51 :</p> <p>Extending the design of RS51 and integrating the module of in-time payment, has become a new force for CipherLab's existing channels, and at the same time, it has given energy to the development of new channels. Since Hera51 is equipped with 4G/LTE, the application scene extends from indoor to outdoor, and the application field is more flexible than traditional POS equipment.</p> <p>RK25 :</p> <p>It focuses on the main feature is the completed function, lightweight, and high-cost performance of the RK25 series entry-level model, combining the strengths of touch and keypad and providing the completed accessory. In 2019, RK25 joined the AER model series and improved the operating system to Android 9.0, and improve the safety protection of the operating system.</p> <p>Application software products specially developed for the Android platform:</p> <ol style="list-style-type: none"> 1. ReMoCloud <p>Based on the Android Enterprise architecture, it provides the cloud management device function, and the detailed functions are as follows:</p> <ol style="list-style-type: none"> a.The system setting of the management device. b.The application deploying of the management device. c. Device group management. d. Monitor health status of device battery. e. System records of cloud collection devices. f. Combined with CipherLab's own software ADC to support more comprehensive system setting. 2. UHF RFID management software <p>Develop a complete application management software for CipherLab UHF RFID Reader on Android, the detailed functions are as follows:</p> <ol style="list-style-type: none"> a. Device information (ex: Serial Number, region, frequency and firmware version) b. Power information and charge management (e.g. battery level and reader temperature) c. Scan management (ex : Reader Power Level and read mode) d. Advanced label filtering function e. Reminder management (ex: low battery notification, overheating notification and reading reminder) f. Support importing and exporting settings to configuration files

Year	R&D outcomes
2020	<p>RK95 Standard version and cold chain version:</p> <p>RK95 standard version is the new generation product of the 9700 series, it focuses on the usage scenarios related to the warehousing industry, logistics center, and manufacturing industry, introducing WiFi MIMO technology and its coverage and excellent speed are more suitable for handling large volumes of data transmission without interruption or missing data situation.</p> <p>RK95 The cold chain version is suitable for use in harsh environments, when the working environment temperature is lower as -30°C, the screen, and the read-head window will not condense, and it can keep operating for 5 hours, the customer group is also locked in the cold chain industry (low-temperature storage and low-temperature logistics industry) during the post-epidemic era, which is becoming important gradually, it is hoping to provide reliable products for operators in the post-epidemic era.</p> <p>RS35:</p> <p>The goal of RS35 is to assist mobile workers can finish more work in a shorter time, and increase work efficiency. In addition to using integrated scanning, powerful CPU processability, intuitive touchscreen, and stable connection ability, also equipped with the battery Hot Swapping function which can be used without leaving the current application or switching to pause mode to replace the dying battery with a fully charged battery. RS35 is equipped with the Android 10 operating system, passed Google Mobile Service (GMS) and Android Enterprise Recommendation (AER) certificated, and assists enterprise users to use the Google application program without barriers and with a consistent user experience.</p> <p>Application software products specially developed for the Android platform:</p> <ol style="list-style-type: none"> 1. OEM Config <ul style="list-style-type: none"> OEM Config is based on the Android Enterprise architecture to develop, equipped with cloud device management software, it can provide the administrators to set each CipherLab Android Mobile Computer setting quickly, the main function is as below: <ol style="list-style-type: none"> a. Each device system settings, such as WiFi, language, time zone, etc. b. Device software version update. c. Various CipherLab device-specific application settings, such as Reader settings, physical button settings, and UHF RFID settings. d. The device log is uploaded to the server, which can be used for device debugging. e. Install application software on the device in the cloud or transfer files to the device. f. Transfer intent to the device in the cloud 2. Cipher Home <ol style="list-style-type: none"> a. CipherLab Home is developed based on the Android Enterprise architecture and used with cloud device management software. It is a Kiosk Home on the device. The main functions are as follows: <ol style="list-style-type: none"> b. CipherLab Home Application setting c. CipherLab Home Background image setting. d. CipherLab Home Application clears cache settings e. CipherLab Home Administrator password setting.
2021	<p>When the scanner products (ex: 1504A/1564A, 1664, etc.) implement the new generation Scan Engine, it is equipped with a megapixel sensor and advanced algorithms, adding the ultra-wide viewing angle suitable for quickly capturing larger barcodes, it can quickly success to capture various barcodes at once almost under any situation, even damaged, dirty or the poor quality 1D and 2D barcodes can be easily scanned, it brings faster productivity and efficiency to the retail industry, healthcare, and postal services.</p> <p>The Q21 is a simply designed all-in-one PC with a 21.5-inch touchscreen display, camera, LED indicators light, barcode reader, and thermal printer. Through the customized payment module bracket option it can install different credit card readers. In addition, external modules can be integrated for different services - such as cash recycling systems or card issuer systems. Moreover, the shop owner can install the Q21 in any place that meets the VESA installation standard, providing a better user experience and more possibilities for software layout design.</p>

Year	R&D outcomes
	<p>ReMoCloud New added background management function</p> <p>VPN connection, external space connection, located setting, device list, QR code registration, validity period mechanism, CipherLab Home details setting, no Wi-Fi connection detection warning, setting file version-related editing display functions, etc. Enhancement of device software function:</p> <p>RK95 4750SR Read-head can recognize text (OCR).</p> <p>A variety of modes Android 11 related compatibility adjustments of application.</p> <p>AI OCR Optical character recognition function.</p>
2022	<ol style="list-style-type: none"> 1. 2564 3000mAH version and the Extended Range 2D image version, the purpose is providing more rich user experiences and also in the price competitive scanner market to provide high-cost performance ratio products. 2. Complete the proof-of-concept (POC) of the temperature sensing and recording module, and plan to promote it to the minimum viable product (MVP) with customers in 2022 to optimize the customer's field process. 3. Android product-related software development: 4. The cloud mobile device management system the new using interface and new function, new input interface of simulated terminal software, and support for new functions of AS/400, private cloud mobile device management system, etc. which enterprise application tools, and Agility Intelligence data system, keeping to ensure the promise of cyber security from CipherLab made to customer products. 5. AI parts : Automatic license plate identification: use deep learning technology to develop license plate detection and character identification functions, and develop the first prototype with the existing AER products.
2023	<ol style="list-style-type: none"> 1. AER Mobile Data Collector : Launching a rugged mobile computer, RK26, and a 5.5-inch touchscreen mobile computer, RS36. Both devices feature robust and durable designs, equipped with high-performance processors, high capacity of memory and storage space. With high-grade dust and water resistance ratings and the design which support various scanning heads, along with faster WiFi6 data transmission, these devices are suitable for use in various environments including warehousing logistics, manufacturing, retail, healthcare, and public safety. 2. Scanner device : CIPHERLAB CO. launched our first wearable scanner WR30 in the second half of the year. It features a light and ergonomic design, and thus users can wear comfortably throughout the day. In addition to inheriting CIPHERLAB CO.'s powerful scanning performance, its long-lasting battery life and support for various Bluetooth devices allow users to collect data without missing any information while keeping their hands free. 3. In the second half of the year, we completed the conceptual verification of the temperature sensing and recording module [Proof of Concept (POC), and together with customers, advanced it to the Minimum Viable Product (MVP: optimize customer field processes)]. The temperature sensing and recording module can be utilized in the increasingly thriving cold chain transportation and distribution industry. Throughout the process from pickup to delivery of cold chain goods (such as vaccines, pharmaceuticals, and fresh produce), the temperature sensing and recording module can measure the temperature and simultaneously upload temperature records to the headquarters. This assists in addressing the need for evidence of the logistics operator, resolving the long-standing difficulties they encounter in evidence collection and liability determination. 4. Relevant Application Development : ReMoCloud/EndeCloud enables registered devices to be included into enterprise management, allowing IT and department managers to easily monitor the activity status of company devices, reducing the time required for large-scale deployment and configuration, and restrict company devices to be used only for work purposes. With multi-factor authentication (MFA) enhancing information security, IT can configure and manage devices from anywhere without being limited by location, thereby improving work efficiency. Additionally, successful adoption of ISO/IEC 27001:2022 BSI standards helps reduce the risk of information leakage and stakeholders, establishing brand trust. 5. AI Assistance : Building upon automatic license plate recognition, CIPHERLAB CO. has also addressed the needs of retail industry customers. Integrating the Scan Engine of the new generation AER product enables date object recognition for consumer products, swiftly identifying whether items are expired. Emphasizing immediacy and convenience, this reduces errors caused by human judgment and delays from backend data interpretation.

(4) Long-term and short-term business development plans

1. Overview of short-term plans

(1) Marketing strategy

Claim for industry-specific models, with cloud remote device management systems (ReMoCloud and EnDeCloud), through continuous strengthening of cooperation with global leading brand software vendors and system integrators/value-added resellers, keep recruiting strategic partners and large enterprises in specific vertical markets, especially focusing on the sales of value-added system integrators equipped with Android operating systems, and strengthening project development in logistics and transportation, warehousing, retail, manufacturing, etc.

(2) Production strategy

- A. Through the standardized operation process, strict order tracking, and regular sales forecast review, the production lead time is greatly shortened and enhances the management of raw materials.
- B. Use the automatic program to test product function, enhance the quality control of production lines, and win customer recognition with excellent quality.

(3) Product development direction

- A. Maintain the niche market of CiperLab's own operating system Pocket-sized industrial computer and grasp the energy of the mainstream pocket-sized industrial computer with Android operating system and keep extending the completed pocket-sized industrial computer production line.
- B. Strengthen the research and development of industrial-grade and senior-level barcode scanners, as well as a new product that extends the application of optical technology.
- C. Implement the invest main point Implement investigation and research on main points markets and strengthen the understanding of end-user application needs as an important basis for new product development.

2. Overview of long-term plans

(1) Marketing

- A. Promote cloud long-distance device management systems (ReMoCloud and EnDeCloud), going deep into vertical markets such as logistics and transportation, warehousing, retail, and manufacturing, and increase the Company's market share in the application market by launching new products that can meet the application needs of specific vertical markets.
- B. Cooperate with strategic partners in the industry to expand the reach and width of projects and the power of market promotion by providing overall solutions.
- C. Enhance strategy of regional market operation, establish a global management network, and increase global competitiveness.

(2) Production strategy

- A. Continue to cooperate with first-tier manufacturers, in addition to improving the overall quality of products, and reduce costs by taking advantage of their large-scale procurement advantages.
- B. Strengthen the management ability of inside factory production and outsourced production.

(3) Product development direction

- A. Cooperate with the world's first-tier system integrators to provide enterprise process solutions with a complete product line.
- B. Develop out-of-box products and solutions to accelerate product development and application.

- C. Upgrade and improve the cloud remote device management system continuously (ReMoCloud and EnDeCloud).
- (4) Operation scale and financial coordination
- A. Adhering to the concept of sustainable operation, under the combination of marketing and production strategies, in order to meet the needs of domestic and foreign customers to continue to expand the scale of operation.
 - B. With a stable financial structure, fully support the funds required for future expansion of the scale of operations.
 - C. Considering production efficiency and overall human resources, establish a global production center and distribution network to enhance global competitiveness.

5.2 Market and Sales Overview

(1) Market Analysis

1. The sales (supply) area of main products (services)

Unit : NT\$ Thousand

Region \ Year	2022		2023	
	Amount	Ratio (%)	Amount	Ratio (%)
Domestic	81,584	6.49	90,430	6.65
Europe	307,009	24.40	320,343	23.56
American	278,683	22.15	259,040	19.05
Asia	336,858	26.78	332,923	24.49
Other	253,828	20.18	356,813	26.25
Total	1,257,962	100.00	1,359,549	100.00

2. Market Share

According to the market research data of a professional industry research institution in the United States VDC (Venture Development Corporation), the current AIDC industry that has the highest global market share is Zebra in the US, the following are European, American, Japanese, and other brand manufacturers, the Company takes around 2% global market share.

3. The future supply and demand situation and growth of the market

Due to automatic identification products having a variety of wide range of application methods and occasions, the technology has evolved with time, providing the enterprise user and each government agency with more convenient and efficient, and the best solution to reducing cost, the whole automatic identification industry market demand will follow the application method and occasion to extend and increase grandly year by year.

4. Competitive niche

- (1) A variety of product combinations for each product, have flexible production capacity.
- (2) Sufficient professional R&D manpower, with rich R&D experience and product design strength.
- (3) Respond to market needs quickly and provide customized solutions.
- (4) Establish a global marketing channel with its own brand.
- (5) Self-developed cloud remote device management systems (ReMoCloud and EnDeCloud).

5. Advantageous, disadvantageous factors, and countermeasures of development vision.

(1) Advantageous factors

- A. The industry grows steadily and the product life cycle is long
- B. Have competitive research and development technologies, such as: power saving technology, self-developed software and application program development tools.
- C. Provide the management concept of full service, and establish a global sales and repair service network.

(2) Disadvantageous factors and countermeasures

A. Fierce price competition

Countermeasures:

- Adopt the same parts for different products, and develop module design to achieve economies of scale and reduce inventory costs.
- Actively research and develop new products that meet market trends and application needs, in order to get rid of the price competition of low-priced products.

B. Difficult to recruit experienced R&D talents people

Countermeasures:

- Looking for R&D talents or teams from domestic and international markets actively.
- Using completed expatriate and on-the-job training, actively cultivate R&D management trainee.

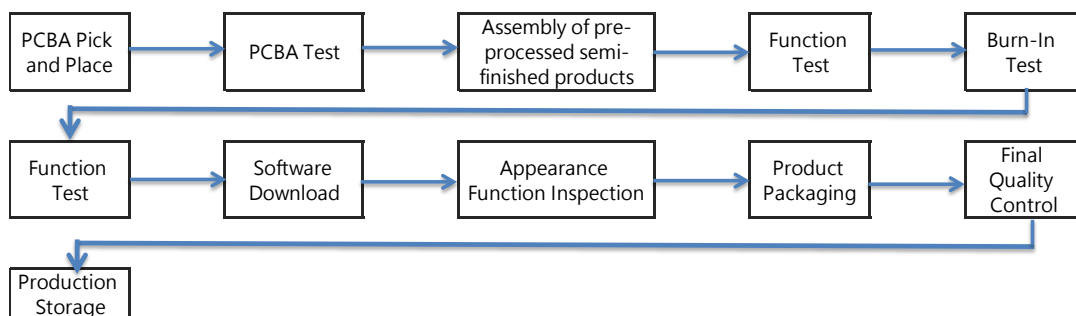
(2) Purpose and manufacturing process of main products

1. Purpose of main products

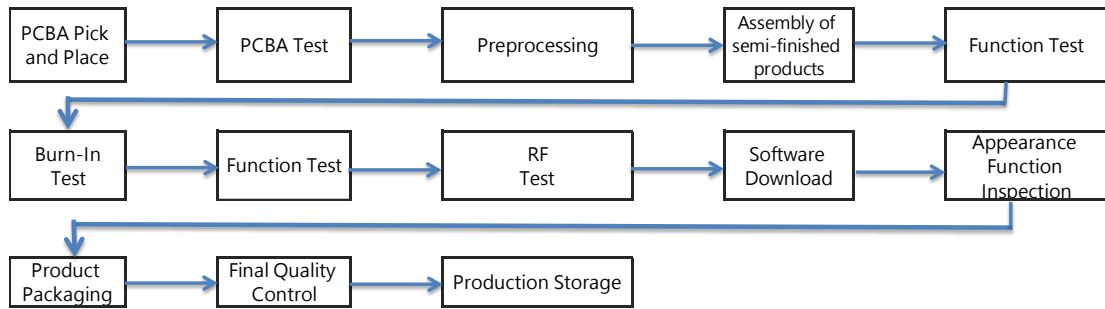
Product Category	Purpose
Pocket-sized Industrial Mobile computer (Mobile Computer)	It is a high-end model among automatic identification scanners. It not only has the function of reading barcodes and collecting data but also integrates the main functions of RFID and smartphones. It is mainly used in mobile application environments, such as warehousing management and analysis in the retail industry, animal husbandry, market research, police systems, inventory management in the manufacturing industry, factory automation management, object management in the logistics industry, vehicle dynamic management, etc. fields.
Handheld Barcode Scanner included wired and wireless Bluetooth (Handheld Scanner)	It is the basic equipment for automatic identification and data collection. Wired handheld scanners are suitable for fixed occasions, like checkout at retail counters and document management in government agencies. Bluetooth handheld barcode scanners are more broadly used, such as receipt and delivery management of logistics and warehousing, semi-finished product tracking in the manufacturing industry, and bedside care in the medical industry.

2. Production Process

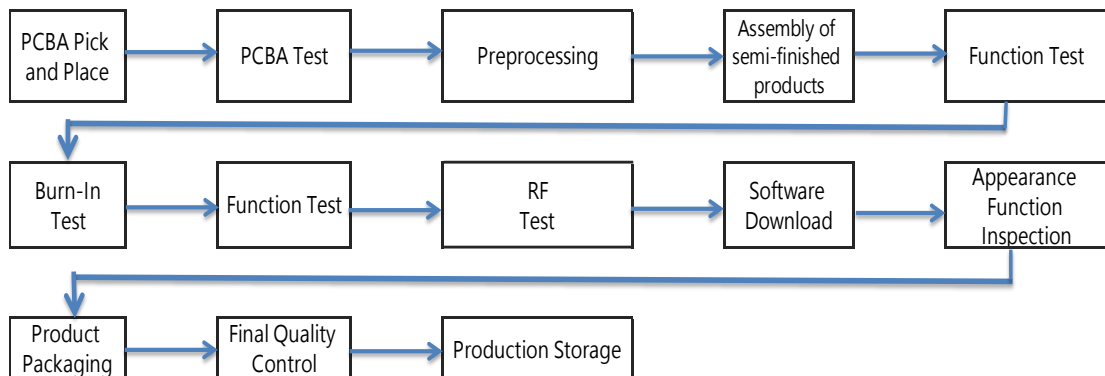
Handheld Barcode Scanner



Pocket-sized industrial computer with its own operating system(cOS Mobile Computer)



Pocket-sized Industrial Mobile Computer with Windows OS / Android OS



(3) The supply status of main raw material

Regarding purchasing main raw materials, the Company usually maintains at least two suppliers for the same type of raw materials in addition to cooperating with major suppliers to ensure the stability of the source of supply and unit prices and to effectively neutralize the risks of purchase concentration. Moreover, since most of the required raw materials are standard electronic components commonly found in the market, there are many suppliers and sufficient supply. The Company has established long and good cooperative relationships with our major suppliers to minimize supply shortages, interruptions, or delays and guarantees that production operations won't be affected.

(4) Names of suppliers contributing to at least 10% of the total purchase (sales) in any of the years within the past two years, the amount and proportion of the purchase (sales), and an explanation of the reason for increases or decreases in the above figures.

(i) The information of main supplies in the last two years

Unit: NT\$ Thousand ; %

Item	2022				2023				Up to 2024 Q1			
	Name	Amount	Percentage of the annual net purchase amount (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchase amount (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases in the current year up to the previous quarter (%)	Relationship with the issuer
1	ZEBRA	117,486	16.47	None	ZEBRA	185,541	22.12	None	Mag Technology	31,185	20.55	None
2	Arima Photovoltaic & optical Corp.	106,454	14.93	None	Arima Photovoltaic & optical Corp.	131,723	15.70	None	ZEBRA	21,876	14.42	None
3	Other	489,223	68.60	None	Other	521,636	62.18	None	Arima Photovoltaic & optical Corp.	17,283	11.39	None
4									Other	81,409	53.64	None
	Net Purchases	713,163	100.00		Net Purchases	838,900	100.00		Net Purchases	151,753	100.00	

Reason for increases or decrease in the above figures:

- Arima Photovoltaic & Optical Corp., being the supplier of the RK25 model, experienced a decrease in purchase amount in Q1 2024 due to the decreased market demand for the supplied model.
- T2m Int and Mag Technology, being suppliers of the newly developed models for the Company in 2024, have resulted in an increase in purchase amount.

(ii) The information of main customer in the last two years

Unit : NT\$ Thousand ; %

Item	2022				2023				Up to 2024 Q1			
	Name	Amount	Percentage of the annual net sales amount (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net sales amount (%)	Relationship with the issuer	Name	Amount	Percentage of the net sales amount in the current year up to the previous quarter (%)	Relationship with the issuer
1	BlueStar USA	146,847	11.67	None	BlueStar USA	144,922	10.66	None	BlueStar USA	38,951	13.56	None
2	Delmon	110,803	8.81	None	DANGOT-CODE	141,572	10.41	None	Jarltech	24,169	8.42	None
3	Other	1,000,312	79.52	None	Other	1,073,055	78.93	None	Others	224,011	78.02	None
	Net sales amount	1,257,962	100.00		Net sales amount	1,359,549	100.00		Net sales amount	287,131	100.00	

Reason for increases or decrease in the above figures:

- DANGOT-CODE has significantly increased its sales amount due to project deliveries since the end of 2022 to Q2 2023.
- Jarltech, being a newly developed customer since Q4 2023, has resulted in an increase in sales amount in Q1 2024.

(5)The production volume and value in the last two years

Unit : Pcs ; NT\$ Thousand

Production Volume and Value Main Products(or Department)	Year	2022			2023		
		Capacity	Production Volume	Production Value	Capacity	Production Volume	Production Value
Pocket-Size Industrial Computer		101,332	73,392	605,973	100,063	85,614	722,895
Handheld Automatic identification scanner		61,750	49,491	94,110	49,978	25,954	52,831
WEARABLE DEVICE		0	0	0	3,814	407	3,270
Others		65,253	59,209	63,285	61,428	68,044	74,425
Total		228,335	182,092	763,368	215,283	180,019	853,421

Note 1: Capacity refers to the quantity that the Company can produce under normal operation using existing production equipment after weighing necessary shutdowns, holidays, and other factors.

Note 2: If the production of each product is substitutable, the production capacity can be calculated together and annotated.

(6) The sales volume and value in the last two years

Unit : NT\$ Thousand

Sales Volume and value Main Products (or Department)	Year	2022				2023			
		Domestic sales		Export Sales		Domestic Sales		Export Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Pocket-Sized Industrial Computer		3,892	46,321	67,413	847,803	3,393	44,259	78,034	947,603
Handheld Automatic identification scanner		7,114	22,116	42,363	109,960	5,750	16,216	21,118	63,232
WEARABLE DEVICE		0	0	0	0	0	0	186	1,727
Other		24,107	13,148	268,065	218,614	63,270	29,955	400,882	256,557
Total		35,113	81,585	377,841	1,176,377	72,413	90,430	500,220	1,269,119

5.3 Information of employees in the last two years and as of the annual report publication date

As of published date in current year

Year		2022	2023	As of published date in current year
Number of employees (persons)	Direct employees	13	12	12
	Indirect employees	213	238	236
	Total	226	250	248
Average age		42.61	43.32	43.62
Average years of service		7.9	8.56	8.72
Percentage distribution of education background	Ph.D.	0.00%	0.00%	0.00%
	Master's	23.45%	23.20%	23.39%
	College and University	60.18%	61.20%	60.89%
	Senior High School	11.95%	11.60%	11.69%
	Senior High School and below	4.42%	4.00%	4.03%

5.4 Information on environmental protection expenditures

Losses incurred as a result of environmental pollution in the most recent year and as of the annual report publication date, (including compensations and environmental regulations violations based upon the findings of environmental protection audits, these matters should be listed with punishment date, reference number, articles of regulations violated, article contents and punishment details) and disclose estimation of expenditure as occurred up to present and future possible occurrences and countermeasures.

Currently, the production process of the main products of the Company is mostly assembled, so there is no environmental pollution issue.

- (1) In the most recent year and up to the date of publication of the annual report, the total amount of losses and penalties due to environmental pollution: None.
- (2) Future countermeasures and possible expenditures
 1. Continue to strengthen environmental management operations to meet the requirements of environmental protection laws and regulations.
 2. Strengthen waste recycling and resource recovery to achieve the purpose of waste reduction

3. The Company has passed the ISO-14001 environmental management system certification since 2005.
 4. There is no major environmental protection capital expenditures in the next two years.
- (3) The status of the response to the EU Restriction of Hazardous Substances Directive(RoHS)
- The Company's management measures and achievements in response to RoHS:
1. In June 2005, the Company completed the operating procedures for environment-restricted substance control and environment consideration identification, and implemented and revised them accordingly in order to meet the laws and regulations of environmental protection.
 2. All products of our company comply with the RoHS Directive, and all existing business trading manufacturers comply with the RoHS Directive.
- (4) Environmental policy: Obaid with environmental protection laws and regulations, require waste reduction continuously, develop low consumption products, and implement environmental pollution prevention and control.
- The Goal of environment :
- Reduce carbon emission of RS35 series products / pcs by 5% in 2022 ;
(Packing material changes.)
 - Reduce carbon emission of RS38 series products / pcs by 5% in 2023 ;
(Packing material changes.)

5.5 Labor relations

- (1). The Company's various employee welfare measures, continuing education, training, retirement systems, and their implementation, as also the agreement between labor and management and the maintenance implementation status of a variety of employee right.

A.Employee welfare measures

a. Employee Welfare Committee

In order to make perfect and complete employee welfare operations, the Company has established the " CipherLab Co., Ltd Employee Welfare Committee"(89) Taipei County Lao-Fu-Zi letter No. 405194 on October 21, 2000, due to relocation to Taipei city, it was approved by the competent authority on April 11, 2007, Taipei City Chih-Fu-Zi No.0892100240), responsible for the planning and implementation of various employee welfare.

Comprehensive the Company and welfare committee's employee welfare measures and actual implementation as below:

- (a). Employee remuneration/Performance Achievement Bonus/Year-end bonus(According to the Company operation and employee performance);
- (b). Subsidies for employee travel and employee social activities;
- (c). Organize employee activities, movie night activities, and travel activities irregularly to enrich the leisure life of employees;
- (d). The annual festival and birthday cash gift and gifts;
- (e). Wedding allowance, funeral subsidies, and wreath;
- (f). Birth subsidies and hospitalization subsidies.
- (g). Manager-level telephone allowance;

- b. Labor insurance/Health insurance/Group insurance(Family member need to pay their own fee)/Business trip safety insurance)
- c. Annual leave
- d. Two-day weekend
- e. Regularly health checkups

The employee's health is the asset of the Company, in order to let an employee pay attention to the importance of health and focus on daily health, the Company held free health checks every year and a health consultation service, which is applicable to all official employees.

f. Massage service

In response to the government's encouragement of enterprises to hire people with disabilities, and at the same time to promote the visually impaired massage promotion and increase the job opportunities for disabilities, the Company hire professional visually impaired massage therapists and set up a " Massage station" to provide the massage service so that the employee can release stress and fatigue to improve the employee welfare.

g. Occupational Safety and Health

Employees are the most important resource for our sustainable operation, it is our most important duty to prevent accidents and physical damage to employees. Based on the above concepts and in compliance with Article 34 of the Occupational Safety and Health Act and its implementation rules, the Company has formulated the "Workplace Health and Safety Rules", which apply to all workplaces and all colleagues of the Company, and has the responsibility and obligations to abide by and implement it, are implemented through internal lecturers during orientation training.

h. Long seniority rewards

In response to the contribution and hard work of senior colleagues to the Company, in order to improve the belief of all the employees in the Company's long-term operation to set up "Long seniority rewards operating key point" for rewarding, and present medals, and bonuses for the long seniority reward during the year-end party every year or company general meeting are applicable to all official colleagues, and the base of the award is based on the service years every five years.

i. Talent recommendation reward

We regard talent as the most important asset of the Company, in order to encourage employees to actively recommend outstanding talents and help companies find good talents, the Company promotes the "Employee Recommended Talent Reward Program" to effectively build talent assets and optimize the team. Referral rewards will be available for recommended talents passing the trial period.

j. CipherLab child care measures

According to Article 23 of the Gender Equality in Work Act, childcare measures are taken. Considering the fact that the Company is currently separated from the two places and the age range of the children is very different, the "entrustment contract" is adopted with registered child care service institutions (including child care services) Baby centers, kindergartens, and after-school childcare centers) provide childcare services.

k. Breastfeeding Room

In order to create a friendly workplace environment, the Company has provided breastfeeding (collection) rooms for employees to support employees in balancing work and family care responsibilities.

l. Special Contracted Sports Center

In order to encourage employees to have diverse exercise regularly, the Company has contracted with sport center at a special price, holding their employee identification card with a photo can have a special price to purchase venues, tickets, equipment, projects, course, and other operations items which listed on the attachment.

B. Employee advance study and training

a. New employee orientation

Through the internal lecturers and e-learning platform, to enhance the full understanding of the Company's internal processes, regulations, and required professional skills, and strengthen the Company's culture and environmental recognition and solidarity, in order to improve the stability of employees.

b. Employee advance study and training subsidies

Employee advance study and training are implemented by following the "Education and Training Operation Main Points", allowing employees to receive appropriate training according to their duties and functions, in order to enhance their professional knowledge and work productivity. The main training content of the current year is as follows:

Course category	Total hours
Corporate Governance	123.5
Administrative Management	86.0
Technical Courses	115.5
Quality Management	656.0
Financial Management	34.5
Product Technologies	98.5
Sales Marketing	3.0
Occupational Safety and Health	210.2

Due to work needs and assigned by the supervisor to those who participate in external training courses, the training fee can be fully subsidized, if the individual is willing to learn and is approved by the responsible supervisor, the Company can subsidize part of the training fee. Let employees fully use company resources to achieve the purpose of self-learning and growth.

c. Patent Award

In order to encourage employees' spirit to innovate, research, and invent, actively invest in product or technology research and development and apply for patent rights to improve the value of the Company's products, establish a complete internal patent acquisition process, and create company profits. Substantive/formal examination and regulations, those who have obtained a patent certificate, will be issued patent awards in accordance with the three categories of invention, model, and design in the current patent law.

d. Computer Allowance

In order to encourage employees who purchase laptops to meet the needs of the Company's business promotion and improve their work efficiency, they can apply for allowance only after they are qualified and approved by their supervisors. Every three years, if the aforementioned incentive reasons still exist, can apply again.

e. Humanities reading

The Company subscribes to Business Weekly, Business Times, and Economic Daily for colleagues to increase their market dynamics and new knowledge of related industries through static state reading.

C. Employee retirement system

According to the Labor Standards Acts and the Labor Pension Regulations to handle, the employee who uses the old system and has seniority, the Company will allocate an appropriate ratio "Retirement Reserve" of the total salary to the Bank of Taiwan every month

in accordance with the Labor Standards Acts; CipherLab Co., Ltd has established " The Labor Retirement Reserve Supervision Committee " which is responsible for the promotion of the old retirement system and pension funds management and holds regular meetings every three months to report on the ratio and status of pension allocations.

An employee who meets any of the following circumstances may retire voluntarily:

- a. Those who served the Company for over 15 years, and over 55 years old.
- b. Those who served the Company for over 25 years
- c. Those who served the Company for over 10 years, and over 60 years old.

Applying for retirement, the employee should fill in the "Retirement Application Form" one month before the retirement and provide the official transcript of household registration, after approval from the Company's supervisor, complete the work handover procedures according to the key points of the operations, and after submitting it to the Labor Retirement Reserve Fund Supervision Committee meeting for approval, can handle related work of pension application immediately.

For those employees who choose or are appropriate to the new system, the Company allocates 6% of the salaries and wages as retirement pensions for depositing into the employee's individual account with the Labor Bureau according to the Labor Pension Act.

- (2). The agreement between labor and management and various measures to protect the rights and interests of employees

Harmonious labor-management relations have been valued by the Company, so the Company has formulated various management measures related to employees in accordance with the related of the provision of the Labor Standards Act, in order to protect the rights of employees, at the same time the Company also values employees' opinions and provides various response channels to push sound communication between labor and management and maintain a good relationship between labor and management together.

- (3). Protection measures for working environment and personal safety of employees

Item	Content
Access control security	1.The factory access control. 2.Signed a contract with the security company, 24-hour immediate connection and set up the surveillance system to ensure the safety of the office.
Maintenance and inspection of various equipment	1. According to the building public safety inspection certification and declaration regulation, the management committee and the housing rental to entrust the professional agency for public safety inspection every two years. 2.According to the Fire Service Act, the management committee and the housing rental to entrust the professional agency to do the fire protection inspection every year. 3.Has formulated "Workplace Health and Safety Rules" and inspects used equipment by custodian unit regularly.
Disaster Prevention and Contingency measures	1. Has formulated "Emergency contingency plans" "Workplace Health and Safety Rules" and other precautions for disaster prevention and rescue, as well as annual practical drills, and clearly states the Company's responsibility and tasks in response to major emergencies. 2. Unify through the management committee or the housing rental company to hire the fire department to conduct lectures and drills on fire prevention and disaster prevention every year. 3.To maintain the safety and health of employees, the Company has set up a class-1 labor safety and health manager and a labor safety and health manager and registered at the labor inspection office.
Physical and Mental health	1. All employees will have regular health checkups for every year. 2. Education training: Through the internal or external training models irregularly, strengthen a variety of functions and physical and mental health. 3. Opinion expression: The Company has set up the senior managers' opinion mailbox and employee e-mail for colleagues to express their opinion at any

Item	Content
	time, the communication channels are smooth and without obstacles. 4. Internal the Company has a special area that can download the Company's rules and regulations, provide the current rules and regulations of the Company to allow colleagues to understand, and adjust at any time, under the taking care of labor and management right and benefit to reflect the aspirations of colleagues. 5 The workplace is totally non-smoking and the working environment is cleaned and disinfected regularly. 6. Sexual Harassment Prevention: Set up the main points and punishment regulations for sexual harassment prevention, and publicize and prevent them when new employees arrive.
Notification of hazardous factors in the contractor's work	If there is a major project, please follow the "Notification of Environmental Protection and Hazardous Factors in Contracting Work" issued by the management committee or the housing rental company, and require the contractor to follow it, and assist immediately in the announcement.
Insurance and Medical Consolation	1.To insure employees with labor insurance (including occupational accident insurance), health insurance, labor retirement, and employer liability insurance in accordance with the law to protect the rights and interests of employees. 2. Every employee also enjoys the protection of regular life insurance, accidental injury insurance, injury medical insurance, hospitalization health insurance, cancer health insurance, occupational accident insurance, etc., to provide colleagues with relief due to illness or external emergencies. 3.The employee welfare committee of the Company will provide immediate hospitalization condolences and related subsidies according to colleagues' weddings, funerals, celebrations, or temporary emergencies.

- (4). State the losses incurred as a result of labor disputes in the most recent year and as of the annual report publication date, (including matters of violations of the labor act from the labor inspection results. These matters should be listed with punishment date, reference number, articles of regulations violated, article contents, and punishment details)and disclose estimation of expenditure as occurred to future possible occurrences and countermeasures: None

5.6 Cyber Security Management

- (1) Specifying the cyber security risk management structure, cyber security policy, specific management plans and resources invested in cyber security management:

A. Cyber security risk management structure

The responsible unit of the Company's cyber security is an information security department and the operating system department of the application development division, the information security department is responsible for coordinating information security policy, promoting information security messages, raising the cyber awareness of employees, collecting and improving organization information security management system performance and effectiveness of technology, products, and procedures, etc., The operating system division is responsible to implementing information security policy, implementing information security management control mechanisms, and repairing weaknesses, etc. The audit office conducts information security checks on the internal control system-computerized information system cycle every year and evaluates the effectiveness of the internal control of the Company's information operations. The latest checkup is in November 2023; in addition to processing external information cycle regular auditing every year to ensure cyber security and effectiveness.

B. Cyber security policy

In order to implement cyber security management, the Company has established an internal control system - computerized information system cycle and network resource

management and internal information protection operation points, cyber security incident crisis notification operation points, through the efforts of all colleagues together to achieve the following:

- Ensure the confidentiality and integrity of information assets.
- Ensure that each department regulates data access according to its functions.
- Ensure the continuous operation of the information system.
- Prevent unauthorized modification or use of information and systems.
- Ensure that system loopholes are blocked on time
- Regularly perform information security audit operations to ensure the implementation of information security.

C. Specific management plans

Internet information security management and control
<ul style="list-style-type: none"> •Set up a firewall (Firewall) to control the entry and exit of internal/external information. •Regularly scan computer systems and data storage media for viruses •The use of various network services should be implemented in accordance with the information security policy •Review the system logs or traffic of various network service items regularly, and track abnormal situations •Focus on the newest computer virus's epidemic situation, loopholes, weaknesses, and other information regularly, warning early and blocking
Data accessing
<ul style="list-style-type: none"> •Computer equipment should be kept by a dedicated person and set up account and password control •According to different occupational functions to give different system/data accessing right. •Cancel the related authority for transferred/ resigned employees •Confidentiality, sensitive information, and copyright software should be removed or overwritten before the equipment is scrapped •The remote log into the management system should be released after approving
Contingency Recovery Mechanism
<ul style="list-style-type: none"> •Review the emergency contingency plan regularly •Regularly exercises system recovery every year •Establish a system backup mechanism and implement off-site backup •Regularly review computer network security control measure
Promotion and reviewing
<ul style="list-style-type: none"> •Promote the importance of information security at any time, to improve the employee's cyber awareness •Regularly implement the cyber security checking every year

- D. The Company has invested NT\$2 million in funds related to information security in 2023 to enhance the basic protection structure to ensure that the Company's operations are within a safe range. Therefore, the risk of information security has not had a significant impact on the Company's financial business.
- E. The Company regularly releases data security announcement to disseminate data security risks and relevant data security regulations, in 2023, the Company has released over 2500 person/times dissemination and has held 3 data security education and training with over 95% attendance each. Regarding data system, the Company has held 3 operation continuation training to ensure that the system can restore service when encounter malfunctions and has conducted Social Engineering training with a pass rate over 95%.
- F. Through acquiring ISO/IEC 27001 verification, the Company guarantees the integrity and effectiveness of its data security management structure and report the results of management review meetings to the Board of Directors. The Company also implements "Plan-Do-Check-Act" (PDCA) cycle to constantly improve the data security management structure.

- (2) List in the most recent year and as of the annual report publication date, the losses incurred due to major cyber security events, its possible impacts, and countermeasures. If unable to make reasonable estimation, explain the facts for not being able to make the estimation:
- The Company has no major information security incidents currently that have caused business damage.
 - Continue to implement information security management policy goals, and regularly implement recovery plan drills to protect the Company's important systems and data security.
 - If there is a major cyber security incident, it will be implemented in accordance with the key points of the cyber security incident crisis notification operation to implement emergency contingency handling related measures.

5.7 Important Contacts

As of the annual report publication date, the supply contract, technology cooperative contract, engineering contract, long-term loan contract, and other important contracts that are validly existing and are due to expire in the most recent year, might affect the shareholders' rights and interests.

Contract type	Parties	The commencement dates and expiration dates of contracts	Major Content	Restriction
Outsource	FIH Co., Ltd	2023/11/01~2024/12/31	GMS Test Certification Services	None
Outsource	Bojui management consulting Ltd.	2024/01/01~2024/12/31	Financial Services	None
Insurance	Fubon Insurance Co., Ltd	2023/11/26~2024/11/26	Directors & Officers liability insurance (D&O)	None
Insurance	Shinkong Insurance Co., Ltd	2023/12/31~2024/12/31	Commercial Fire insurance	None
Insurance	Tokio Marine Nawa Insurance Co., Ltd	2023/09/01~2024/09/01	Product liability insurance	None

IV. Financial Overview

6.1 Five Year Condensed Balance Sheet and Comprehensive Financial Statement:

(1) Consolidated Condensed Balance Sheet – adopting IFRS

Unit: NT\$ Thousand

Year Item		Financial Information for Most Recent 5 Fiscal Year (Note 1)					Financial statement as of March 31 of the current year
		2019	2020	2021	2022	2023	
Current assets		894,712	831,879	1,059,219	1,112,923	969,285	1,001,669
Property, Plant and Equipment		138,645	135,093	121,901	110,016	119,989	118,200
Intangible assets		13,863	11,404	15,420	9,804	4,041	3,309
Other assets		111,854	149,212	121,178	139,952	114,878	112,188
Total assets		1,159,074	1,127,588	1,317,718	1,372,695	1,208,193	1,235,366
Current Liabilities	Before distribution	291,420	314,926	472,269	473,082	360,843	382,845
	After distribution	291,420	314,926	496,240	514,175	-	-
Non-current liabilities		52,344	61,375	59,629	94,287	88,119	89,386
Total liabilities	Before distribution	343,764	376,301	531,898	567,369	448,602	472,231
	After distribution	343,764	376,301	555,869	608,462	-	-
Equity attributable to owners of the patent company		814,940	751,045	785,039	805,605	759,911	763,572
Share capital		684,891	684,891	684,891	684,891	684,891	684,891
Capital surplus		1,135	1,144	1,151	1,151	1,151	1,151
Retained earnings	Before distribution	136,115	73,998	110,505	120,647	74,736	74,857
	After distribution	136,115	73,998	86,534	79,554	-	-
Other equity		(7,201)	(8,988)	(11,508)	(1,084)	(867)	2,673
Treasury shares		-	-	-	-	-	-
Non-controlling interests		370	242	781	(279)	(320)	(437)
Total equity	Before distribution	815,310	751,287	785,820	805,326	759,591	763,135
	After distribution	815,310	751,287	761,849	-	-	-

Note 1: Up to the financial information for most recent 5 fiscal year has been audited by CPA.

Note 2: For the after-distribution figures above, shall be filled in according to the resolution of the shareholders' meeting in the next year.

Note 3: There's no distribution because the Company suffered a loss in 2023.

(2)Standalone condensed balance sheet – adopting IFRS

Unit: NT\$ Thousand

Year Item		Financial Information for Most Recent 5 Fiscal Year (Note 1)					Financial statement as of March 31 of the current year
		2019	2020	2021	2022	2023	
Current assets		741,587	699,169	898,922	976,632	859,726	
Property, Plant and Equipment		138,033	134,296	121,280	109,273	119,781	
Intangible assets		13,833	11,389	7,443	6,088	4,041	
Other assets		223,609	234,465	235,778	212,985	162,444	
Total assets		1,117,062	1,079,319	1,263,423	1,304,978	1,145,992	
Current Liabilities	Before distribution	277,273	293,327	442,506	438,567	329,391	Not Applicable
	After distribution (Note 2,3)	277,273	293,327	466,477	479,660	-	
Non-current liabilities		24,849	34,947	35,878	60,806	56,690	
Total liabilities	Before distribution	302,122	328,274	478,384	499,373	386,081	
	After distribution (Note 2,3)	302,122	328,274	502,355	540,466	-	
Equity attributable to owners of the patent company		814,940	751,045	785,039	805,605	759,911	
Share capital		684,891	684,891	684,891	684,891	684,891	
Capital surplus		1,135	1,144	1,151	1,151	1,151	
Retained earnings	Before distribution	136,115	73,998	110,505	120,647	74,736	
	After distribution (Note 2,3)	136,115	73,998	86,534	79,554	-	
Other equity		(7,201)	(8,988)	(11,508)	(1,084)	(867)	
Treasury shares		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	814,940	751,045	785,039	805,605	759,911	
	After distribution (Note 2,3)	814,940	751,045	761,068	-	-	

Note 1: Up to the financial information for most recent 5 fiscal year has been audited by CPA.

Note 2: For the after-distribution figures above, shall be filled in according to the resolution of the shareholders' meeting in the next year.

Note 3: There's no distribution because the Company suffered a loss in 2023.

(3) Consolidated condensed statement of comprehensive income – adopting IFRS

Unit: NT\$ Thousand

Item \ Year	Financial Information for Most Recent 5 Fiscal Year (Note 1)					Financial statement as of March 31 of the current year
	2019	2020	2021	2022	2023	
Operating Revenue	1,285,662	1,030,778	1,418,876	1,257,962	1,359,549	287,131
Gross Profit	514,488	387,641	499,005	472,077	498,478	115,596
Operating Income	(14,059)	(102,616)	42,471	26,524	(9,947)	(5,854)
Non-Operating income and express	(3,880)	18,450	68	10,446	3,603	5,888
Profit Before Income Tax	(17,939)	(84,166)	42,539	36,970	(6,344)	34
Net income for the period from continuing operations	(9,857)	(62,103)	36,021	31,194	(4,844)	4
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss) for the period	(9,857)	(62,103)	36,021	31,194	(4,844)	4
Other comprehensive income (loss) for the period (net of income tax)	(2,661)	(1,929)	(1,495)	12,283	202	3,540
Total comprehensive income for the period	(12,248)	(64,302)	34,526	43,477	(4,642)	3,544
Net income attributable to owners of parent	(9,183)	(61,975)	35,482	32,254	(4,366)	121
Net income attributable to non-controlling interests	(404)	(128)	539	(1,060)	(478)	(117)
Total comprehensive income attributable to owners of parent	(11,844)	(63,904)	33,987	44,537	(4,164)	3,661
Total comprehensive income attributable to non-controlling interests	(404)	(128)	539	(1,060)	(478)	(117)
Earnings per share (NTD)	(0.13)	(0.9)	0.52	0.47	(0.06)	0.00

Note 1: Up to the financial information for most recent 5 fiscal year has been audited by CPA.

(4)Standalone condensed statement of comprehensive income – adopting IFRS

Unit : NT\$ Thousand

Item \ Year	Financial Information for Most Recent 5 Fiscal Year (Note 1)					Financial statement as of March 31 of the current year
	2019	2020	2021	2022	2023	
Operating Revenue	1,204,234	948,411	1,285,240	1,194,271	1,290,037	Not Applicable
Gross Profit	435,332	314,730	373,453	421,817	444,855	
Operating Income	(178)	(86,688)	13,100	69,831	22,250	
Non-Operating income and express	(15,740)	1,189	28,955	(33,216)	(28,372)	
Profit Before Income Tax	(15,918)	(85,499)	42,055	36,615	(6,122)	
Net income for the period from continuing operations	(9,183)	(61,975)	35,482	32,254	(4,366)	
Loss from discontinued operations	0	0	0	0	0	
Net income(loss) for the period	(9,183)	(61,975)	35,482	32,254	(4,366)	
Other comprehensive income (loss) for the period (net of income tax)	(2,661)	(1,929)	(1,495)	12,283	202	
Total comprehensive income for the period	(11,844)	(63,904)	33,987	44,537	(4,164)	
Net income attributable to owners of parent	-	-	-	-	-	
Net income (loss) attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to owners of parent	-	-	-	-	-	
Total comprehensive income attributable to owners of parent	-	-	-	-	-	
Earnings per share (NTD)	(0.13)	(0.90)	0.52	0.47	(0.06)	

Note 1: Up to the financial information for most recent 5 fiscal year has been audited by CPA

(5)Name of CPAs and Auditors' Opinions for the last five years

Year	CPA Firm	Name of CPA	Audit opinions
2019	Deloitte & Touche	Ruske Ho, Yu, Cheng -Chuan (Note 1)	Standard unqualified opinion
2020	Deloitte & Touche	Ruske Ho, Yu, Cheng -Chuan	Standard unqualified opinion
2021	Deloitte & Touche	Ruske Ho, Alice Huang (Note2)	Standard unqualified opinion
2022	Deloitte & Touche	Ruske Ho, Alice Huang	Standard unqualified opinion
2023	Deloitte & Touche	Ruske Ho, Alice Huang	Standard unqualified opinion

Note 1: In 2019, the Company cooperated with Deloitte & Touche to replace accountants in accordance with the accountant rotation regulation, accountant Yu, Cheng- Chuan, and accountant Chen, Chung -Cheng changed to accountant Ruske Ho and accountant Yu, Cheng- Chuan.

Note 2: In 2021, the Company cooperated with Deloitte & Touche to replace accountants in accordance with the accountant rotation regulation, accountant Ruske Ho, and accountant Yu, Cheng -Chuan changed to accountant Ruske Ho and accountant Alice Huang.

6.2 Financial analysis for the most recent five years

(1) Parent company only financial statement – adopting IFRS

Analytical items		Financial analysis for the past five years (Note 1)					As of March 31 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Ratio of Liabilities to Assets	27.05	30.41	37.86	38.27	33.69	
	Ratio of long-term fund to property, plant and equipment	608.40	585.27	676.88	792.89	681.75	
Solvency %	Current ratio (%)	267.46	238.36	203.14	222.69	261.00	
	quick ratio (%)	124.79	103.99	81.90	98.12	100.73	
	Times interest earned ratio	-1,013.93	-4,719.56	2,057.87	1,154.88	-158.42	
Operating ability	Average collection turnover (times)	5.23	5.62	7.29	6.13	7.30	Not Applicable
	Average days of collection	69.78	64.94	50.06	59.54	50.00	
	Average inventory turnover (times)	1.92	1.74	2.06	1.51	1.70	
	Average payables turnover (times)	6.98	7.02	8.09	6.51	7.40	
	Average days of sales	190.10	209.77	177.18	241.72	214.70	
	Property, plant, and equipment turnover (times)	9.01	6.97	10.06	10.36	11.26	
	Total assets turnover (times)	0.99	0.86	1.10	0.93	1.05	
Profitability	Return on assets (%)	-0.66	-5.51	3.18	2.73	-0.20	
	Return on equity (%)	-1.09	-7.92	4.62	4.06	-0.56	
	Pre-tax income to paid-in capital ratio (%)	-2.32	-12.48	6.14	5.35	-0.89	
	Net margin (%)	-0.76	-6.53	2.76	2.70	-0.34	
	Earnings per share (NTD)	-0.13	-0.90	0.52	0.47	-0.06	
Cash Flow	Cash flow ratio (%)	48.53	-3.80	-3.37	26.59	50.89	
	Cash flow adequacy ratio (%)	88.31	67.27	3.51	51.59	111.35	
	Cash flow reinvestment ratio (%)	8.72	-1.30	-1.64	9.25	11.68	
Leverage	Operating leverage	-50.51	1.01	0.92	1.16	1.08	
	Financial leverage	0.11	0.98	1.20	1.05	1.12	

Please provide the reasons for changes in financial ratios in the most recent two years. (Changes that reached 20%)

(1) Solvency:

Times interest earned ratio: In 2023, it benefitted from the project deliveries, the revenue increased significantly. However, to maintain the Company's product competitiveness, a significant portion of resources was allocated to R&D of product in 2023, so the R&D expenses increased by NT\$40,800 thousand compared with 2022. Additionally, the fluctuation in NT\$ to US\$ exchange rate was lower in 2023 than in 2022, so the net exchange gains decrease by NT\$9,862 thousand compared with 2022. As a result, the net loss before income tax for the year amounted to NT\$6,344 thousand, resulting in a decrease in times interest earned ratio.

(2) Operating ability

Inventory turnover rate (times): In 2021, it benefitted from the subsidiary mPlus Technology successively shipped mobile POS for American customers, and self-service POS machine projects for Japanese customers increased in succession, the revenue increased and the cost of goods sold was relatively high. In 2022, the material shortage factor decreased and the production cost was reduced, so the inventory turnover rate decreased.

Average sales days: The average sales days increase due to the decline in inventory turnover (times).

(3) Profitability:

Five analysis items of profitability: The primary reason for the difference is the loss incurred in 2023. Please refer to "Solvency" for detailed explanations.

(4) Cash Flow:

Cash flow ratio (%): In 2023, it benefitted from both the collection of account receivables and the repayment of short-term borrowings. As a result, the operating cash flows increased, resulting in an increase in cash flow ratio.

(5) Leverage

Financial leverage: Due to the increased allocation of resources in the R&D of product in 2023, the R&D expenses increased by NT\$40,800 thousand compared with 2022, so the operating profit was negative in 2023, resulting in a decrease in financial leverage.

Note 1: The above-mentioned financial information for the most recent 5 fiscal years is calculated after being audited by CPA

(2)Consolidated financial analysis – adopting IFRS

Analytical items		Financial analysis for the past five years (Note 1)					As of March 31, 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Ratio of Liabilities to Assets	29.66	33.37	40.37	41.33	37.13	38.23
	Ratio of long-term fund to property, plant and equipment	625.81	601.56	693.55	817.71	706.49	721.25
Solvency%	Current ratio (%)	307.02	264.15	224.28	235.25	268.89	261.64
	quick ratio (%)	153.84	122.45	97.48	107.56	110.38	112.99
	Times interest earned ratio	-874.95	-2,432.07	1,286.25	856.03	-67.96	104.07
Operatingability	Average collection turnover (times)	4.48	4.64	6.15	5.22	6.53	4.35
	Average days of collection	81.47	78.58	59.32	69.92	55.89	83.90
	Average inventory turnover (times)	1.72	1.57	1.86	1.39	1.58	1.34
	Average payables turnover (times)	6.90	6.98	7.93	6.51	7.52	8.57
	Average days of sales	212.21	232.48	196.24	262.58	231.01	272.38
	Property, plant, and equipment turnover (times)	9.58	7.53	11.04	10.85	11.82	10.05
	Total assets turnover (times)	1.03	0.90	1.16	0.94	1.05	0.88
Profitability	Return on assets (%)	-0.62	-5.19	3.14	2.69	-0.14	0.05
	Return on equity (%)	-1.08	-7.91	4.62	4.05	-0.62	0.00
	Pre-tax income to paid-in capital ratio (%)	-2.62	-12.29	6.21	5.40	-0.93	0.00
	Net margin (%)	-0.71	-6.01	2.50	2.56	-0.36	38.23
	Earnings per share (NTD)	-0.13	-0.90	0.52	0.47	-0.06	721.25
Cash Flow	Cash flow ratio (%)	34.98	-9.19	-0.62	24.80	40.32	261.64
	Cash flow adequacy ratio(%)	64.30	55.14	3.41	84.88	87.29	112.99
	Cash flow reinvestmentratio (%)	4.66	-2.97	-0.28	8.42	9.51	104.07
Leverage	Operating leverage	1.00	1.00	1.00	1.00	1.00	1.09
	Financial leverage	0.88	0.97	1.09	1.23	0.72	334.86

Please provide the reasons for changes in financial ratios in the most recent two years. (Analysis not required if the change is less than 20%)

(1) Solvency:

Times interest earned ratio: In 2023, it benefitted from the project deliveries, the revenue increased significantly. However, to maintain the Company's product competitiveness, a significant portion of resources was allocated to R&D of product in 2023, so the R&D expenses increased by NT\$41,847 thousand compared with 2022. Additionally, the fluctuation in NT\$ to US\$ exchange rate was lower in 2023 than in 2022, so the net exchange gains decrease by NT\$10,042 thousand compared with 2022. As a result, the net loss before income tax for the year amounted to NT\$6,122 thousand, resulting in a decrease in times interest earned ratio.

(2) Profitability:

Five analysis items of profitability: The primary reason for the difference is the loss incurred in 2023. Please refer to "Solvency" for detailed explanations.

(3) Cash Flow:

Three analysis items of cash flow: The main impact is the cash flow of operating activities. In 2023, it benefitted from both the collection of account receivables and the repayment of short-term borrowings. As a result, the operating cash flows increased, resulting in an increase in cash flow ratio.

Note 1: The above-mentioned financial information for the most recent 5 fiscal years is calculated after being audited by CPA

Note 2: The calculation formula of the analysis items is as follows:

1. Financial structure
 - (1) Debt ratio = total liabilities / total assets.
 - (2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
 - (3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period.
3. Operating capacity
 - (1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business).
 - (2) Average cash recovery date = 365 / receivables turnover rate
 - (3) Inventory turnover rate = sales cost / average inventory.
 - (4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business).
 - (5) Average days in sales = 365 / inventory turnover rate.
 - (6) Property, plant and equipment turnover rate = net sales / net average property, plant and equipment value.
 - (7) Total asset turnover rate = net sales / average total assets.
4. Profitability
 - (1) Return on assets = [after tax profit and loss + interest expense \times (1 - tax rate)] / average total assets.
 - (2) Return on stockholders' equity = after tax profit and loss / total average equity.
 - (3) Net profit margin = after tax profit and loss / net sales.
 - (4) Earnings per share = (profit or loss attributable to parent company owner - special dividend) / weighted average number of issued shares.
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividend) in the last five years
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital). (Note 5)
6. Leverage
 - (1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit.
 - (2) Financial leverage = operating profit / (operating profit - interest expense).

6.3 Audit Committee's Report in the Most Recent Year

Audit Committee's Review Report

The Board has submitted the operating report, financial statements (including consolidated financial statements), and deficit compensation proposal for the year ended December 31, 2023. The financial statements (including consolidated financial statements) have been audited by Deloitte & Touche, including auditors Ruske Ho and Alice Huang, who issued an audit report. The abovementioned operating report, financial statements (including consolidated financial statements), and deficit compensation proposal have been reviewed by our Audit Committee and deemed compliant. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby report the above. Please review accordingly.

To the Shareholders' Meeting of CIPHERLAB CO., LTD. in the Year 2024

Independent Director: Mr. HU, CHIU-CHIANG

Independent Director: Ms. CHEN, WEN-YU

Independent Director: Mr. YU, MING-CHANG

Independent Director: Mr. TSAI, YU-PING

March 27th, 2024

6.4 Financial Statement in The Most Recent which Includes CPA Audit Report, two-year Comparative Balance Sheet, Comprehensive Income Statement, Statement of Equity Changes, Cash Flow Statement, and Notes or Tables.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of CipherLab Co., Ltd.:

Audit Opinion

We have audited the accompanying consolidated balance sheets of CipherLab Co., Ltd. and its subsidiaries (hereinafter “the Group”), as of December 31, 2023 and 2022; the related consolidated statement of comprehensive income, the consolidated statement of changes in equities, and the consolidated statement of cash flows for the period of January 1 to December 31, 2023 and 2022; and notes to the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying consolidated financial statements in all material respects, are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers; and present equitably the consolidated financial status of the Group as of December 31, 2023 and 2022 and its consolidated financial performance and cash flows from January 1 to December 31, 2023 and 2022.

Basis for Opinion

We have conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under these terms and conditions will be further elaborated in the section of the Auditors' Responsibilities for the Audit of the Financial Statement in this report. Abiding by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, we have maintained objective and are independent of the Group, and have fulfilled these ethical standards and other responsibilities. We believe that we have obtained sufficient and appropriate evidence as to the basis for our audit opinions.

Key Audit Matters

The key audit matter refers to the most important content in our audit of the Group's consolidated financial statements for the year 2023 based on our professional judgment. These matters have been addressed in the process of our audit of the consolidated financial statements and in forming of the audit opinions, and we will not provide any additional view on these matters discretely.

The followings are the key audit matters for the Group's consolidated financial statements for the year 2023:

Key audit matter: veracity of sales revenue recognition

The revenue of the Group from the sales of 3 products, RS 36, RK 25 and RK 26, for the year 2023 was NT\$370,672 thousand, accounting for 28% of the consolidated sales revenue, which had a significant impact on the consolidated financial statements. Additionally, as the management division was under the pressure of market expectations or expected to obtain the maximum profit return based on business performance, an increase in sales revenue may be a tactic to achieve the business goal. The main risk is the veracity of the sales revenue, which was consequently identified as a key audit matter.

For the accounting policy on the revenue, please refer to Note 4 (11) of the consolidated financial statements.

We understood and tested the sales revenue recognition, which is related to the effectiveness of the design and implementation of internal control, by selecting appropriate samples from the details of sales revenue for the 3 products of RS 36, RK 25 and RK 26, to examine the orders, the export declarations, and the consistency between the payment recipients and the objects of the transaction to ensure no material misstatement in the sales revenue.

Other Matters

We have also audited CipherLab Co., Ltd.'s parent company only financial statements for the year ended December 31, 2023 and 2022, on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with those in 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 Group's consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche Tohmatsu Limited

Accountant Ruske Ho, Accountant Alice Huang

Securities and Futures Administration
Commission R.O.C (Taiwan) Approved
Number 0930128050

Securities and Futures Administration
Commission R.O.C (Taiwan) Approved
Number 0920131587

March 27, 2024

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2023 and 2022

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 & 6)	\$ 182,770	15	\$ 216,779	16
1136	Financial assets at amortized cost (Note 4 & 28)	1,500	-	1,500	-
1150	Notes receivable (Note 7 & 19)	2,485	-	803	-
1170	Accounts receivable (Note 4, 7 & 19)	176,098	15	233,122	17
1200	Other receivables (Note 7)	29,162	2	56,633	4
1220	Current tax assets (Note 21)	5,882	-	-	-
130X	Inventories (Note 4, 5 & 8)	527,417	44	559,518	41
1479	Other current assets (Note 13)	<u>43,971</u>	<u>4</u>	<u>44,568</u>	<u>3</u>
11XX	Total current assets	<u>969,285</u>	<u>80</u>	<u>1,112,923</u>	<u>81</u>
	Non-current assets				
1600	Property, plant and equipment (Note 4, 10 & 28)	119,989	10	110,016	8
1755	Right-of-use assets (Notes 4 & 11)	27,214	2	51,375	4
1780	Other intangible assets (Note 4 & 12)	4,041	-	9,804	1
1840	Deferred tax assets (Notes 4, 5 & 21)	80,022	7	78,342	5
1990	Other non-current assets (Note 13)	<u>7,642</u>	<u>1</u>	<u>10,235</u>	<u>1</u>
15XX	Total non-current assets	<u>238,908</u>	<u>20</u>	<u>259,772</u>	<u>19</u>
1XXX	Total assets	<u>\$ 1,208,193</u>	<u>100</u>	<u>\$ 1,372,695</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Note 14)	\$ 80,000	7	\$ 160,000	12
2170	Accounts payable (Note 15 & 27)	121,129	10	107,944	8
2219	Other payables (Note 16)	97,478	8	125,650	9
2230	Current tax liabilities (Note 21)	-	-	6,051	-
2280	Lease liabilities – current (Note 4 & 11)	9,251	1	24,901	2
2320	Long-term borrowing with maturity under 1 year (Note 14)	983	-	724	-
2399	Other current liabilities (Note 16 & 19)	<u>51,642</u>	<u>4</u>	<u>47,812</u>	<u>3</u>
21XX	Total current liabilities	<u>360,483</u>	<u>30</u>	<u>473,082</u>	<u>34</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 14)	2,295	-	3,276	-
2570	Deferred tax liabilities (Note 4 & 21)	4,343	-	3,906	-
2580	Lease liabilities – non-current (Note 4 & 11)	21,190	2	29,185	2
2640	Net defined benefit liability – non-current (Note 4 & 17)	8,366	1	8,764	1
2670	Other non-current liabilities (Note 16 & 19)	<u>51,925</u>	<u>4</u>	<u>49,156</u>	<u>4</u>
25XX	Total non-current liabilities	<u>88,119</u>	<u>7</u>	<u>94,287</u>	<u>7</u>
2XXX	Total liabilities	<u>448,602</u>	<u>37</u>	<u>567,369</u>	<u>41</u>
	Equity attributable to owners of parent company (Note 18)				
3110	Ordinary share capital	<u>684,891</u>	<u>57</u>	<u>684,891</u>	<u>50</u>
3210	Capital surplus	<u>1,151</u>	<u>-</u>	<u>1,151</u>	<u>-</u>
	Retained earnings				
3310	Legal reserve	77,998	6	74,587	5
3320	Special reserve	1,084	-	11,508	1
3350	(Accumulated deficit) Unappropriated retained earnings	<u>(4,346)</u>	<u>-</u>	<u>34,552</u>	<u>3</u>
3300	Total retained earnings	<u>74,736</u>	<u>6</u>	<u>120,647</u>	<u>9</u>
	Other equity				
3410	Exchange differences on translation of foreign financial statements	1,313	-	1,096	-
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	<u>(2,180)</u>	<u>-</u>	<u>(2,180)</u>	<u>-</u>
3400	Total other equity interest	<u>(867)</u>	<u>-</u>	<u>(1,084)</u>	<u>-</u>
31XX	Total equity interest attributable to owners of parent company	<u>759,911</u>	<u>63</u>	<u>805,605</u>	<u>59</u>
36XX	Non-controlling interest	<u>(320)</u>	<u>-</u>	<u>(279)</u>	<u>-</u>
3XXX	Total equity interest	<u>759,591</u>	<u>63</u>	<u>805,326</u>	<u>59</u>
	Total liabilities and equity	<u>\$ 1,208,193</u>	<u>100</u>	<u>\$ 1,372,695</u>	<u>100</u>

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
January 1 to December 31, 2023 and 2022

		In Thousands of New Taiwan Dollars Except (Losses) Earnings per Share			
Code		2023		2022	
		Amount	%	Amount	%
	Operating revenues (Note 4 & 19)				
4100	Sales revenue	\$ 1,310,531	96	\$ 1,228,010	98
4600	Service revenue	<u>49,018</u>	<u>4</u>	<u>29,952</u>	<u>2</u>
4000	Total operating revenue	<u>1,359,549</u>	<u>100</u>	<u>1,257,962</u>	<u>100</u>
	Operating costs				
5110	Cost of sales (Note 8,17, 20 & 27)	(859,383)	(63)	(783,697)	(63)
5600	Cost of services	(<u>1,688</u>)	<u>-</u>	(<u>2,188</u>)	<u>-</u>
5000	Total operating costs	(<u>861,071</u>)	(<u>63</u>)	(<u>785,885</u>)	(<u>63</u>)
5900	Operating profit margin	<u>498,478</u>	<u>37</u>	<u>472,077</u>	<u>37</u>
	Operating expenses (Note 17&20)				
6100	Selling expenses	(256,120)	(19)	(226,654)	(18)
6200	Administrative expenses	(67,409)	(5)	(69,739)	(5)
6300	Research and development expenses	(188,133)	(14)	(147,333)	(12)
6450	Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9 (Note 7)	<u>3,237</u>	<u>1</u>	(<u>1,827</u>)	<u>-</u>
6000	Total operating expenses	(<u>508,425</u>)	(<u>37</u>)	(<u>445,553</u>)	(<u>35</u>)
6900	Net operating profit (loss)	(<u>9,947</u>)	<u>-</u>	<u>26,524</u>	<u>2</u>
	Non-operating income and expenses (Note 20)				
7100	Interest income	3,139	-	1,089	-
7010	Other income (Note 23)	2,245	-	2,205	-
7020	Other gains and losses	1,996	-	12,042	1
7050	Financial costs	(<u>3,777</u>)	<u>-</u>	(<u>4,890</u>)	<u>-</u>
7000	Total non-operating income and expenses	<u>3,603</u>	<u>-</u>	<u>10,446</u>	<u>1</u>

(Continue)

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Code		2023		2022	
		Amount	%	Amount	%
7900	Profit (loss) before tax	(6,344)	-	36,970	3
7950	Income tax benefits (expense) (Note 4 & 21)	<u>1,500</u>	-	(<u>5,776</u>)	(<u>1</u>)
8200	Profit (loss) for the year	(<u>4,844</u>)	-	<u>31,194</u>	<u>2</u>
	Other comprehensive income (Note 17, 18 & 21)				
8310	Items not to be reclassified into profit or loss:				
8311	Remeasurements of defined benefit plans	(\$ 18)	-	\$ 2,324	-
8349	Income tax related to items that will not be reclassified to profit or loss	3	-	(465)	-
8360	Items that may be reclassified to profit or loss::				
8361	Exchange differences in translation of financial statements of foreign operations	271	-	13,030	1
8399	Income tax related to items that will be reclassified to profit or loss	(<u>54</u>)	-	(<u>2,606</u>)	-
8300	Total other comprehensive income (after tax)	<u>202</u>	-	<u>12,283</u>	<u>1</u>
8500	Total comprehensive income	(<u>\$ 4,642</u>)	-	<u>\$ 43,477</u>	<u>3</u>
	Profit (loss) attributable to:				
8610	Owners of parent company	(\$ 4,366)	-	\$ 32,254	2
8620	Non-controlling interests	(<u>478</u>)	-	(<u>1,060</u>)	-
8600		(<u>\$ 4,844</u>)	-	<u>\$ 31,194</u>	<u>2</u>
	Comprehensive income attributable to:				
8710	Owners of parent company	(\$ 4,164)	-	\$ 44,537	3
8720	Non-controlling interests	(<u>478</u>)	-	(<u>1,060</u>)	-
8700		(<u>\$ 4,642</u>)	-	<u>\$ 43,477</u>	<u>3</u>
	Earnings (losses) per share (Note 22)				
9710	Basic	(<u>\$ 0.06</u>)		<u>\$ 0.47</u>	
9810	Diluted	(<u>\$ 0.06</u>)		<u>\$ 0.47</u>	

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

Chairman : Liao, Yi-Yan Manager : Liao, Yi-Yan Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
January 1 to December 31, 2023 and 2022

In Thousands of New Taiwan Dollars

		Equities attributable to owners of parent company									
		Retained Earnings					Other Equity				
		Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Exchange differences oin translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Non-controlling interests	Total equity
Code											
A1	Balance at January 1, 2022	\$ 684,891	\$ 1,151	\$ 70,936	\$ 3,062	\$ 36,507	(\$ 9,328)	(\$ 2,180)	\$ 785,039	\$ 781	\$ 785,820
	Appropriation and distribution of 2021 earnings (Note 18)										
B1	Legal reserve appropriated	-	-	3,651	-	(3,651)	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	8,446	(8,446)	-	-	-	-	-
B5	Cash dividend attributable to shareholders of parent company	-	-	-	-	(23,971)	-	-	(23,971)	-	(23,971)
D1	Net profit of 2022	-	-	-	-	32,254	-	-	32,254	(1,060)	31,194
D3	Other profit and loss of 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,859</u>	<u>10,424</u>	<u>-</u>	<u>12,283</u>	<u>-</u>	<u>12,283</u>
D5	Total profit and loss of 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,113</u>	<u>10,424</u>	<u>-</u>	<u>44,537</u>	<u>(1,060)</u>	<u>43,477</u>
Z1	Balance at December 31, 2022	684,891	1,151	74,587	11,508	34,552	1,096	(2,180)	805,605	(279)	805,326
	Appropriation and distribution of 2022 earnings (Note 18)										
B1	Legal reserve appropriated	-	-	3,411	-	(3,411)	-	-	-	-	-
B5	Cash dividend attributable to shareholders of parent company	-	-	-	-	(41,093)	-	-	(41,093)	-	(41,093)
B17	Reversal of special reserve	-	-	-	(10,424)	10,424	-	-	-	-	-
D1	Net loss of 2023	-	-	-	-	(4,366)	-	-	(4,366)	(478)	(4,844)
D3	Other comprehensive income of 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15)</u>	<u>217</u>	<u>-</u>	<u>202</u>	<u>-</u>	<u>202</u>
D5	Total comprehensive income of 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,381)</u>	<u>217</u>	<u>-</u>	<u>(4,164)</u>	<u>(478)</u>	<u>(4,642)</u>
M7	Changes in ownership of interests in subsidiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(437)</u>	<u>-</u>	<u>-</u>	<u>(437)</u>	<u>437</u>	<u>-</u>
Z1	Balance at December 31, 2023	<u>\$ 684,891</u>	<u>\$ 1,151</u>	<u>\$ 77,998</u>	<u>\$ 1,084</u>	<u>(\$ 4,346)</u>	<u>\$ 1,313</u>	<u>(\$ 2,180)</u>	<u>\$ 759,911</u>	<u>(\$ 320)</u>	<u>\$ 759,591</u>

The accompanying notes are an integral part of the financial statements

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
January 1 to December 31, 2023 and 2022

In Thousands of New Taiwan Dollars

Code		2023	2022
	Cash flows from operating activities		
A10000	Profit (loss) before tax	(\$ 6,344)	\$ 36,970
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expenses	43,854	48,706
A20200	Amortization expenses	4,598	5,265
A20300	Expected credit impairment loss		
	(reversal gain)	(3,237)	1,827
A20400	Gains on financial assets at fair		
	value through profit or loss	(4)	-
A20900	Financial costs	3,777	4,890
A21200	Interest income	(3,139)	(1,089)
A22500	Losses on disposal of property,		
	plant, and equipment	577	86
A23500	Losses on impairment of intangible		
	assets	2,745	2,610
A23700	Inventory valuation and		
	obsolescence losses	10,798	6,800
A24100	Unrealized foreign exchange gains	(2,022)	(3,235)
A29900	Gains on lease modification	(3)	(5)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily		
	measured at fair value through		
	profit or loss	4	-
A31130	Notes receivable	(1,682)	680
A31150	Accounts receivable	60,631	6,887
A31180	Other receivables	27,355	(26,529)
A31200	Inventories	21,643	12,866
A31240	Other current assets	569	(18,385)
A32130	Notes payable	-	(125)
A32150	Accounts payable	14,637	(24,099)
A32180	Other payables	(27,139)	7,897
A32220	Other current liabilities	3,830	26,226
A32240	Net defined benefit liabilities	(416)	(509)
A32990	Other non-current liabilities	2,769	32,870
A33000	Cash flows from operations	153,801	120,604
A33100	Interest received	3,255	973
A33500	Income tax paid	(11,727)	(4,245)
AAAA	Net cash flows generated from		
	operating activities	<u>145,329</u>	<u>117,332</u>

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(Previous)

Code		2023	2022
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	(\$ 16,293)	(\$ 4,868)
B02800	Disposal of property, plant and equipment	16	-
B04500	Acquisition of intangible assets	(1,580)	(1,955)
B06700	Increase in other non-current assets	(9,772)	(1,637)
BBBB	Net cash flows used in investing activities	(27,629)	(8,460)
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	(80,000)	(22,341)
C01700	Repayment for long-term borrowings	(722)	(8,290)
C04020	Repayment of lease liabilities	(26,035)	(26,677)
C04500	Cash dividends paid	(41,093)	(23,971)
C05600	Interest paid	(3,769)	(4,912)
CCCC	Net cash flows used in financing activities	(151,619)	(86,191)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(90)	4,319
EEEE	Net increase (decrease) in cash and cash equivalents	(34,009)	27,000
E00100	Cash and cash equivalents at beginning of the year	216,779	189,779
E00200	Cash and cash equivalents at end of the year	\$ 182,770	\$ 216,779

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

Chairman : Liao, Yi-Yan Manager : Liao, Yi-Yan Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 1 to December 31, 2023 and 2022

(In thousands of New Taiwan Dollar, Unless Stated Otherwise)

1. HISTORY AND ORGANISATION

- (1) CIPHERLAB CO., LTD. (hereinafter referred to as "the Company," the Company and entities controlled by the Company, hereinafter referred to as the "consolidated company") was established in October 1988 with the approval of the Ministry of Economic Affairs and officially started business operations in June 1989. The Company specializes in manufacturing and selling various computer-related products, such as peripheral equipment, electronic cash registers, barcode scanners, magnetic card readers, electronic measuring instruments, and software programs. They also provide services for skincare products, import and export trade, and acting as domestic and foreign manufacturers' agents for distribution. In addition, the Company is involved in importing and manufacturing telecommunications control radio frequency equipment.
- (2) The Company's stocks have been listed on the OTC market through Taipei Exchange for trading since March 1, 2002.
- (3) The Company does not have an ultimate parent entity or ultimate financial controller due to the shareholding dispersion.
- (4) The consolidated financial statements are expressed in New Taiwan dollars, the company's functional currency.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issuance by the Board of Directors on March 13, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRS accounting standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The adoption of the amendments to IFRS accounting standards approved and issued by the FSC will not significantly affect the consolidated company's accounting policies:

- (2) IFRS accounting standards applicable for the year 2024 and endorsed by the Financial Supervisory Commission

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
Amendments to IFRS 16 "Lease Liability in Sale and Leaseback"	January 1, 2024(Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024(Note 3)

Note 1: Unless stated otherwise, the above new, amended, or revised IFRSs are effective for annual periods beginning on or after their respective effective dates.

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

Note 3: Part of the disclosure regulations is exempt at first-time adoption of the modification.

As of the approval date of the financial statements, the consolidated company evaluates that the application of aforementioned standards and interpretations will not have significant impact on the consolidated company's financial position and financial performance.

- (3) IFRS accounting standards issued by the IASB but not yet endorsed and issued into effect by the FSC.

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 17 "Insurance Contract"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025(Note 2)

Note 1: Unless stated otherwise, the above new, amended or revised IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendments apply to annual reporting periods beginning on or after January 1, 2025. The consolidated company shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings. When the consolidated company uses a presentation currency other than its functional currency, the consolidated company shall recognize any effect of initially applying the amendments as an adjustment to the exchange differences in the conversion of the financial statements of foreign operations under equity at the first-adoption date.

As of the approval date of the consolidated financial statements, the consolidated company continues to evaluate the impact of the amendments to the other standards and interpretations on the financial status and financial performance; the relevant impact will be disclosed upon completion of the assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

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

(2) Basis of Preparation

The financial statements have been prepared based on the historical cost except for financial instruments measured at fair values and the defined benefit liability recognized by the present value of the defined benefit obligation minus the fair value of the plan assets.

The fair value measurements are classified into levels 1 to 3 based on the observation level and significance of the inputs:

- A. Level 1 inputs: the quoted price (unadjusted) in active markets for identical assets or liabilities at the date of measurement.
- B. Level 2 inputs: observable inputs of the direct (i.e. as prices) or indirect (i.e. derive from prices) for assets or liabilities other than quoted prices of Level 1.
- C. Level 3 inputs: unobservable inputs for the assets or liabilities.

(3) Standard for Classification of Current and Non-current Assets and Liabilities

Current assets include:

- A. Assets held primarily for the purpose of trading;
- B. Assets expected to be realized within 12 months after the date of balance sheet; and
- C. Cash and cash equivalents (excluding assets restricted from being exchanged or used to settle a liability exceed 12 months after the date of balance sheet).

Current liabilities include:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities due to be settled within 12 months after the date of the balance sheet; and
- C. Liabilities with settlement dates that cannot be deferred unconditionally to at least 12 months after the balance sheet date.

Assets and liabilities that cannot be classified as listed above should be classified as non-current.

(4) Basis of Consolidation

The consolidated financial statements include the financial statements of the consolidated company and the individual entities (the subsidiaries) in control of the consolidated company. The financial statements of the subsidiaries have been adjusted so that its accounting policy is in accordance with the consolidated company. All intra-entity transactions, account balance, profit, and loss are eliminated in full when preparing the consolidated financial statements. The total consolidated comprehensive income of the subsidiaries is attributed to the owners of the consolidated company and non-controlling interests even if it causes the deficit balance.

When the change of the consolidated company's and its subsidiaries' ownership interest of the subsidiaries does not cause loss of control, it is treated as an equity transaction. The carrying amounts of the consolidated company and its subsidiaries and non-controlling interests have been adjusted to reflect the related change in interests of the subsidiaries. The difference between the adjusted amount of the non-controlling interests and the fair values of the paid or received considerations are directly recognized as equity and attributed to the consolidated company owner.

When the consolidated company loses control of a subsidiary, disposal of profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost, and (ii) the total of the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The consolidated company accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as required if the consolidated company had directly disposed of the related assets or liabilities.

For the detailed information about subsidiaries, including the percentage of ownership and main business, please refer to note 9, chart 4 and chart 5 as attached.

(5) Foreign Currencies

In preparing the financial statements of the consolidated company, transactions in currencies other than the consolidated company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions.

Monetary items denominated in foreign currencies are retranslated at the closing rates prevailing on the date of the balance sheet. Exchange differences arising on the settlement of monetary items or on translating monetary items shall be recognized in the profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In preparing the financial report, the assets and liabilities of the foreign operating (Including the Company's subsidiaries that operate in countries with different functional currencies) are converted to NTD at the exchange rate on the date of the balance sheet. The income and expense items are converted at the average exchange rate of the period, and the resulting exchange differences are included in other comprehensive income (and attributable respectively to the Company's owners and non-controlling interest).

If the consolidated company disposes of all equities of the foreign operation, all of the exchange differences accumulated in equity in respect of foreign operation attributable to the owners of the consolidated company are reclassified to profit or loss.

(6) Inventory

Inventories consist of raw materials and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost.

(7) Property, Plant, and Equipment

Property, plant, and equipment are measured at cost, less recognized accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

(8) Intangible Assets

A. Intangible assets acquired separately

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

B. Derecognition

When derecognizing an intangible asset, the difference between the net disposal proceeds and the asset's carrying amount is recognized in the profit or loss for the year.

(9) Impairment of the Property, Plant and Equipment and Intangible Assets

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

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount (less amortization and depreciation), but only to the extent of the carrying amount that would have been determined with no impairment loss having been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(10) Financial Instruments

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

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

A. Financial Assets

The regular way purchases or sales of financial assets is recognized and derecognized on a trade date.

(I) Measurement category

Categories of financial assets held by the consolidated company are financial assets measured at amortized cost and equity instrument investments measured at fair value through other comprehensive income.

a. Financial assets measured at amortized cost

Financial assets of the consolidated company, in compliance with the following two conditions simultaneously, are to be classified as financial assets measured by amortized cost:

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

Financial assets at amortized costs after initial recognition are measured at amortized cost and equal the total of the carrying amount determined by the effective interest method less any impairment loss. Any difference in foreign currency exchange is recognized in profit or loss.

Except for the following two cases, the interest income is calculated as the effective interest rate multiplied by the total carrying amount of financial assets:

- i. Interest income of purchase or originated credit-impaired financial assets is calculated as the credit-adjusted effective interest rate multiplied by the amortized cost of the financial assets;

- ii. Interest income of the financial assets that are not classified as purchased or originated credit-impaired, but subsequently become credit-impaired, should be calculated from the next reporting period after the credit impairment as the effective interest rate multiplied by the financial asset at amortized cost.

A financial asset is credit-impaired when the issuer or the borrower has significant financial difficulties and breach contract; it becomes probable that the borrower might enter bankruptcy or other financial reorganization, or have the active market for that financial asset disappeared due to financial difficulties.

Cash equivalents include time deposits within 3 months from the date of acquisition, which are highly liquid, can be converted into a known amount of cash at any time, with only an insignificant risk of value changes, and are held for meeting short-term cash commitments.

- b. Investments in equity instruments measured at fair value through other comprehensive income

The consolidated company can make an irrevocable election at initial recognition to designate the non-held for trading and not recognized as business mergers or investments in equity instruments be measured at fair value through other comprehensive income.

Investments in equity instruments carried at fair value through other comprehensive income are measured at fair value. Subsequent changes in fair value are recognized in other comprehensive income and accumulated in other equity. Accumulated profit or loss will directly transfer to retained earnings but not reclassified to profit or loss when disposing of the investment.

The dividends of the investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss when the consolidated company has confirmed its right of receivables, unless the dividends are clearly a recoverable amount of the investment cost.

(II) Impairment of financial assets

The consolidated company shall evaluate, with the expected credit loss, the impairment loss of the financial assets measured at amortized cost, including accounts receivable, on each balance sheet date.

Accounts receivables are recorded as loss allowance by expected credit losses in the duration. For other financial assets, it shall evaluate whether the credit risk has increased significantly since the initial recognition. If the credit risk hasn't increased significantly, the financial assets shall be recognized as loss allowance based on a 12-month expected credit loss. However, if the credit risk has increased significantly, the financial assets will be recognized as loss allowance by the expected credit loss in the duration.

Expected credit loss takes the risk of default as the weighted average credit loss. 12-month expected credit loss is the expected credit loss of possible violation of the financial instrument within 12 months after the reporting date. Expected credit loss in the duration is the expected credit loss of possible violation of the financial instrument in the duration.

For the purpose of internal credit risk management, the consolidated company, without considering the collateral held, determines that the following conditions represent a default in financial assets:

- a. There is internal or external information indicating that it is unlikely that the borrower will pay off the debt.
- b. An overdue payment of more than 90 days; unless there is reasonable and corroborated information showing that the delayed default is more appropriate.

The carrying amount of all financial assets with impairment loss are adjusted and reduced through the use of an allowance account.

(III) Derecognition of financial assets

The consolidated company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to other enterprise.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at fair value through other comprehensive income, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

B. Financial Liabilities

(I) Subsequent measurement

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

(II) Derecognition of financial liabilities

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

(11) Revenue Recognition

Upon confirming with the customers in regards to the contractual obligations, the consolidated company allocates the transaction price to the performance obligations and recognizes the revenue when the performance obligations are satisfied.

A. Sale of Goods

Revenue from sales of goods comes from the sales of handheld industrial computer and handheld barcode scanner. As the customers will have the full discretion over the right to pricing and the usage of the products upon shipment of goods, the customers should take primary responsibility for the resale of the products and the obsolescence risk onwards. The revenue will be recognized as accounts receivable concurrently.

The Company does not recognize revenue on outward processing because it does not involve a transfer of control over the processed products.

B. Rendering of Service

Revenue from the rendering of service comes from product maintenance service. As the Company provides the service, customers simultaneously receive and consume the benefits provided by the Company's performance. The income generated by the provision of the services under the contract is recognized, according to the degree of completion of the contract.

(12) Lease

The consolidated company evaluates whether the contract is (or contains) a lease on the date of the establishment of the contract.

The consolidated company as lessee

Except for the exempted low-value asset leases and short-term leases, the lease payments are recognized as expenses during the lease term on a straight-line basis. For other leases, the right-of-use assets and lease liabilities are recognized on the lease start date.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the lease payment paid before the lease start date less the lease incentive received, the original direct cost, and the estimated cost of recovering the underlying asset). Subsequently, the right-of-use asset is measured with a deduction of accumulated depreciation and the amount after the accumulated impairment loss is determined, and the remeasurement of the lease liability is adjusted. Right-of-use assets are presented separately on the balance sheet.

Depreciation of right-of-use asset is recognized on a straight-line basis from the beginning of the lease over the shorter of the useful life of the asset and the lease term.

Lease liabilities are initially measured at the present value (including fixed payments, actual fixed payments, variable lease payments which depend on an index or a rate, expected payables by the consolidated company under residual value guarantees, and the exercise price of a purchase option if the consolidated company is reasonably certain to exercise that option) and the exercise price for an option to purchase reasonably believed will

be exercised, and the lease termination penalties reflected in the lease terms, less any lease incentives) of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the consolidated company uses the lessee's incremental borrowing rate.

Subsequently, lease liability is measured at the amortized cost using the effective interest method, and the interest expense is allocated over the lease term. If the lease term, expected payables under residual value guarantees, assessment of an option to purchase an underlying asset, or the change in the index or rate used to determine the lease payments results in a change in the future lease payments, the Company will remeasure the lease liability and adjust the right-of-use asset accordingly. If the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss. Lease liabilities are presented separately on the balance sheet.

(13) Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants related to revenue intended to compensate for the costs incurred by the consolidated company over the period are recognized in other income.

When the consolidated company receives government grants as compensation for expenses or losses that have already been incurred or to provide immediate financial support with no future related costs, these grants are recognized as the profit or loss during the period in which the grants can be collected.

(14) Employee Benefits

A. Short-term Employee Benefits

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

B. Retirement Benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs (including current service costs) and net interest on the net defined benefit liability (assets), are recognized as employee benefits expenses in the period they occur. Remeasurement, (comprising actuarial gains and losses and the return on plan assets less interest), is recognized in the period in which they occur in other comprehensive income which is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the consolidated company's actual defined benefit plan deficit.

(15) Income Tax

Income tax expense represents the sum of the current income tax and the deferred tax.

A. Current tax

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

According to the Income Tax Act of the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the consolidated company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

C. Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGEMENT AND MAJOR SOURCE OF ESTIMATION UNCERTAINTY

In the application of the consolidated company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When the consolidated company develops significant accounting estimates, inflation and market interest rate fluctuations are taken into considerations of significant accounting estimates, and forecast to cash flows, growth rate, discount rate, and profitability, etc., are also taken into consideration of significant accounting estimates. The management will continuously review estimates and basic assumptions.

Main sources of uncertainty in estimates and assumptions

(1) Impairment of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

(2) Income tax

The possibility of realizing deferred income tax assets is primarily determined by whether there will be sufficient profits or taxable temporary differences in the future. Suppose the actual profit falls short of expectations. In that case, there may be significant reversals of deferred income tax assets, which are recorded as profit or loss during the period they occur.

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand & revolving fund	\$ 144	\$ 104
Checking accounts	24,241	28,531
Demand deposits	158,385	132,866
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>-</u>	<u>55,278</u>
	<u>\$ 182,770</u>	<u>\$ 216,779</u>

Cash equivalent market interest rate for the above interest-bearing financial assets at the date of the balance sheet is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank deposit (including time deposits classified as cash equivalent)	0.05%~1.45%	0.005%~4.20%

7. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES, AND OTHER RECEIVABLES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivable</u>		
Measurement at amortized costs		
Total carrying amount	\$ 2,485	\$ 803
Less: loss allowance	-	-
	<u>\$ 2,485</u>	<u>\$ 803</u>
Arising from operations	<u>\$ 2,485</u>	<u>\$ 803</u>
<u>Accounts receivable</u>		
Measurement at amortized costs		
Total carrying amount	\$ 176,304	\$ 236,574
Less: loss allowance	(206)	(3,452)
	<u>\$ 176,098</u>	<u>\$ 233,122</u>
<u>Other receivables</u>		
Receivables for Outward processing	\$ 20,873	\$ 49,405
Tax refund receivable	8,106	7,082
Others	183	146
	<u>\$ 29,162</u>	<u>\$ 56,633</u>

(1) Notes receivable

The consolidated company recognizes the loss allowance for notes and accounts receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation. As of December 31, 2023 and 2022, there are no overdue notes receivable. According to the assessment by the consolidated company, it is not necessary to set aside notes receivable for expected credit losses.

(2) Accounts receivable

The revenue arising from sales of goods is collected monthly with average credit period of 15~120 days. In order to minimize credit risk, the management of the consolidated company has appointed a team responsible for the determination of credit limit, credit approval and other monitoring procedures to ensure that proper action is taken for recovery of overdue debts. In addition, the consolidated company reviews the recoverable amount of the overdue notes and accounts receivable on the balance sheet date to ensure that adequate allowances are made for the irrecoverable amounts. In this regard, the management believes that the credit risk of the consolidated company has been significantly reduced.

The consolidated company recognizes the loss allowance for notes and accounts receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation using a provision matrix and also considering the GDP forecast. According to the consolidated company's past experience of credit losses, there is no significant difference in the loss patterns for different customer entities. Thus, the expected credit loss rate is determined solely by the number of overdue days for the receivables.

If there is evidence indicating that a counterparty is facing serious financial difficulties and the consolidated company cannot reasonably estimate the recoverable amount, the consolidated company will write off the related notes and accounts receivable, but continue with recourse. The amount recovered due to recourse is recognized in profit or loss.

The consolidated company's loss allowance for the receivables is estimated using a provision matrix as follows:

December 31, 2023

	Not past due	1-30 days overdue	31-60 days overdue	61-90 days overdue	91-120 days overdue	120 days overdue	Total
Expected credit							
loss rate	0.00%~6.33%	0%~7.74%	0.04%~7.86%	4.74%~100%	-	100%	
Total carrying							
amount	\$ 139,216	\$ 35,919	\$ 1,108	\$ 19	\$ -	\$ 42	\$ 176,304
Loss allowance							
(Lifetime ECL)	(52)	(44)	(65)	(3)	-	(42)	(206)
Amortized cost	<u>\$ 139,164</u>	<u>\$ 35,875</u>	<u>\$ 1,043</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,098</u>

December 31, 2022

	Not past due	1-30 days overdue	31-60 days overdue	61-90 days overdue	91-120 days overdue	120 days overdue	Total
Expected credit							
loss rate	0.00%~0.20%	0.00%~0.74%	0.17%~3.77%	16.41%~100%	100%	100%	
Total carrying							
amount	\$ 194,233	\$ 32,536	\$ 6,676	\$ 2,160	\$ 679	\$ 290	\$ 236,574
Loss allowance							
(Lifetime ECL)	(41)	(78)	(247)	(2,117)	(679)	(290)	(3,452)
Amortized cost	<u>\$ 194,192</u>	<u>\$ 32,458</u>	<u>\$ 6,429</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,122</u>

Changes in loss allowance for accounts receivable are as follows:

	2023	2022
Balance at the beginning of the year	\$ 3,452	\$ 6,574
Add: impairment losses recognized		
in current year	(3,237)	1,827
Less: amount written off	(3)	(5,149)
Exchange difference in foreign		
currencies	(6)	200
Balance at the end of the year	<u>\$ 206</u>	<u>\$ 3,452</u>

8. INVENTORY

	December 31, 2023	December 31, 2022
Finished goods	\$ 37,895	\$ 26,181
Work in process	26,764	16,647
Raw materials	430,111	474,410
Merchandise	32,647	42,280
	<u>\$ 527,417</u>	<u>\$ 559,518</u>

The costs of goods sold related to inventories in 2023 and 2022 were NT\$859,383 thousand and NT\$783,697 thousand, respectively.

The costs of goods sold in 2023 and 2022, including inventory depreciation and obsolescence losses, were NT\$10,798 thousand and NT\$6,800 thousand, respectively.

9. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial statements

The consolidated entities of the consolidated financial report were as follows:

Investor company	Subsidiaries	Main business	Percentage of ownership		Note
			Dec. 31, 2023	Dec. 31, 2022	
The Company	CIPHERLAB USA, INC.	Electronics sales	100	100	The main business risk is foreign currency risk
"	CIPHERLAB LIMITED (SAMOA)	Investment holding	100	100	The main business risk is foreign currency risk
"	MPLUS TECHNOLOGY CO., LTD (MPLUS TECHNOLOGY)	Development and sales of electronic products	95	94	The main business risk is foreign currency risk
CIPHERLAB LIMITED (SAMOA)	CipherLab Electron Trade (Shanghai) Limited Company (CipherLab (Shanghai))	Electronics sales	100	100	The main business risks are political risks and foreign currency risks due to government orders and cross-strait relations

- A. CIPHERLAB LIMITED (SAMOA) was established on May 29, 2006 by the relevant laws and regulations of Samoa.
- B. CipherLab (Shanghai) was approved and established in Shanghai on November 15, 2006, with an effective operation term from November 15, 2006, to November 14, 2036.

- C. CIPHERLAB USA, INC. was approved and established in the USA on January 11, 2007.
- D. MPLUS TECHNOLOGY was approved and established in ROC on May 19, 2016. MPLUS TECHNOLOGY implemented cash capital increase of NT\$5,000 thousand on February 20, 2023, subscribed by the Company in full, and the payment for the capital increase was offset by the loans to MPLUS TECHNOLOGY. In addition, MPLUS TECHNOLOGY implemented cash capital increase of NT\$2,000 thousand on June 30, 2023, subscribed by the Company in full as well. After the capital increase, the percentage of ownership of the Company to MPLUS TECHNOLOGY has increased from 94% to 95%. The difference of NT\$437 thousand in the carrying amount of investments decreased the unappropriated earnings.

Subsidiaries included in the consolidated financial statements: None.

10. PROPERTY, PLANT, AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation	Income-generati ng equipment	Other equipment	Total
<u>Cost</u>								
Balance as of January 1, 2023	\$ 57,996	\$ 55,493	\$ 16,406	\$ 223,140	\$ 1,320	\$ 103,787	\$ 308	\$ 458,450
Addition	-	-	-	10,556	-	5,031	-	15,587
Disposals	-	-	(554)	(288)	-	(5,480)	(82)	(6,404)
Reclassification (Note)	-	-	-	10,390	-	1,975	-	12,365
Net exchange difference	-	-	-	-	-	(3)	(3)	(6)
Balance as of December 31, 2023	<u>\$ 57,996</u>	<u>\$ 55,493</u>	<u>\$ 15,852</u>	<u>\$ 243,798</u>	<u>\$ 1,320</u>	<u>\$ 105,310</u>	<u>\$ 223</u>	<u>\$ 479,992</u>
<u>Accumulated depreciation and impairment</u>								
Balance as of January 1, 2023	\$ -	\$ 24,453	\$ 15,689	\$ 213,208	\$ 1,320	\$ 93,511	\$ 253	\$ 348,434
Depreciation	-	991	111	11,629	-	4,651	7	17,389
Disposals	-	-	(554)	(288)	-	(4,895)	(74)	(5,811)
Net exchange difference	-	-	-	-	-	(7)	(2)	(9)
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 25,444</u>	<u>\$ 15,246</u>	<u>\$ 224,549</u>	<u>\$ 1,320</u>	<u>\$ 93,260</u>	<u>\$ 184</u>	<u>\$ 360,003</u>
Net balance as of December 31, 2023	<u>\$ 57,996</u>	<u>\$ 30,049</u>	<u>\$ 606</u>	<u>\$ 19,249</u>	<u>\$ -</u>	<u>\$ 12,050</u>	<u>\$ 39</u>	<u>\$ 119,989</u>

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation	Income-generati ng equipment	Other equipment	Total
<u>Cost</u>								
Balance as of January 1, 2022	\$ 57,996	\$ 55,493	\$ 16,406	\$ 220,869	\$ 1,190	\$ 97,321	\$ 457	\$ 449,732
Addition	-	-	-	2,157	-	6,067	39	8,263
Disposals	-	-	-	(360)	-	(970)	(200)	(1,530)
Reclassification (Note)	-	-	-	912	-	792	-	1,704
Net exchange difference	-	-	-	-	130	139	12	281
Balance as of December 31, 2022	<u>\$ 57,996</u>	<u>\$ 55,493</u>	<u>\$ 16,406</u>	<u>\$ 223,578</u>	<u>\$ 1,320</u>	<u>\$ 103,349</u>	<u>\$ 308</u>	<u>\$ 458,450</u>

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation	Income-generati ng equipment	Other equipment	Total
<u>Accumulated depreciation and impairment</u>								
Balance as of January 1, 2022	\$ -	\$ 23,462	\$ 15,578	\$ 197,415	\$ 1,190	\$ 89,770	\$ 416	\$ 327,831
Depreciation	-	991	111	16,153	-	4,544	6	21,805
Disposals	-	-	-	(360)	-	(904)	(180)	(1,444)
Net exchange difference	-	-	-	-	130	101	11	242
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 24,453</u>	<u>\$ 15,689</u>	<u>\$ 213,208</u>	<u>\$ 1,320</u>	<u>\$ 93,511</u>	<u>\$ 253</u>	<u>\$ 348,434</u>
Net balance as of December 31, 2022	<u>\$ 57,996</u>	<u>\$ 31,040</u>	<u>\$ 717</u>	<u>\$ 10,370</u>	<u>\$ -</u>	<u>\$ 9,838</u>	<u>\$ 55</u>	<u>\$ 110,016</u>

Note: Reclassified from other non-current assets – prepayments for business facilities, to property, plant, and equipment.

Related depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	55 years
Mechanical equipment	2~10 years
Molding equipment	2~5 years
Transportation equipment	5 years
Income-generating equipment	2~6 years
Other equipment	3~5 years

Property, plant, and equipment pledged as collateral for bank borrowings are set out in Note 28.

11. LEASE ARRANGEMENT

(1) Right-of-use assets

	Buildings	Transportation	Total
<u>Cost</u>			
Balance as of January 1, 2023	\$ 75,576	\$ 3,334	\$ 78,910
Addition	2,777	-	2,777
Reductions	(5,017)	-	(5,017)
Net exchange difference	71	-	71
Balance as of December 31, 2023	<u>\$ 73,407</u>	<u>\$ 3,334</u>	<u>\$ 76,741</u>
<u>Accumulated depreciation</u>			
Balance as of January 1, 2023	\$ 26,525	\$ 1,010	\$ 27,535
Depreciation expenses	25,165	1,300	26,465
Reductions	(4,473)	-	(4,473)
Net exchange difference	-	-	-
Balance as of December 31, 2023	<u>\$ 47,217</u>	<u>\$ 2,310</u>	<u>\$ 49,527</u>
Net Balance as of December 31, 2023	<u>\$ 26,190</u>	<u>\$ 1,024</u>	<u>\$ 27,214</u>

	<u>Buildings</u>	<u>Transportation</u>	<u>Total</u>
<u>Cost</u>			
Balance as of January 1, 2022	\$ 73,503	\$ 4,782	\$ 78,285
Additions	42,719	1,577	44,296
Reductions	(43,667)	(2,988)	(46,655)
Net exchange difference	<u>3,021</u>	<u>(37)</u>	<u>2,984</u>
Balance as of December 31, 2022	<u>\$ 75,576</u>	<u>\$ 3,334</u>	<u>\$ 78,910</u>
<u>Accumulated depreciation</u>			
Balance as of January 1, 2022	\$ 43,768	\$ 1,651	\$ 45,419
Depreciation expenses	25,691	1,210	26,901
Reductions	(43,630)	(1,847)	(45,477)
Net exchange difference	<u>696</u>	<u>(4)</u>	<u>692</u>
Balance as of December 31, 2022	<u>\$ 26,525</u>	<u>\$ 1,010</u>	<u>\$ 27,535</u>
Net Balance as of December 31, 2022	<u>\$ 49,051</u>	<u>\$ 2,324</u>	<u>\$ 51,375</u>

(2) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 9,251</u>	<u>\$ 24,901</u>
Non-current	<u>\$ 21,190</u>	<u>\$ 29,185</u>

The range of the discount rates for lease liabilities is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.111% ~ 5.5%	1.111% ~ 5.5%
Transportation equipment	1.111% ~ 1.167%	1.111% ~ 1.167%

Lease-in activities and terms

(3) Lease-in activities and terms

The consolidated company leases certain buildings and transportation equipment with lease terms of 2 to 12 years. The consolidated company does not have bargain purchase options to acquire the leasehold buildings and transportation equipment at the end of the lease terms.

(4) Other lease information

	<u>2023</u>	<u>2022</u>
Expenses relating to low-value asset leases	<u>(\$ 164)</u>	<u>(\$ 189)</u>
Expenses relating to short-term leases	<u>(\$ 337)</u>	<u>(\$ 155)</u>
Total cash outflow for leases	<u>(\$ 28,097)</u>	<u>(\$ 28,741)</u>

12. INTANGIBLE ASSETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Computer software	<u>\$ 4,041</u>	<u>\$ 9,804</u>
	<u>2023</u>	<u>2022</u>
<u>Cost</u>		
Balance at the beginning of the year	\$ 63,870	\$ 61,609
Separate acquisition	1,580	1,955
Disposals	(43,052)	-
Reclassification (Note)	-	304
Net exchange difference	(1)	2
Balance at the end of year	<u>\$ 22,397</u>	<u>\$ 63,870</u>
<u>Accumulated amortization and impairment</u>		
Balance at the beginning of the year	\$ 54,066	\$ 46,189
Amortization expenses	4,598	5,265
Recognition of impairment losses	2,745	2,610
Disposals	(43,052)	-
Net exchange difference	(1)	2
Balance at the end of the year	<u>\$ 18,356</u>	<u>\$ 54,066</u>
Net Balance at the end of the year	<u>\$ 4,041</u>	<u>\$ 9,804</u>

Note: Reclassified from other non-current assets – prepayments for business facilities, to computer software.

The Company's subsidiary, MPLUS TECHNOLOGY carried out the impairment test on the intangible assets in 2022, using the discounted cash flow method to calculate the recoverable amount of the intangible assets at an annual discount rate of 13.57% and recognized the carrying amount over the recoverable amount of NT\$2,610 thousand as the impairment loss. As the aforementioned intangible assets were evaluated as developmentally limited in 2023, the remaining carrying amount of NT\$2,745 thousand has been recognized as impairment losses.

Amortization expenses of computer software are calculated on a straight-line basis over the estimated useful lives of 2~6 years

13. OTHER ASSETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayments	\$ 43,971	\$ 44,568
Guarantee deposits paid	6,030	6,321
Prepayment for equipment	<u>1,612</u>	<u>3,914</u>
	<u>\$ 51,613</u>	<u>\$ 54,803</u>
Current	\$ 43,971	\$ 44,568
Non-current	<u>7,642</u>	<u>10,235</u>
	<u>\$ 51,613</u>	<u>\$ 54,803</u>

14. BORROWINGS

(1) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unsecured loans</u>		
Line of credit	<u>\$ 30,000</u>	<u>\$ 160,000</u>
<u>Secured loans</u>		
Mortgage	<u>\$ 50,000</u>	<u>\$ -</u>

As of December 31, 2023, and 2022, the interest rates for short-term loans ranged from 1.85% and 1.68% ~ 1.89%, respectively.

(2) Long-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unsecured loans</u>		
Bank loan	\$ 3,278	\$ 4,000
Less: set aside as part due within 1 year	(<u>983</u>)	(<u>724</u>)
Long-term borrowings	<u>\$ 2,295</u>	<u>\$ 3,276</u>

The consolidated company followed the "Directions for Business Financial Relief and Interest Supplement by the Ministry and Economic Affairs for Businesses with Operational Difficulties Due to COVID-19," and entered into a borrowing contract with the Land Bank of Taiwan. The total amount of the loan was NT\$4,000 thousand. The interest rate was calculated based on the Central Bank's guaranteed lending rate plus 0.9%, with an interest subsidy applied. The maximum period for subsidized interest is one year, with an upper limit of NT\$220 thousand. The loan is paid back in installments, with a due date of March 8, 2027. The repayment method entails paying monthly interest before April 8, 2023, with the principal and interest amortized every month from April 8, 2023.

15. ACCOUNTS PAYABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts payable</u>		
Arising from operations	<u>\$ 121,129</u>	<u>\$ 107,944</u>

16. OTHER LIABILITIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Other payables		
Processing expense payable	\$ 26,260	\$ 55,237
Salaries and bonus payable	23,148	40,199
Payables on testing	9,729	874
Payables on R&D projects	4,995	-
Payables on equipment	4,404	5,110
Export expense payable	4,200	3,433
Insurance expense payable	3,611	151
Others	<u>21,131</u>	<u>20,646</u>
	<u>\$ 97,478</u>	<u>\$ 125,650</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other liabilities		
Contractual liabilities (Note 19)	\$ 47,837	\$ 43,575
Others	<u>3,805</u>	<u>4,237</u>
	<u>\$ 51,642</u>	<u>\$ 47,812</u>
<u>Non-current</u>		
Other liabilities		
Contractual liabilities (Note 19)	\$ 45,467	\$ 42,698
Guarantee deposits received	<u>6,458</u>	<u>6,458</u>
	<u>\$ 51,925</u>	<u>\$ 49,156</u>

17. RETIREMENT CONTRIBUTION PLAN

(1) Defined contribution plan

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

CipherLab (Shanghai) distributes pensions to pension management companies by a specific percentage of the local employees' monthly salaries.

(2) Defined Benefit Plan

The defined benefit plan adopted by the Company in accordance with the Labor Standard Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the name of the committee. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor, and the Company has no right to influence the investment policy and strategy.

The amount of the defined benefit plans presented in the consolidated balance sheet is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ 26,008	\$ 25,482
Fair value of planned assets	(<u>17,642</u>)	(<u>16,718</u>)
Deficit contribution	<u>8,366</u>	<u>8,764</u>
Net defined benefit liability	<u>\$ 8,366</u>	<u>\$ 8,764</u>

Changes on net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Balance as of January 1, 2023	<u>\$ 25,482</u>	<u>(\$ 16,718)</u>	<u>\$ 8,764</u>
Service cost			
Current service cost	34	-	34
Interest expense (income)	<u>356</u>	<u>(238)</u>	<u>118</u>
Recognized in profit or loss	<u>390</u>	<u>(238)</u>	<u>152</u>
Remeasurement			
Return on planned assets (excluding the amount included in the net interest)	-	(118)	(118)
Actuarial loss - changes in financial assumption	233	-	233
Actuarial gain - experience adjustment	<u>(97)</u>	<u>-</u>	<u>(97)</u>
Recognized in other			
comprehensive income	<u>\$ 136</u>	<u>(\$ 118)</u>	<u>\$ 18</u>
Contribution from the employer	<u>-</u>	<u>(568)</u>	<u>(568)</u>
Balance as of December 31, 2023	<u>\$ 26,008</u>	<u>(\$ 17,642)</u>	<u>\$ 8,366</u>
Balance as of January 1, 2022	<u>\$ 26,454</u>	<u>(\$ 14,857)</u>	<u>\$ 11,597</u>
Interest expense (income)	<u>198</u>	<u>(113)</u>	<u>85</u>
Recognized in profit or loss	<u>198</u>	<u>(113)</u>	<u>85</u>
Remeasurement			
Return on planned assets (excluding the amount included in the net interest)	-	(1,154)	(1,154)
Actuarial gain - changes in financial assumption	(1,594)	-	(1,594)
Actuarial loss - experience adjustment	<u>424</u>	<u>-</u>	<u>424</u>
Recognized in other			
comprehensive income	<u>(1,170)</u>	<u>(1,154)</u>	<u>(2,324)</u>
Contribution from the employer	<u>-</u>	<u>(594)</u>	<u>(594)</u>
Balance as of December 31, 2022	<u>\$ 25,482</u>	<u>(\$ 16,718)</u>	<u>\$ 8,764</u>

The amount recognized in profit or loss in respect of the defined benefit plan is summarized by function as follows:

	2023	2022
Operating costs	\$ 83	\$ 45
Selling expenses	42	24
Administrative expenses	19	11
Research and development expenses	<u>8</u>	<u>5</u>
	<u>\$ 152</u>	<u>\$ 85</u>

Due to the pension system under the “Labor Standards Act”, the consolidated company is exposed to the following risks:

- A. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- B. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- C. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.300%	1.400%
Expected rate of salary increase	3.000%	3.000%

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase by 0.25%	(\$ <u>592</u>)	(\$ <u>623</u>)
Decrease by 0.25%	\$ <u>612</u>	\$ <u>646</u>
Expected rate of salary increase		
Increase by 0.25%	\$ <u>587</u>	\$ <u>620</u>
Decrease by 0.25%	(\$ <u>571</u>)	(\$ <u>602</u>)

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

The analysis of the average maturity of defined benefit obligations is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Expected contributions to the plans for the next year	\$ <u>568</u>	\$ <u>593</u>
Average duration of the defined benefit obligation	9 years	11 years

18. EQUITY

(1) Ordinary shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized shares (in thousands of shares)	<u>90,000</u>	<u>90,000</u>
Authorized capital	<u>\$ 900,000</u>	<u>\$ 900,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>68,489</u>	<u>68,489</u>
Capital issued	<u>\$ 684,891</u>	<u>\$ 684,891</u>

The par value of each ordinary share issued is NT\$10, and each share possesses one voting right and a right to receive dividends.

(2) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (A)</u>		
Additional paid-in capital	\$ 1,062	\$ 1,062
<u>May only be used to offset a deficit</u>		
Unclaimed dividends (B)	<u>89</u>	<u>89</u>
	<u>\$ 1,151</u>	<u>\$ 1,151</u>

A. Such capital surplus may be used to offset a deficit. In the case when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to a certain percentage of the Company's capital surplus once a year.

B. According to the letter No. 10602420200 issued by the Ministry of Economic Affairs on September 21, 2017, unclaimed dividends should be recognized as capital reserves.

(3) Retained earnings and dividends policy

Suppose the consolidated company made a profit in a fiscal year. In that case, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, and setting aside as legal reserve 10% of the remaining profit by the laws and regulations except when the legal reserve has reached the company's paid-in capital. The rest shall be setting aside or reversing a special reserve; any remaining profit together with any undistributed retained earnings shall be used by the consolidated company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholder's meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of employees' compensation and directors' remuneration, refer to Note 20-7.

The Company's dividend policy evaluates the Company's future capital requirement, long-term financial planning, and shareholders' profit expectations. The actual distribution of share dividends should be accounted for not less than 50% of the distributable earnings of the current year. The company is in the steady growth stage with consistent profit increases and a solid financial structure. While maintaining a stable profit per share, the cash dividends shall account for at least 10% of the total dividends.

The statutory surplus reserve can be used to offset losses. When the company has no losses, the portion of the statutory surplus reserve exceeding 25% of the total paid-in capital may be allocated as share capital and can also be distributed as cash.

The Company follows the regulations outlined in the letter No. 1090150022 and "Questions and Answers on Applicable for the Provision of Special Reserve after the Adoption of International Financial Reporting Standards (IFRS accounting standards)" to set aside and reverse the special reserve.

The appropriations for the earnings of years 2022 and 2021 approved at the shareholders' meeting on June 27, 2023 and June 21, 2022, respectively, are as follows:

	<u>2022</u>	<u>2021</u>
Legal reserve	\$ <u>3,411</u>	\$ <u>3,651</u>
Special reserve	(\$ <u>10,424</u>)	\$ <u>8,446</u>
Cash dividend	\$ <u>41,093</u>	\$ <u>23,971</u>
Cash dividend per share (NT\$)	\$ 0.60	\$ 0.35

The proposal of making up losses of 2023 has been proposed by the board of directors on March 13, 2024, to cover up the losses by legal reserve of NT\$4,129 thousand, and reserve special reserve of NT\$217 thousand, and is expected to be resolved by the shareholders' meeting held on June 26, 2024

(4) Special reserve

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	\$ 11,508	\$ 3,062
Provision (reversal) of special reserve		
Provision of deductions to other equity	-	8,446
Reversal of deductions to other equity	(<u>10,424</u>)	<u>-</u>
Balance at the end of the year	\$ <u>1,084</u>	\$ <u>11,508</u>

(5) Other equities

A. Exchange differences on translation of foreign financial statements:

	2023	2022
Balance at the beginning of the year	\$ 1,096	(\$ 9,328)
Recognized for the year		
Exchange differences arising from translation of a foreign operation	271	13,030
Income tax related to exchange differences arising from translation of a foreign operation	(<u>54</u>)	(<u>2,606</u>)
Balance at the end of the year	<u>\$ 1,313</u>	<u>\$ 1,096</u>

B. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	2023	2022
Balance at the beginning and the end of the year	(<u>\$ 2,180</u>)	(<u>\$ 2,180</u>)

19. REVENUE

	2023	2022
Revenue from contracts with customers		
Sales revenue	\$ 1,310,531	\$ 1,228,010
Service revenue	<u>49,018</u>	<u>29,952</u>
	<u>\$ 1,359,549</u>	<u>\$ 1,257,962</u>

(1) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivables (Note 7)	<u>\$ 178,583</u>	<u>\$ 233,925</u>	<u>\$ 239,123</u>
Contract liabilities – current (Note 16)			
Sale of goods	\$ 14,034	\$ 22,516	\$ 14,915
Warranty service	<u>33,803</u>	<u>21,059</u>	<u>3,755</u>
	47,837	43,575	18,670
Contract liabilities – non-current (Note 16)			
Warranty service	<u>45,467</u>	<u>42,698</u>	<u>9,677</u>
	<u>\$ 93,304</u>	<u>\$ 86,273</u>	<u>\$ 28,347</u>

The changes in the balance of contract liabilities primarily resulted from the timing difference between the satisfaction of performance obligations and the respective customer's payment.

Revenue in 2023 and 2022 recognized from the contract liability balance at the beginning of the year were NT\$24,357 thousand and NT\$2,991 thousand, respectively.

(2) Disaggregation of revenue from contracts with customers

Please refer to Note 32 for information regarding disaggregation of revenue.

(3) Contract with customers not completed in full

The transaction prices allocated to performance obligations not fully completed and the expected time points of revenue recognition are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Warranty service		
- Perform in 2023	\$ -	\$ 21,059
- Perform in 2024	33,803	19,156
- Perform in 2025	25,698	13,170
- Perform in 2026	13,714	7,360
- Perform in 2027	5,143	3,012
- Perform in 2028	912	-
	<u>\$ 79,270</u>	<u>\$ 63,757</u>

The aforementioned disclosure does not include sales contracts with maturity less than one year.

20. NET PROFIT

(1) Interest income

	<u>2023</u>	<u>2022</u>
Bank deposits	\$ 3,062	\$ 1,040
Others	<u>77</u>	<u>49</u>
	<u>\$ 3,139</u>	<u>\$ 1,089</u>

(2) Other income

	<u>2023</u>	<u>2022</u>
Government Grants (Note 23)	\$ 1,624	\$ 1,369
Others	<u>621</u>	<u>836</u>
	<u>\$ 2,245</u>	<u>\$ 2,205</u>

(3) Other gains and losses

	2023	2022
Net foreign exchange gains	\$ 5,478	\$ 15,340
Impairment losses on intangible assets	(2,745)	(2,610)
Gains on lease modification	3	5
Gains on financial assets measured at fair value through profit or loss	4	-
Losses on disposal of property, plant and equipment	(577)	(86)
Others	(167)	(607)
	<u>\$ 1,996</u>	<u>\$ 12,042</u>

(4) Financial costs

	2023	2022
Interest on bank loans	\$ 2,216	\$ 3,170
Interest on lease liabilities	<u>1,561</u>	<u>1,720</u>
	<u>\$ 3,777</u>	<u>\$ 4,890</u>

(5) Depreciation and amortization

	2023	2022
Property, plant, and equipment	\$ 17,389	\$ 21,805
Right-of-use assets	26,465	26,901
Intangible assets	<u>4,598</u>	<u>5,265</u>
Total	<u>\$ 48,452</u>	<u>\$ 53,971</u>
Depreciation expenses by function		
Operating costs	\$ 15,484	\$ 19,640
Operating expenses	<u>28,370</u>	<u>29,066</u>
	<u>\$ 43,854</u>	<u>\$ 48,706</u>
Amortization expenses by function		
Operating costs	\$ 469	\$ 655
Selling expenses	473	317
Administrative expenses	154	1,819
Research and development expenses	<u>3,502</u>	<u>2,474</u>
	<u>\$ 4,598</u>	<u>\$ 5,265</u>

(6) Employee benefit expenses

	2023	2022
Post-retirement benefit (Note17)		
Defined contribution plan	\$ 11,848	\$ 11,099
Defined benefit plan	<u>152</u>	<u>85</u>
	12,000	11,184
Other employee benefit	<u>276,116</u>	<u>283,887</u>
Total employee benefit	<u>\$ 288,116</u>	<u>\$ 295,071</u>
Summarized by function		
Operating costs	\$ 50,010	\$ 53,768
Operating expenses	<u>238,106</u>	<u>241,303</u>
	<u>\$ 288,116</u>	<u>\$ 295,071</u>

(7) Employees' compensation and directors' remuneration

The company distributes 0.5% ~ 10% and no higher than 3% of pretax net profit of the current year as employees' compensation and directors' remuneration. As the Company incurred net loss before tax, employees' compensation and directors' remuneration were not accrued. The employees' compensation and directors' remuneration for the year of 2022 were resolved by the board of directors on March 29, 2023 as follows:

Accrual rate

	2022
Compensation of employees	10%
Remuneration of directors	3%

Amount

	2022	
	Cash	Stocks
Compensation of employees	\$ 4,209	\$ -
Remuneration of directors	1,262	-

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

There is no significant difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the employees' compensation and directors' remuneration resolved by the Company's board of directors will be available at the Market Observation Post System website of the Taiwan Stock Exchange.

(8) Gains or losses on foreign currency exchange

	2023	2022
Total gains on foreign currency exchange	\$ 30,234	\$ 42,215
Total losses on foreign currency exchange	(<u>24,756</u>)	(<u>26,875</u>)
Net Gains	<u>\$ 5,478</u>	<u>\$ 15,340</u>

21. INCOME TAX

(1) Income tax expense recognized in profit or loss

Income tax expense consisted of the following::

	2023	2022
Current income tax expense		
In respect of current year	\$ -	\$ 7,859
Adjustment for prior years	(206)	-
Deferred income tax		
In respect of the current year	(<u>1,294</u>)	(<u>2,083</u>)
Income tax expense (benefit) recognized in profit or loss	(<u>\$ 1,500</u>)	<u>\$ 5,776</u>

A reconciliation of accounting profit and income tax expense (benefit) is as follows:

	2023	2022
Net profit (loss) before tax	(<u>\$ 6,344</u>)	<u>\$ 36,970</u>
Income tax calculated at the 20% statutory rate	(\$ 1,269)	\$ 7,394
Non-deductible losses	1	681
Tax-exempt income	(326)	(274)
Unrecognized temporary differences, loss deduction and investment offsets	256	(1,954)
Adjustment of income tax expenses of prior years in current year	(206)	-
Effect of different tax rates applicable to consolidated entities	<u>44</u>	(<u>71</u>)
Income tax expense (benefit) recognized in profit or loss	(<u>\$ 1,500</u>)	<u>\$ 5,776</u>

The tax rates applicable to subsidiaries in China and the United States are 25% and 21%, respectively; the tax incurred for business operations in other locations is calculated according to the tax rates in each relevant jurisdiction.

(2) Income tax recognized in other comprehensive income

	<u>2023</u>	<u>2022</u>
<u>Deferred tax</u>		
In respect of the current year		
- Remeasurement of defined benefit plans	(\$ 3)	\$ 465
- Translation of foreign financial statements	<u>54</u>	<u>2,606</u>
Total income tax recognized in other comprehensive income	<u>\$ 51</u>	<u>\$ 3,071</u>

(3) Current income tax assets and liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current income tax assets		
Tax refund receivables	<u>\$ 5,882</u>	<u>\$ -</u>
Current income tax liabilities		
Income tax payables	<u>\$ -</u>	<u>\$ 6,051</u>

(4) Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

2023

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	End balance
<u>Deferred tax assets</u>					
Temporary differences					
Inventory price decline and obsolescence loss	\$ 14,765	\$ 914	\$ -	\$ -	\$ 15,679
Pension not contributed	2,468	(83)	-	-	2,385
Share of profit or loss of subsidiaries accounted for using equity method	34,209	7,373	-	-	41,582
Unrealized gross profit from sales with subsidiaries	6,974	353	-	-	7,327
Others	<u>29</u>	(<u>5</u>)	<u>-</u>	<u>-</u>	<u>24</u>
	58,445	8,552	-	-	66,997
Loss deduction	<u>19,897</u>	(<u>6,872</u>)	<u>-</u>	<u>-</u>	<u>13,025</u>
	<u>\$ 78,342</u>	<u>\$ 1,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,022</u>

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	End balance
Deferred income tax liabilities					
Temporary differences					
Unrealized currency exchange gains	\$ 1,881	\$ 386	\$ -	\$ -	\$ 2,267
Exchange differences on foreign operations	274	-	54	-	328
Defined benefit retirement plan	<u>1,751</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>1,748</u>
	<u>\$ 3,906</u>	<u>\$ 386</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 4,343</u>

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	End balance
Deferred tax assets					
Temporary differences					
Inventory price decline and obsolescence loss	\$ 15,922	(\$ 1,157)	\$ -	\$ -	\$ 14,765
Pension not contributed	2,569	(101)	-	-	2,468
Share of profit or loss of subsidiaries accounted for using equity method	24,537	9,672	-	-	34,209
Unrealized gross profit from sales with subsidiaries	4,727	2,247	-	-	6,974
Exchange difference on foreign operations	2,332	-	(2,332)	-	-
Others	<u>308</u>	<u>(279)</u>	<u>-</u>	<u>-</u>	<u>29</u>
	50,395	10,382	(2,332)	-	58,445
Loss deduction	<u>27,355</u>	<u>(7,707)</u>	<u>-</u>	<u>249</u>	<u>19,897</u>
	<u>\$ 77,750</u>	<u>\$ 2,675</u>	<u>(\$ 2,332)</u>	<u>\$ 249</u>	<u>\$ 78,342</u>
Deferred income tax liabilities					
Temporary differences					
Unrealized currency exchange gains	\$ 1,289	\$ 592	\$ -	\$ -	\$ 1,881
Exchange differences on foreign operations	-	-	274	-	274
Defined benefit retirement plan	<u>1,286</u>	<u>-</u>	<u>465</u>	<u>-</u>	<u>1,751</u>
	<u>\$ 2,575</u>	<u>\$ 592</u>	<u>\$ 739</u>	<u>\$ -</u>	<u>\$ 3,906</u>

- (5) Deductible temporary differences and losses not recognized in the consolidated balance sheet as deferred income tax assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Loss deduction	<u>\$ 167,928</u>	<u>\$ 144,738</u>
Deductible temporary differences		
Impairment losses on intangible assets	\$ 4,674	\$ 2,610
Financial assets measured at fair value through other comprehensive income	2,180	2,180
Losses on inventory valuation	893	-
Others	<u>22</u>	<u>-</u>
	<u>\$ 7,769</u>	<u>\$ 4,790</u>

- (6) Relevant information on unused loss deduction

As of December 31, 2023, relevant information on loss deduction is as follows

The Company

<u>Un-deducted balance</u>	<u>Final deduction year</u>
<u>\$ 52,481</u>	2030

MPLUS TECHNOLOGY CO., LTD

<u>Un-deducted balance</u>	<u>Final deduction year</u>
\$ 4,904	2027
5,694	2028
8,099	2029
2,395	2030
11,923	2032
<u>6,799</u>	2033
<u>\$ 39,814</u>	

CipherLab (Shanghai)

<u>Un-deducted balance</u>	<u>Final deduction year</u>
\$ 3,501	2024
4,607	2025
9,480	2027
<u>10,773</u>	2028
<u>\$ 28,361</u>	

CIPHERLAB USA, INC.

As per the United States income tax law, there is no time limit for deducting losses, but the maximum deduction limit is 80% of the taxable income in the year of profit. As of December 31, 2023, the unused loss deduction is USD3,641 thousand.

- (7) Income tax assessments

The tax authorities have assessed the income tax returns of the Company and its subsidiary, MPLUS TECHNOLOGY, through 2021 and 2020, respectively.

22. EARNINGS (LOSSES) PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit (loss) for the year

	<u>2023</u>	<u>2022</u>
Earnings (losses) used in the computation of basic and diluted earnings per share	(\$ <u>4,366</u>)	<u>\$ 32,254</u>

Number of shares

	Units: thousands of Shares	
	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares used in the computation of basic earnings (losses) per share	68,489	68,489
Effect of potential dilutive ordinary shares:		
Compensation of employees	<u>-</u>	<u>320</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>68,489</u>	<u>68,809</u>

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. As the Company incurred net loss before tax in 2023, diluted earnings per share shall not be calculated.

23. GOVERNMENT GRANTS

According to the “Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens”, the consolidated company was eligible to apply for government grants for various expenses. The subsidies received were NT\$1,624 thousand and NT\$1,369 thousand for 2023 and 2022, respectively, which were recognized under other income.

24. CASH FLOW INFORMATION

(1) Non-cash transaction

The consolidated company entered into the following non-cash transaction investing activities in the years 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Partial cash payment for real property, plant and equipment		
Acquisition of property, plant and equipment	\$ 15,587	\$ 8,263
Changes in payables on purchases of equipment (Net)	<u>706</u>	(<u>3,395</u>)
Cash paid	<u>\$ 16,293</u>	<u>\$ 4,868</u>

(2) Changes in liabilities arising from financing activities

2023

	January 1, 2023	Cash flows	<u>Non-cash changes</u>			December 31, 2023
			<u>Addition</u>	<u>Less</u>	<u>Effective rate</u>	
Short-term loans	\$ 160,000	(\$ 80,000)	\$ -	\$ -	\$ -	\$ 80,000
Long-term loans	4,000	(722)	-	-	-	3,278
Lease liabilities	<u>54,086</u>	(<u>26,035</u>)	<u>2,777</u>	(<u>547</u>)	<u>160</u>	<u>30,441</u>
	<u>\$ 218,086</u>	(<u>\$ 106,757</u>)	<u>\$ 2,777</u>	(<u>\$ 547</u>)	<u>\$ 160</u>	<u>\$ 113,719</u>

2022

	January 1, 2022	Cash flows	<u>Non-cash changes</u>			December 31, 2022
			<u>Addition</u>	<u>Less</u>	<u>Effective rate</u>	
Short-term loans	\$ 182,341	(\$ 22,341)	\$ -	\$ -	\$ -	\$ 160,000
Long-term loans	12,290	(8,290)	-	-	-	4,000
Lease liabilities	<u>34,911</u>	(<u>26,677</u>)	<u>44,296</u>	(<u>1,183</u>)	<u>2,739</u>	<u>54,086</u>
	<u>\$ 229,542</u>	(<u>\$ 57,308</u>)	<u>\$ 44,296</u>	(<u>\$ 1,183</u>)	<u>\$ 2,739</u>	<u>\$ 218,086</u>

25. CAPITAL MANAGEMENT

The consolidated company manages its capital to ensure that every entity within the group can function effectively and generate maximum returns for shareholders by optimizing the balance of liability and equity.

The capital structure is made up of the interests of the consolidated company.

The consolidated company is not subject to meeting other external capital requirements.

26. FINANCIAL INSTRUMENTS

(1) Fair value of financial instruments not measured at fair value

The consolidated company's management considers that carrying amount of financial instruments that are not measured at fair value in the consolidated financial statements approximate the fair values.

(2) Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 389,939	\$ 508,076
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	281,302	354,787

Note 1: Including financial assets measure at amortized cost such as cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables (excluding tax refund receivable), and refundable deposits.

Note 2: Including financial liabilities measured at amortized cost such as short-term loans, accounts payable, other payables (excluding salaries and bonus payable, employees' welfare funds, insurance expenses and operating tax), long-term loans with maturity within 1 year, long-term loans and guarantee deposits.

(3) Financial risk management objectives and policies

The consolidated company's major financial instruments include investments in equity and debt instruments, accounts receivable, accounts payable, and lease liabilities. The financial risks relating to the operation of the consolidated company include market risk (including foreign currency risk and interest risk), credit risk, and liquidity risk.

A. Market risk

The main financial risks borne by the consolidated company are foreign currency risk (please refer to (I) below) and interest risk (please refer to (II) below).

There has been no change to the consolidated company's exposure to market risks or the manner in which these risks are managed and measured.

(I) Foreign currency risk

The company engages in foreign currency sales and purchases, which exposes it to exchange rate fluctuations. To minimize risks, the company regularly assesses the net risk for sales and cost amounts in non-functional currencies and adjusts its cash holdings accordingly.

The carrying amounts of the consolidated company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 30.

Sensitivity analysis

The consolidated company is mainly exposed to the US dollar exchange rate fluctuation.

The following table details the consolidated company's sensitivity to a 1% change in the functional currency against US dollars. 1% is the sensitivity rate used when reporting exchange rate risk to key management in the consolidated company. This rate is based on management's evaluation of potential fluctuations in foreign currency exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. It is imperative to consider the consolidated company's external borrowing, accounts receivable, and accounts payable in addition to internal receivables from foreign operating institutions and foreign currency bank account balances for sensitivity analysis.

The positive number in the table below means that when the functional currency depreciates by 1% against the U.S. dollar, it will increase the pre-tax net profit; when the functional currency appreciates by 1% relative to the U.S. dollar, the impact on the pre-tax net profit will be the same amount negative number.

	Impact of the US dollar	
	2023	2022
Profit or loss	\$ 1,410	\$ 2,506

The effects mentioned are primarily caused by the consolidated company's foreign currency borrowings, receivables, payables, and bank account balances that remain circulated on the balance sheet date and have not undergone cash flow hedging measures.

The consolidated company's sensitivity to exchange rates has decreased in 2023 primarily because of the decrease in net assets denominated in foreign currencies.

(II) Interest risk

The consolidated company's bank deposits and borrowings consist of fixed and floating interest rates which may lead to the consolidated company's exposure to interest risk.

The carrying amounts of the consolidated company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
- Financial assets	\$ -	\$ 55,278
- Financial liabilities	80,441	84,086
Cash flow interest rate risk		
- Financial assets	159,885	134,366
- Financial liabilities	33,278	134,000

Sensitivity analysis

The sensitivity analysis below was determined based on the consolidated company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The rate of change used when reporting interest rates to the key management in the Consolidate company reflects a 25-basis point increase or decrease per annum. This rate serves as a reference for potential fluctuations to the management team in their evaluations.

If interest rates had been changed by 25 basis points and all other variables were held constant, the consolidated company's pre-tax profit for 2023 would change by NT\$317 thousand, and for 2022 NT\$1 thousand, respectively, which was mainly due to fluctuations in variable interest rate related to the consolidated company's bank deposits and borrowings.

The consolidated company's sensitivity to interest rates increased in 2023, mainly due to the decrease in financial assets and liabilities at floating interest rates.

B. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated company. As at the end of the reporting period, the consolidated company's maximum exposure to credit risk, which would cause a financial loss to the consolidated company due to the failure of the counterparty to discharge its obligation, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The consolidated company has adopted a policy to only carry out transactions with reputable counterparties; therefore, no significant credit risk is anticipated.

C. Liquidity risk

The consolidated company's objective is to finance its operations and mitigate the effects of fluctuations in cash flows through the use of cash and cash equivalents, equity investments and bank loans. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The consolidated company relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the consolidated company had available unutilized short-term bank loan facilities set out in (II) below.

(I) Liquidity and interest rate risk tables

The following table details the consolidated company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the consolidated company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2023

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	\$ 147,728	\$ 43,643	\$ 195	\$ 6,458	\$ -
Floating instrument					
Floating rate instrument	\$ 87	\$ 175	\$ 30,964	\$ 2,357	\$ -
Fixed rate instrument	\$ 50,018	\$ -	\$ -	\$ -	\$ -
Lease liabilities	\$ 1,897	\$ 4,352	\$ 4,232	\$ 14,981	\$ 10,382

December 31, 2022

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	\$ 142,146	\$ 42,073	\$ 110	\$ 6,458	\$ -
Floating instrument					
Floating rate instrument	\$ 7	\$ 100,341	\$ 30,955	\$ 3,397	\$ -
Fixed rate instrument	\$ -	\$ 30,081	\$ -	\$ -	\$ -
Lease liabilities	\$ 1,998	\$ 4,582	\$ 19,908	\$ 20,463	\$ 14,109

(II) Financing facilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amount of short-term bank loans		
- Amount used	\$ 80,000	\$ 160,000
- Amount unused	<u>540,705</u>	<u>380,710</u>
	<u>\$ 620,705</u>	<u>\$ 540,710</u>
Amount of long-term bank loans		
- Amount used	\$ 3,278	\$ 4,000
- Amount unused	<u>-</u>	<u>-</u>
	<u>\$ 3,278</u>	<u>\$ 4,000</u>

27. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the consolidated company and other related parties are disclosed as follows:

(1) Related party name and category

<u>Related Party Name</u>	<u>Relationship with the Company</u>
AtechOEM Inc.	Substantive Related Parties
Weikeng Industrial Co., Ltd.	Substantive Related Parties

(2) Operating transactions

	<u>2023</u>	<u>2022</u>
<u>Purchases of goods</u>		
Substantive Related Parties	<u>\$ 3,757</u>	<u>\$ 7,028</u>

There is no significant difference regarding the terms and conditions for the purchase price and the payment terms between the consolidated company and related parties and those of the third parties

(3) Payables to related parties

<u>Item</u>	<u>Related party category/Name</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable	Substantive related parties	<u>\$ 1,129</u>	<u>\$ 2,367</u>

The balance of payables to related parties has not been pledged as collateral.

(4) Compensation of key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 15,664	\$ 18,880
Post-employment benefits	<u>124</u>	<u>108</u>
	<u>\$ 15,788</u>	<u>\$ 18,988</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee in accordance with the individual performance and market trends.

28. ASSETS PLEDGED AS SECURITY

The following assets have been provided in response to relevant tax laws and regulations as collateral for short-term bank loans:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	\$ 57,996	\$ 57,996
Building	30,049	31,040
Pledged time deposits (recognized as financial assets at amortized cost)	<u>1,500</u>	<u>1,500</u>
	<u>\$ 89,545</u>	<u>\$ 90,536</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENT

Significant contingent liabilities and unrecognized commitments of the consolidated company as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Acquisition of property, plant and equipment	<u>\$ 1,640</u>	<u>\$ 10,226</u>

30. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMIATED IN FOREIGN CURRENCIES

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

<u>December 31, 2023</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 7,648	30.705 (USD: NTD)	\$ 234,852
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	3,057	30.705 (USD: NTD)	93,856

December 31, 2022

Foreign

	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 11,783	30.710 (USD: NTD)	\$ 361,856
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	3,610	30.710 (USD: NTD)	110,864
CNY	11	6.9646 (USD: CNY)	344

Foreign currency exchange gains and losses with significant impact (including realized and unrealized) are as follows:

	2023		2022	
Foreign currency	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	31.155 (USD: NTD)	\$ 5,470	29.805 (USD: NTD)	\$ 16,649
CNY	7.0423 (USD: CNY)	8	6.7208 (USD: CNY)	(1,309)
		<u>\$ 5,478</u>		<u>\$ 15,340</u>

31. OTHER DISCLOSURE

(1) Information on significant transactions:

- A. Financing provided to others: None;
- B. Endorsements/guarantees provided: None;
- C. Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Table 1;
- D. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
- E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- G. Total purchases from or sales to related parties of at least to NT\$100 million or 20% of the paid-in capital: Table 2;
- H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- I. Trading in derivative instruments: None;
- J. Others: intercompany relationships and significant intercompany transactions: Table 3

(2) Information on investees: Table 4

(3) Information on investment in Mainland China:

The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: Table 5;

B. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss: None;

- (I) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
- (II) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
- (III) The amount of property transactions and the amount of the resultant gains or losses.
- (IV) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
- (V) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- (VI) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

(4) Information on major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 6.

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The reportable segments of the consolidated company are as below:

(1) Segment revenue and operating results

Following was an analysis of the consolidated company's revenue and operating results by reportable segments:

	Segment Income		Segment Loss	
	2023	2022	2023	2022
Direct customer department	\$ 14,890	\$ 6,082	\$ 6,476	(\$ 2,124)
Agency department	1,040,465	905,194	38,369	81,614
US sales department	239,732	254,178	(21,354)	(3,103)
China sales department	47,545	78,856	(16,015)	(20,422)
Other segments	<u>16,917</u>	<u>13,652</u>	(<u>6,999</u>)	(<u>16,324</u>)
Total for operation units	<u>\$ 1,359,549</u>	<u>\$ 1,257,962</u>	477	39,641

	Segment Income		Segment Loss	
	2023	2022	2023	2022
Interest income			3,139	1,089
Other incomes			2,245	2,205
Other profit or loss			1,996	12,042
Headquarters' management costs and directors' remuneration			(10,424)	(13,117)
Financial costs			(<u>3,777</u>)	(<u>4,890</u>)
Net profit (loss) before tax			(<u>\$ 6,344</u>)	<u>\$ 36,970</u>

Segment profits refer to the earnings by each division, excluding apportionable administrative costs of headquarter and directors' remuneration, interest income, other incomes, other profit or loss, financial costs and income tax expense. The amount of measurement is then provided to the chief operating decision-maker to allocate resources to divisions and evaluate the division's performance.

(2) Total segment assets and liabilities

The amount of measurement for the consolidate company's assets and liabilities was not provided to the chief operating decision-maker, so the relevant information will not be disclosed.

(3) Revenue from major products and services

The following is an analysis of the consolidated company's revenue from its major products and services:

	2023	2022
Electronic instruments	\$ 1,310,531	\$ 1,228,010
Technology, maintenance service	<u>49,018</u>	<u>29,952</u>
	<u>\$ 1,359,549</u>	<u>\$ 1,257,962</u>

(4) Geographical information

The consolidated company operates in three principal geographical areas - Taiwan, Mainland China and U.S.A.

The consolidated company's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
			December 31,	December 31,
	2023	2022	2023	2022
Taiwan	\$ 1,072,272	\$ 924,928	\$ 138,965	\$ 157,767
Mainland China	47,545	78,856	50	1,184
USA	<u>239,732</u>	<u>254,178</u>	<u>19,871</u>	<u>22,479</u>
	<u>\$ 1,359,549</u>	<u>\$ 1,257,962</u>	<u>\$ 158,886</u>	<u>\$ 181,430</u>

Non-current assets exclude deferred tax assets.

(5) Information about Major customers

Customers accounted for more than 10% of the consolidated company's operating income:

	2023	2022
Company B	\$ 258,442	(Note)
Company A	<u>144,922</u>	<u>\$ 146,847</u>
	<u>\$ 403,364</u>	<u>\$ 146,847</u>

Note: Amount of revenue did not reach 10% of total operating revenue of the consolidated company.

CIPHERLAB CO., LTD. AND SUBSIDIARIES
Marketable securities held at the end of the period
December 31, 2023

Table 1

Unit: In Thousands of New Taiwan Dollars

Holding Company Name	Marketable Securities Type and Name	Relationship with the holding company	Financial Statement Account	End of the reporting period				Note
				Shares / Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
CIPHERLAB CO., LTD.	<u>Shares</u> JRC INTERNATIONAL PTY LIMITED	None	Financial assets measured at fair value through other comprehensive income	760	\$ -	19	\$ -	Note
	WELCOM DESIGN K.K.	"	"	40	-	4	-	"

Note: The abovementioned unlisted (counter) stock investment held by the consolidated company was evaluated and measured at fair value as zero as of the balance sheet date. The unrealized loss of NT\$2,180 thousand has been adjusted.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Total purchase from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital
January 1 to December 31, 2023

Table 2

Unit: In Thousands of New Taiwan Dollars

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	Percentage of Total Purchases/Sales (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Payable or Receivable (%)	
CIPHERLAB CO., LTD.	CIPHERLAB INC. USA,	Subsidiary	(Sales)	(\$ 186,313)	(14)	210 days after monthly closing	\$ -	15~120 days after monthly closing	\$ 5,805	4	Note
CIPHERLAB INC. USA,	CIPHERLAB CO., LTD.	Parent company	Purchases	186,313	100	210 days after monthly closing	-	15~120 days after monthly closing	(5,805)	(100)	//

Note: The transactions have been eliminated in the consolidated financial statements.

CIPHERLAB CO., LTD. AND SUBSIDIARIES
Intercompany relationships and significant intercompany transactions
January 1 to December 31, 2023

Table 3

Unit: In Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counterparty	Relationship	Intercompany Transactions			
				Financial Statement Item	Amount (Note 2)	Transaction Terms	Percentage of Consolidated Net Revenue or Total Assets (%) (Note 3)
0	CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	Parent company to subsidiary	Sales revenue	\$186,313	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	14
				Accounts receivable – related parties	5,805		-
				Unrealized profit of associated companies	36,230		3
				Service costs	217	Warranty fee	-
				Selling expenses	46	Warranty fee	-
				Other payables – related parties	50		-
0	CIPHERLAB CO., LTD.	CipherLab Electron Trade (Shanghai) Limited Company	Parent company to subsidiary	Unrealized profit of associated companies	405		-
0	CIPHERLAB CO., LTD.	MPLUS TECHNOLOGY CO., LTD.	Parent company to subsidiary	Sales revenue	24	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	-
				Service revenue	493	Maintenance service	-
				Other incomes	240	Consulting service	-
				Accounts receivable – related parties	495		-
				Other receivables – related parties	101		-

The business relationship between the parent company and its subsidiaries:

The company is mainly engaged in the manufacture and sales of electronic products. CIPHERLAB LIMITED (SAMOA) is a holding company, CIPHERLAB USA, INC. and CipherLab (Shanghai) are the main business of sales of electronic products, and MPLUS TECHNOLOGY is primarily involved operation of development and sales of electronic products.

Note 1: Significant transaction between the parent company and its subsidiaries or among subsidiaries are numbered as follows:

1. Enter 0 for the parent company.
2. Subsidiaries are numbered sequentially from “1” according to company type.

Note 2: The table attached only discloses information regarding one-sided transactions that have been written off in the preparation of consolidated financial statements.

Note 3: Regarding the ratio of the transaction amount to the consolidated total operating income or total assets, it is calculated by the ending balance to the consolidated if it is recognized as liabilities; if as profit or loss, then by the ending cumulative amount to the consolidated total operating income.

CIPHERLAB CO., LTD. AND SUBSIDIARIES
 Name, location, and related information of investees
 January 1 to December 31, 2023

Table 4

Unit: In Thousands of New Taiwan Dollars, unless specified otherwise

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Recognized Investment Income/Losses	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership (%)	Carrying Amount			
CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	USA	Electronics sales	USD 5,150	USD 5,150	5,000,000	100	NTD 48,372 (Note 2)	(NTD 14,612)	(NTD 14,612)	Note 1 and 3
	CIPHERLAB LIMITED(SAMOA)	Samoa	Investment holding	USD 4,150	USD 4,150	4,150,000	100	NTD 21,435 (Note 2)	(NTD 13,980)	(NTD 13,980)	//
	MPLUS TECHNOLOGY CO., LTD.	Taiwan	Electronic product development and design	NTD 37,000	NTD 30,000	3,700,000	95	(NTD 5,910)	(NTD 8,752)	(NTD 8,275)	//

Note 1: No market price is available, and the carrying amount on the balance sheet date is the fair value.

Note 2: The unrealized sales gross profit at the period's end was deducted.

Note 3: The amounts have been eliminated at preparing the consolidated financial statement

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Information on investment in Mainland China
January 1 to December 31, 2023

Table 5

Unit: In Thousands of New Taiwan Dollars, unless specified otherwise

1. Name of the investee company in Mainland China, main business and products, paid-in capital, investment method, investment flows, shareholding ratio, investment profit or loss, investment carrying amount, and inward remittance of investment earnings:

Investee company name	Main business and products	Total Amount of Paid-in capital	Investment Method (Note 1)	Accumulated outflow of investment from Taiwan at the beginning of the period	Investment flows		Accumulated outflow of investment from Taiwan at the end of the reporting period	Current profit or loss of the investee company	Ownership of direct or indirect investment (%)	Current recognized investment profit or loss (Note 2.2.(2))	Carrying value at the end of the period	Accumulated inward remittance of investment earnings at the end of reporting period	Note
					Out flow	Inflow							
CipherLab Electron Trade (Shanghai) Limited Company	Electronics sales	\$ 130,384 (USD 4,150)	(2)	\$ 130,384 (USD 4,150)	\$ -	\$ -	\$ 130,384 (USD 4,150) (Note 4)	(\$ 13,957)	100	(\$ 13,957)	\$ 20,584	\$ -	Has been consolidated and written off when preparing this consolidated financial statement

2. Investment amount in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 130,384 (USD 4,150)	\$ 130,384 (USD 4,150)	\$ 455,755

Note 1: The methods for engaging in investment in mainland China include the following:

1. Direct investment in mainland China.
2. Indirect investment in mainland China through a third area (CIPHERLAB LIMITED (SAMOA)).
3. Other method

Note 2: The investment income (loss) recognized in current period:

1. No investment income (loss) has been recognized due to the investment is still in the development stage.
2. The investment income (loss) was determined based on the following basis:
 - (1) The financial report was reviewed and certified by an international accounting firm in cooperation with an accounting firm in the ROC.
 - (2) The financial statements were reviewed by the parent company's auditors.
 - (3) Others

Note 3: The figures presented in this table are in New Taiwan Dollars.

Note 4: The company has remitted a total of USD4,150 thousand for investment.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Information on major shareholders

December 31, 2023

Table 6

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Chang En Enterprise Management Co., Ltd.	6,706,934	9.79
Lin, Yong-Fa	6,613,376	9.65
Lin, Jun-Yao	4,638,000	6.77

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

6.5 The Company's Parent Company-only Financial Statement Certified by Accountant in the Most Recent Year

INDEPENDENT AUDITORS' REPORT

Audit Opinion

We have audited the accompanying balance sheets of CipherLab Co., Ltd., as of December 31, 2023 and 2022; the related statement of comprehensive income, the statement of changes in equities, and the statement of cash flows for the period of January 1 to December 31, 2023 and 2022; and notes to the financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying financial statements in all material respects, are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers; and present equitably the financial status of the CipherLab Co., Ltd. as of December 31, 2023 and 2022 and its financial performance and cash flows from January 1 to December 31, 2023 and 2022.

Basis for Opinion

We have conducted our audits entrusted by CipherLab Co., Ltd. in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under these terms and conditions will be further elaborated in the section of the Auditors' Responsibilities for the Audit of the Financial Statement in this report. Abiding by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, we have maintained objective and are independent of CipherLab Co., Ltd., and have fulfilled these ethical standards and other responsibilities. We believe that we have obtained sufficient and appropriate evidence as to the basis for our audit opinions.

Key Audit Matters

The key audit matter refers to the most important content in our audit of CipherLab Co., Ltd.'s financial statements for the year 2023 based on our professional judgment. These matters have been addressed in the process of our audit of the financial statements and in forming of the audit opinions, and we will not provide any additional view on these matters discretely.

The followings are the key audit matters for CipherLab Co., Ltd.'s financial statements for the year 2023:

Key audit matter: veracity of sales revenue recognition

The revenue of CipherLab Co., Ltd. from the sales of 3 products, RS 36, RK 25 and RK 26, for the year 2023 was NT\$384,785 thousand, accounting for 31% of the sales revenue, which had a significant impact on the financial statements. Additionally, as the management division was under the pressure of market expectations or expected to obtain the maximum profit return based on business performance, an increase in sales revenue may be a tactic to achieve the business goal. The main risk is the veracity of the sales revenue, which was consequently identified as a key audit matter.

For the accounting policy on the revenue, please refer to Note 4 (11) of the financial statements.

We understood and tested the sales revenue recognition, which is related to the effectiveness of the design and implementation of internal control, by selecting appropriate samples from the details of sales revenue for the 3 products of RS 36, RK 25 and RK 26, to examine the orders, the export declarations, and the consistency between the payment recipients and the objects of the transaction to ensure no material misstatement in the sales revenue.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements 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 financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CipherLab Co., Ltd.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CipherLab Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause CipherLab Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within CipherLab Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of CipherLab Co., Ltd.'s audit. We remain solely responsible for our audit opinion.

We communicate with those in 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 CipherLab Co., Ltd.'s financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche Tohmatsu Limited

Accountant Ruske Ho, Accountant Alice Huang

Securities and Futures Administration
Commission R.O.C (Taiwan) Approved
Number 0930128050

Securities and Futures Administration
Commission R.O.C (Taiwan) Approved
Number 0920131587

March 27, 2024

CIPHERLAB CO., LTD.
BALANCE SHEETS
December 31, 2023 and 2022

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 & 6)	\$ 135,389	12	\$ 147,224	11
1136	Financial assets at amortized cost (Note 4 & 28)	1,500	-	1,500	-
1150	Notes receivable (Note 7 & 19)	2,485	-	803	-
1170	Accounts receivable (Note 4, 7 & 19)	151,070	13	198,964	15
1180	Accounts receivable – related parties (Note 4, 19 & 27)	6,300	1	24,857	2
1200	Other receivables (Note 7 & 27)	29,154	3	56,948	5
1220	Current tax assets (Note 21)	5,882	-	-	-
130X	Inventories (Note 4 & 8)	486,098	42	507,143	39
1479	Other current assets (Note 13)	41,848	4	39,193	3
11XX	Total current assets	<u>859,726</u>	<u>75</u>	<u>976,632</u>	<u>75</u>
	Non-current assets				
1550	Investments accounted for using equity method (Note 4 & 9)	69,807	6	99,895	8
1600	Property, plant and equipment (Note 4, 10 & 28)	119,781	10	109,273	8
1755	Right-of-use assets (Note 4 & 11)	7,903	1	27,976	2
1780	Intangible assets (Note 4 & 12)	4,041	-	6,088	-
1840	Deferred tax assets (Note 4, 5 & 21)	77,493	7	75,557	6
1990	Other non-current assets (Note 13)	7,241	1	9,557	1
15XX	Total non-current assets	<u>286,266</u>	<u>25</u>	<u>328,346</u>	<u>25</u>
1XXX	Total assets	<u>\$ 1,145,992</u>	<u>100</u>	<u>\$ 1,304,978</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term borrowings (Note 14)	\$ 80,000	7	\$ 160,000	12
2170	Accounts payable (Note 15 & 27)	120,683	11	107,822	8
2219	Other payables (Note 16)	94,649	8	121,764	9
2230	Current tax liabilities (Note 21)	-	-	6,051	-
2280	Lease liabilities – current (Note 4 & 11)	7,351	1	22,029	2
2399	Other current liabilities (Note 4, 16 & 19)	26,708	2	20,901	2
21XX	Total current liabilities	<u>329,391</u>	<u>29</u>	<u>438,567</u>	<u>33</u>
	Non-current liabilities				
2570	Deferred tax liabilities (Note 4 & 21)	4,343	-	3,906	-
2580	Lease liabilities – non-current (Note 4 & 11)	618	-	6,066	1
2640	Net defined benefit liabilities – non-current (Note 4 & 17)	8,366	1	8,764	1
2670	Other non-current liabilities (Note 4, 9, 16 & 19)	43,363	4	42,070	3
25XX	Total non-current liabilities	<u>56,690</u>	<u>5</u>	<u>60,806</u>	<u>5</u>
2XXX	Total liabilities	<u>386,081</u>	<u>34</u>	<u>499,373</u>	<u>38</u>
	Equity (Note 18)				
3110	Ordinary share capital	684,891	60	684,891	53
3210	Capital surplus	1,151	-	1,151	-
	Retained earnings				
3310	Legal reserve	77,998	7	74,587	6
3320	Special reserve	1,084	-	11,508	1
3350	(Accumulated deficit) Unappropriated retained earnings	(4,346)	(1)	34,552	2
3300	Total retained earnings	<u>74,736</u>	<u>6</u>	<u>120,647</u>	<u>9</u>
	Other equity				
3410	Exchange differences on translation of foreign financial statements	1,313	-	1,096	-
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(2,180)	-	(2,180)	-
3400	Total other equity interest	(867)	-	(1,084)	-
3XXX	Total equity	<u>759,911</u>	<u>66</u>	<u>805,605</u>	<u>62</u>
	Total liabilities and equity	<u>\$ 1,145,992</u>	<u>100</u>	<u>\$ 1,304,978</u>	<u>100</u>

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

January 1 to December 31, 2023 and 2022

In Thousands of New Taiwan Dollars
Except (Losses) Earnings per Share

Code		2023		2022	
		Amount	%	Amount	%
	Operating revenues (Note 4, 19 & 27)				
4100	Sales revenue	\$ 1,260,304	98	\$ 1,175,992	98
4600	Service revenue	<u>29,733</u>	<u>2</u>	<u>18,279</u>	<u>2</u>
4000	Total operating revenue	<u>1,290,037</u>	<u>100</u>	<u>1,194,271</u>	<u>100</u>
	Operating costs				
5110	Cost of sales (Note 8,17, 20 & 27)	(843,494)	(66)	(771,089)	(65)
5600	Cost of services	(<u>1,688</u>)	<u>-</u>	(<u>1,365</u>)	<u>-</u>
5000	Total operating costs	(<u>845,182</u>)	(<u>66</u>)	(<u>772,454</u>)	(<u>65</u>)
5900	Operating profit margin	444,855	34	421,817	35
5910	Unrealized Profits on Transactions with subsidiaries (Note 4 & 9)	(36,635)	(3)	(34,868)	(3)
5920	Realized Profits on Transactions with subsidiaries (Note 4 & 9)	<u>34,868</u>	<u>3</u>	<u>23,633</u>	<u>2</u>
5950	Operating profit margin realized	<u>443,088</u>	<u>34</u>	<u>410,582</u>	<u>34</u>
	Operating expenses (Note 7, 17, 20 & 27)				
6100	Selling expenses	(189,360)	(14)	(149,850)	(12)
6200	Administrative expenses	(47,482)	(4)	(48,797)	(4)
6300	Research and development expenses	(184,079)	(14)	(142,232)	(12)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	<u>83</u>	<u>-</u>	<u>128</u>	<u>-</u>
6000	Total operating expenses	(<u>420,838</u>)	(<u>32</u>)	(<u>340,751</u>)	(<u>28</u>)
6900	Net operating profit	<u>22,250</u>	<u>2</u>	<u>69,831</u>	<u>6</u>

(Continue)

(Previous)

Code		2023		2022	
		Amount	%	Amount	%
	Non-operating income and expenses				
7100	Interest income (Note 20)	\$ 2,848	-	\$ 983	-
7010	Other income (Note 20 & 27)	2,454	-	2,515	-
7020	Other gains and losses (Note 20)	5,562	1	15,119	1
7050	Financial costs (Note 20)	(2,369)	-	(3,471)	-
7070	Subsidiaries' shares of profit and loss accounted for using equity method (Note 4)	(36,867)	(3)	(48,362)	(4)
7000	Total non-operating income and expenses	(28,372)	(2)	(33,216)	(3)
7900	Profit (loss) before tax	(6,122)	-	36,615	3
7950	Income tax benefits (expenses) (Note 4 & 21)	1,756	-	(4,361)	-
8200	Profit (loss) for the year	(4,366)	-	32,254	3
	Other comprehensive income (Note 17, 18 & 21)				
8310	Items not to be reclassified into profit or loss:				
8311	Remeasurements of defined benefit plans	(18)	-	2,324	-
8349	Income tax related to items that will not be reclassified to profit or loss	3	-	(465)	-
8360	Items that may be reclassified to profit or loss::				
8361	Exchange differences in translation of financial statements of foreign operations	271	-	13,030	1
8399	Income tax related to items that will be reclassified to profit or loss	(54)	-	(2,606)	-
8300	Total other comprehensive income (after tax)	202	-	12,283	1
8500	Total comprehensive income	(\$ 4,164)	-	\$ 44,537	4
	Earnings (losses) per share (Note 22)				
9710	Basic	(\$ 0.06)		\$ 0.47	
9810	Diluted	(\$ 0.06)		\$ 0.47	

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
January 1 to December 31, 2023 and 2022

In Thousands of New Taiwan Dollars

Code		Ordinary share capital	Capital surplus	Retained Earnings			Other Equity		Total equity
				Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	
A1	Balance at January 1, 2022	\$ 684,891	\$ 1,151	\$ 70,936	\$ 3,062	\$ 36,507	(\$ 9,328)	(\$ 2,180)	\$ 785,039
	Appropriation and distribution of 2021 earnings (Note 18)								
B1	Legal reserve appropriated	-	-	3,651	-	(3,651)	-	-	-
B3	Special reserve appropriated	-	-	-	8,446	(8,446)	-	-	-
B5	Cash dividend attributable to shareholders of parent company	-	-	-	-	(23,971)	-	-	(23,971)
D1	Net profit of 2022	-	-	-	-	32,254	-	-	32,254
D3	Other comprehensive income of 2022 (Note 18)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,859</u>	<u>10,424</u>	<u>-</u>	<u>12,283</u>
D5	Total comprehensive income of 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,113</u>	<u>10,424</u>	<u>-</u>	<u>44,537</u>
Z1	Balance at December 31, 2022	684,891	1,151	74,587	11,508	34,552	1,096	(2,180)	805,605
	Appropriation and distribution of 2022 earnings (Note 18)								
B1	Legal reserve appropriated	-	-	3,411	-	(3,411)	-	-	-
B5	Cash dividend attributable to shareholders of parent company	-	-	-	-	(41,093)	-	-	(41,093)
B17	Reversal of special reserve	-	-	-	(10,424)	10,424	-	-	-
D1	Net loss of 2023	-	-	-	-	(4,366)	-	-	(4,366)
D3	Other comprehensive income of 2023 (Note 18)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15)</u>	<u>217</u>	<u>-</u>	<u>202</u>
D5	Total comprehensive income of 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,381)</u>	<u>217</u>	<u>-</u>	<u>(4,164)</u>
M7	Changes in ownership of interests in subsidiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(437)</u>	<u>-</u>	<u>-</u>	<u>(437)</u>
Z1	Balance at December 31, 2023	<u>\$ 684,891</u>	<u>\$ 1,151</u>	<u>\$ 77,998</u>	<u>\$ 1,084</u>	<u>(\$ 4,346)</u>	<u>\$ 1,313</u>	<u>(\$ 2,180)</u>	<u>\$ 759,911</u>

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD.
STATEMENTS OF CASH FLOWS
January 1 to December 31, 2023 and 2022

		In Thousands of New Taiwan Dollars	
Code		2023	2022
	Cash flows from operating activities		
A10000	Profit (loss) before tax	(\$ 6,122)	\$ 36,615
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expenses	39,915	43,880
A20200	Amortization expenses	3,627	3,614
A20300	Expected credit impairment reversal gains	(83)	(128)
A20400	Gains on financial assets at fair value through profit or loss	(4)	-
A20900	Financial costs	2,369	3,471
A21200	Interest income	(2,848)	(983)
A22400	Subsidiaries' shares of profit and loss accounted for using equity method	36,867	48,362
A22500	Losses on disposal of property, plant, and equipment	299	176
A23700	Inventory valuation and obsolescence losses	5,811	-
A23900	Unrealized gains on transactions with subsidiaries	36,635	34,868
A24000	Realized gains on transactions with subsidiaries	(34,868)	(23,633)
A24100	Unrealized foreign exchange gains	(1,933)	(2,895)
A29900	Gains on lease modification	-	(4)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily measured at fair value through profit or loss	4	-
A31130	Notes receivable	(1,682)	680
A31150	Accounts receivable	46,481	(17,325)
A31160	Accounts receivable – related parties	18,760	5,455
A31180	Other receivables	27,385	(26,915)
A31200	Inventories	15,234	5,775
A31240	Other current assets	(2,655)	(15,618)
A32130	Notes payable	-	(125)
A32150	Accounts payable	14,313	(20,242)
A32180	Other payables	(26,081)	10,825
A32220	Other current liabilities	5,807	13,085
A32240	Net defined benefit liabilities	(416)	(509)
A32990	Other non-current liabilities	(419)	21,586
A33000	Cash flows from operations	176,396	120,015

(Continue)

(Previous)

Code		2023	2022
A33100	Interest received	\$ 2,964	\$ 867
A33500	Income tax paid	(11,727)	(4,246)
AAAA	Net cash flows generated from operating activities	<u>167,633</u>	<u>116,636</u>
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	(16,219)	(4,311)
B02800	Disposal of property, plant and equipment	16	46
B04500	Acquisition of intangible assets	(1,580)	(1,955)
B06700	Increase in other non-current assets	(10,049)	(1,698)
BBBB	Net cash flows used in investing activities	<u>(27,832)</u>	<u>(7,918)</u>
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	(80,000)	(22,341)
C01700	Repayment for long-term borrowings	-	(8,333)
C04020	Repayment of lease liabilities	(22,914)	(22,623)
C04500	Cash dividends paid	(41,093)	(23,971)
C05400	Acquisition of equity of subsidiaries	(7,000)	-
C05600	Interest paid	(2,361)	(3,496)
CCCC	Net cash flows used in financing activities	<u>(153,368)</u>	<u>(80,764)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>1,732</u>	<u>5,481</u>
EEEE	Net increase (decrease) in cash and cash equivalents	(11,835)	33,435
E00100	Cash and cash equivalents at beginning of the year	<u>147,224</u>	<u>113,789</u>
E00200	Cash and cash equivalents at end of the year	<u>\$ 135,389</u>	<u>\$ 147,224</u>

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD.

Notes to Financial Statements

January 1 to December 31, 2023 and 2022

(In thousands of New Taiwan Dollar, Unless Stated Otherwise)

1. COMPANY HISTORY

- (1) CIPHERLAB CO., LTD. (hereinafter referred to as "the Company,") was established in October 1988 with the approval of the Ministry of Economic Affairs and officially started business operations in June 1989. The Company specializes in manufacturing and selling various computer-related products, such as peripheral equipment, electronic cash registers, barcode scanners, magnetic card readers, electronic measuring instruments, and software programs. They also provide services for skincare products, import and export trade, and acting as domestic and foreign manufacturers' agents for distribution. In addition, the Company is involved in importing and manufacturing telecommunications control radio frequency equipment.
- (2) The Company's stocks have been listed on the OTC market through Taipei Exchange for trading since March 1, 2002.
- (3) The Company does not have an ultimate parent entity or ultimate financial controller due to the shareholding dispersion.
- (4) The financial statements are expressed in New Taiwan dollars, the company's functional currency.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

These financial statements were authorized for issuance by the Board of Directors on March 13, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRS accounting standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The adoption of the amendments to IFRS accounting standards approved and issued by the FSC will not significantly affect the Company's accounting policies.

- (2) IFRS accounting standards applicable for the year 2024 and endorsed by the Financial Supervisory Commission

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB(Note 1)</u>
Amendments to IFRS 16 "Lease Liability in Sale and Leaseback"	January 1, 2024(Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024(Note 3)

Note 1: Unless stated otherwise, the above new, amended, or revised IFRSs are effective for annual periods beginning on or after their respective effective dates.

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

Note 3: Part of the disclosure regulations is exempt at first-time adoption of the modification.

As of the approval date of the financial statements, the Company evaluates that the application of aforementioned standards and interpretations will not have significant impact on the Company's financial position and financial performance.

- (3) IFRS accounting standards issued by the IASB but not yet endorsed and issued into effect by the FSC.

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 17 "Insurance Contract"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025(Note 2)

Note 1: Unless stated otherwise, the above new, amended or revised IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendments apply to annual reporting periods beginning on or after January 1, 2025. The consolidated company shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings. When the consolidated company uses a presentation currency other than its functional currency, the consolidated company shall recognize any effect of initially applying the amendments as an adjustment to the exchange differences in the conversion of the financial statements of foreign operations under equity at the first-adoption date.

As of the approval date of the financial statements, the Company continues to evaluate the impact of the amendments to the other standards and interpretations on the financial status and financial performance; the relevant impact will be disclosed upon completion of the assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS accounting standards as endorse and issued into effect by the FSC.

(2) Basis of Preparation

The financial statements have been prepared based on the historical cost except for financial instruments measured at fair values and the defined benefit liability recognized by the present value of the defined benefit obligation minus the fair value of the plan assets.

The fair value measurements are classified into levels 1 to 3 based on the observation level and significance of the inputs:

- A. Level 1 inputs: the quoted price (unadjusted) in active markets for identical assets or liabilities at the date of measurement.
- B. Level 2 inputs: observable inputs of the direct (i.e. as prices) or indirect (i.e. derive from prices) for assets or liabilities other than quoted prices of Level 1.
- C. Level 3 inputs: unobservable inputs for the assets or liabilities.

The Company adopts the equity method for investment in subsidiaries when preparing the individual financial report. In order to make the current year's profit and loss, other comprehensive profit and loss and equity in this individual financial report consistent with the current year's profit and loss, other comprehensive profit and loss and equity attributable to the owners of the Company in the Company's consolidated financial report, adjustments for specific differences between the individual basis and the consolidated basis reports in accounting treatment are made to "investments accounted for using equity method", "share of profit and loss of subsidiaries accounted for using the equity method", "share of other comprehensive profits and losses of subsidiaries accounted for using the equity method" and related equity items.

(3) Standard for Classification of Current and Non-current Assets and Liabilities

Current assets include:

- A. Assets held primarily for the purpose of trading;
- B. Assets expected to be realized within 12 months after the date of balance sheet; and
- C. Cash and cash equivalents (excluding assets restricted from being exchanged or used to settle a liability exceed 12 months after the date of balance sheet).

Current liabilities include:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities due to be settled within 12 months after the date of the balance sheet; and
- C. Liabilities with settlement dates that cannot be deferred unconditionally to at least 12 months after the balance sheet date.

Assets and liabilities that cannot be classified as listed above should be classified as non-current.

(4) Foreign Currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions.

Monetary items denominated in foreign currencies are retranslated at the closing rates prevailing on the date of the balance sheet. Exchange differences arising on the settlement of monetary items or on translating monetary items shall be recognized in the profit or loss in the period in which they arise.

Non-monetary items measured at fair value denominated in foreign currency are converted at the exchange rate on the day when the fair value is determined. The resulting exchange differences are included in the profit and loss of the period, except for those with changes in fair value is recognized in other comprehensive profit and loss for which the resulting exchange differences are listed directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In preparing the financial report, the assets and liabilities of the Company's foreign operating (the Company's subsidiaries) are converted to NTD at the exchange rate on the date of the balance sheet. The income and expense items are converted at the average exchange rate of the period, and the resulting exchange differences are included in other comprehensive income (and attributable respectively to the Company's owners and non-controlling interest).

If the Company disposes of all equities of the foreign operation, all of the exchange differences accumulated in equity in respect of foreign operation attributable to the owners of the Company are reclassified to profit or loss.

(5) Inventory

Inventories consist of raw materials and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost.

(6) Investments in Subsidiaries

Subsidiaries are entities controlled by the Company. Investments of the Company in the subsidiaries are accounted for by the equity method.

Under the equity method, investments are initially recognized at costs. The carrying amount is increased or decreased according to the Company's share of the profit or loss, and distribution of other comprehensive income of the subsidiaries after the date of acquisition. Additionally, the Company's share of the changes in other equities of subsidiaries is determined by the shareholding rate.

Changes in the Company's ownership interests in the subsidiaries that do not result in losing control of the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of the subsidiaries equals to or exceeds its equity of the subsidiaries (including the carrying amount of the investment in subsidiaries accounted for under the equity method and other long-term interests that, in substance, are part of the Company's net investment), the Company will continue to recognize its shares as losses by its shareholding rate.

When conducting an impairment evaluation, the Company will take into full consideration of the cash-generating unit in the financial statements and compare its recoverable amount with the carrying amount. If the recoverable amount increase, the reversal of the impairment loss will be recognized as profit, subject to the carrying amount of the asset after reversal of impairment loss is no more than the unrealized impairment loss of the asset less amount of amortization. Any impairment losses recognized in respect of goodwill cannot be reversed subsequently.

The unrealized profit or loss on downstream transactions between the Company and the subsidiaries is eliminated in the financial statements. The profit or loss from upstream and side stream transactions between the Company and the subsidiaries is recognized in the financial statements only to the extent of interests in the subsidiary not related to the Company.

(7) Property, Plant, and Equipment

Property, plant, and equipment are measured at cost, less recognized accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

(8) Intangible Assets

A. Intangible assets acquired separately

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

B. Derecognition

When derecognizing an intangible asset, the difference between the net disposal proceeds and the asset's carrying amount is recognized in the profit or loss for the year.

(9) Impairment of the Property, Plant and Equipment and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an

individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to individual cash-generating units on a reasonable and consistent basis of allocation.

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount (less amortization and depreciation), but only to the extent of the carrying amount that would have been determined with no impairment loss having been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(10) Financial Instruments

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

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

A. Financial Assets

The regular way purchases or sales of financial assets is recognized and derecognized on a trade date.

(I) Measurement category

Categories of financial assets held by the Company are financial assets measured at amortized cost and equity instrument investments measured at fair value through other comprehensive income.

a. Financial assets measured at amortized cost

Financial assets of the Company, in compliance with the following two conditions simultaneously, are to be classified as financial assets measured by amortized cost

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

Financial assets at amortized costs after initial recognition are measured at amortized cost and equal the total of the carrying amount determined by the effective interest method less any impairment loss. Any difference in foreign currency exchange is recognized in profit or loss.

Except for the following two cases, the interest income is calculated as the effective interest rate multiplied by the total carrying amount of financial assets:

- i. Interest income of purchase or originated credit-impaired financial assets is calculated as the credit-adjusted effective interest rate multiplied by the amortized cost of the financial assets;
- ii. Interest income of the financial assets that are not classified as purchased or originated credit-impaired, but subsequently become credit-impaired, should be calculated from the next reporting period after the credit impairment as the effective interest rate multiplied by the financial asset at amortized cost.

A financial asset is credit-impaired when the issuer or the borrower has significant financial difficulties and breach contract; it becomes probable that the borrower might enter bankruptcy or other financial reorganization, or have the active market for that financial asset disappeared due to financial difficulties.

Cash equivalents include time deposits within 3 months from the date of acquisition, which are highly liquid, can be converted into a known amount of cash at any time, with only an insignificant risk of value changes, and are held for meeting short-term cash commitments.

- b. Investments in equity instruments measured at fair value through other comprehensive income

The Company can make an irrevocable election at initial recognition to designate the non-held for trading and not recognized as business mergers or investments in equity instruments be measured at fair value through other comprehensive income.

Investments in equity instruments carried at fair value through other comprehensive income are measured at fair value. Subsequent changes in fair value are recognized in other comprehensive income and accumulated in other equity. Accumulated profit or loss will directly transfer to retained earnings but not reclassified to profit or loss when disposing of the investment.

The dividends of the investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss when the Company has confirmed its right of receivables, unless the dividends are clearly a recoverable amount of the investment cost.

(II) Impairment of financial assets

The Company shall evaluate, with the expected credit loss, the impairment loss of the financial assets measured at amortized cost, including accounts receivable, on each balance sheet date.

Accounts receivables are recorded as loss allowance by expected credit losses in the duration. For other financial assets, it shall evaluate whether the credit risk has increased significantly since the initial recognition. If the credit risk hasn't increased significantly, the financial assets shall be recognized as loss allowance based on a 12-month expected credit loss. However, if the credit risk has increased significantly, the financial assets will be recognized as loss allowance by the expected credit loss in the duration.

Expected credit loss takes the risk of default as the weighted average credit loss. 12-month expected credit loss is the expected credit loss of possible violation of the financial instrument within 12 months after the reporting date. Expected credit loss in the duration is the expected credit loss of possible violation of the financial instrument in the duration.

For the purpose of internal credit risk management, the Company, without considering the collateral held, determines that the following conditions represent a default in financial assets:

- a. There is internal or external information indicating that it is unlikely that the borrower will pay off the debt.
- b. An overdue payment of more than 90 days; unless there is reasonable and corroborated information showing that the delayed default is more appropriate.

The carrying amount of all financial assets with impairment loss are adjusted and reduced through the use of an allowance account.

(III) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to other enterprise.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

B. Financial Liabilities

(I) Subsequent measurement

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

(II) Derecognition of financial liabilities

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

(11) Revenue Recognition

Upon confirming with the customers in regards to the contractual obligations, the Company allocates the transaction price to the performance obligations and recognizes the revenue when the performance obligations are satisfied.

A. Sale of Goods

Revenue from sales of goods comes from the sales of handheld industrial computer and handheld barcode scanner. As the customers will have the full discretion over the right to pricing and the usage of the products upon shipment of goods, the customers should take primary responsibility for the resale of the products and the obsolescence risk onwards. The revenue will be recognized as accounts receivable concurrently.

The Company does not recognize revenue on outward processing because it does not involve a transfer of control over the processed products.

B. Rendering of Service

Revenue from the rendering of service comes from product maintenance service. As the Company provides the service, customers simultaneously receive and consume the benefits provided by the Company's performance. The income generated by the provision of the services under the contract is recognized, according to the degree of completion of the contract.

(12) Lease

The Company evaluates whether the contract is (or contains) a lease on the date of the establishment of the contract.

The Company as lessee

Except for the exempted low-value asset leases and short-term leases, the lease payments are recognized as expenses during the lease term on a straight-line basis. For other leases, the right-of-use assets and lease liabilities are recognized on the lease start date.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the lease payment paid before the lease start date less the lease incentive received, the original direct cost, and the estimated cost of recovering the underlying asset). Subsequently, the right-of-use asset is measured with a deduction of accumulated depreciation and the amount after the accumulated impairment loss is determined, and the remeasurement of the lease liability is adjusted. Right-of-use assets are presented separately on the balance sheet.

Depreciation of right-of-use asset is recognized on a straight-line basis from the beginning of the lease over the shorter of the useful life of the asset and the lease term.

Lease liabilities are initially measured at the present value (including fixed payments, actual fixed payments, variable lease payments which depend on an index or a rate, expected payables by the Company under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option, the exercise price for an option to purchase reasonably believed will be exercised, and the lease termination penalties reflected in the lease terms, less any lease incentives) of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liability is measured at the amortized cost using the effective interest method, and the interest expense is allocated over the lease term. If the lease term, expected payables under residual value guarantees, assessment of an option to purchase an underlying asset, or the change in the index or rate used to determine the lease payments results in a change in the future lease payments, the Company will remeasure the lease liability and adjust the right-of-use asset accordingly. If the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss. Lease liabilities are presented separately on the balance sheet.

(13) Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants related to revenue intended to compensate for the costs incurred by the Company over the period are recognized in other income.

When the Company receives government grants as compensation for expenses or losses that have already been incurred or to provide immediate financial support with no future related costs, these grants are recognized as the profit or loss during the period in which the grants can be collected.

(14) Employee Benefits

A. Short-term Employee Benefits

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

B. Retirement Benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs (including current service costs) and net interest on the net defined benefit liability (assets), are recognized as employee benefits expenses in the period they occur. Remeasurement, (comprising actuarial gains and losses and the return on plan assets less interest), is recognized in the period in which they occur in other comprehensive income which is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net defined benefit liabilities represent the Company's actual defined benefit plan deficit.

(15) Income Tax

Income tax expense represents the sum of the current income tax and the deferred tax.

A. Current Tax

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

According to the Income Tax Act of the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

B. Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

C. Current and Deferred Taxes

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

5. CRITICAL ACCOUNTING JUDGEMENT AND MAJOR SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When the Company develops significant accounting estimates, inflation and market interest rate fluctuations are taken into considerations of significant accounting estimates, and forecast to cash flows, growth rate, discount rate, and profitability, etc., are also taken into consideration of significant accounting estimates. The management will continuously review estimates and basic assumptions.

Main sources of uncertainty in estimates and assumptions

(1) Impairment of Inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

(2) Income Tax

The possibility of realizing deferred income tax assets is primarily determined by whether there will be sufficient profits or taxable temporary differences in the future. Suppose the actual profit falls short of expectations. In that case, there may be significant reversals of deferred income tax assets, which are recorded as profit or loss during the period they occur.

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand & revolving fund	\$ 144	\$ 104
Demand deposits	135,245	91,842
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>-</u>	<u>55,278</u>
	<u>\$ 135,389</u>	<u>\$ 147,224</u>

Cash equivalent market interest rate for the above interest-bearing financial assets at the date of the balance sheet is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank deposit(including time deposits classified as cash equivalent)	0.05% ~ 1.45%	0.005% ~ 4.20%

7. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES, AND OTHER RECEIVABLES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivable</u>		
Measurement at amortized costs		
Total carrying amount	\$ 2,485	\$ 803
Less: loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 2,485</u>	<u>\$ 803</u>
Arising from operations	<u>\$ 2,485</u>	<u>\$ 803</u>
<u>Accounts receivable</u>		
Measurement at amortized costs		
Total carrying amount	\$ 151,102	\$ 199,082
Less: loss allowance	(<u>32</u>)	(<u>118</u>)
	<u>\$ 151,070</u>	<u>\$ 198,964</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Other receivables</u>		
Receivables for Outward processing	\$ 20,873	\$ 49,405
Tax refund receivable	8,106	7,057
Others	<u>175</u>	<u>486</u>
	<u>\$ 29,154</u>	<u>\$ 56,948</u>

(1) Notes Receivable

The Company recognizes the loss allowance for notes and accounts receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation. As of December 31, 2023 and 2022, there are no outstanding notes receivable. According to the assessment by the Company, it is not necessary to set aside notes receivable for expected credit losses.

(2) Accounts Receivable

The revenue arising from sales of goods is collected monthly with average credit period of 15~120 days. In order to minimize credit risk, the management of the Company has appointed a team responsible for the determination of credit limit, credit approval and other monitoring procedures to ensure that proper action is taken for recovery of overdue debts. In addition, the Company reviews the recoverable amount of the overdue notes and accounts receivable on the balance sheet date to ensure that adequate allowances are made for the irrecoverable amounts. In this regard, the management believes that the credit risk of the Company has been significantly reduced.

The Company recognizes the loss allowance for notes and accounts receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation using a provision matrix and also considering the GDP forecast. According to the Company's past experience of credit losses, there is no significant difference in the loss patterns for different customer entities. Thus, the expected credit loss rate is determined solely by the number of overdue days for the receivables.

If there is evidence indicating that a counterparty is facing serious financial difficulties and the Company cannot reasonably estimate the recoverable amount, the Company will write off the related notes and accounts receivable, but continue with recourse. The amount recovered due to recourse is recognized in profit or loss.

The Company's loss allowance for the receivables is estimated using a provision matrix as follows:

December 31, 2023

		1~30 days	31~60 days	61~90 days	91~120 days	120 days	
	Not past due	overdue	overdue	overdue	overdue	overdue	Total
Expected credit							
loss rate	0.0004%	0.002%	0.04%	4.74%	100%	100%	
Total carrying							
amount	\$ 119,425	\$ 31,351	\$ 279	\$ 17	\$ -	\$ 30	\$ 151,102
Loss allowance							
(Lifetime ECL)	-	(1)	-	(1)	-	(30)	(32)
Amortized cost	<u>\$ 119,425</u>	<u>\$ 31,350</u>	<u>\$ 279</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,070</u>

December 31, 2022

		1~30 days	31~60 days	61~90 days	91~120 days	120 days	
	Not past due	overdue	overdue	overdue	overdue	overdue	Total
Expected credit							
loss rate	0.001%	0.09%	0.17%	16.41%	100%	100%	
Total carrying							
amount	\$ 174,406	\$ 24,418	\$ 121	\$ 51	\$ 83	\$ 3	\$ 199,082
Loss allowance							
(Lifetime ECL)	(3)	(21)	-	(8)	(83)	(3)	(118)
Amortized cost	<u>\$ 174,403</u>	<u>\$ 24,397</u>	<u>\$ 121</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,964</u>

Changes in loss allowance for accounts receivable and overdue receivables are as follows:

	2023	2022
Balance at the beginning of the year	\$ 118	\$ 3,651
Add: reversal of impairment losses	(83)	(128)
Less: amount written off	(3)	(3,405)
Balance at the end of the year	<u>\$ 32</u>	<u>\$ 118</u>

8. INVENTORY

	December 31, 2023	December 31, 2022
Finished goods	\$ 37,895	\$ 26,181
Work in process	26,764	16,647
Raw materials	421,190	464,269
Merchandise	<u>249</u>	<u>46</u>
	<u>\$ 486,098</u>	<u>\$ 507,143</u>

The costs of goods sold related to inventories in 2023 and 2022 were NT\$843,494 thousand and NT\$771,089 thousand, respectively.

The costs of goods sold in 2023, including inventory depreciation and obsolescence losses, was NT\$5,811 thousand.

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2023	December 31, 2022
Investments in Subsidiaries	<u>\$ 69,807</u>	<u>\$ 99,895</u>

(1) Investments in Subsidiaries

<u>Investments in subsidiaries</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unlisted company		
CIPHERLAB USA, INC.	\$ 84,602	\$ 98,642
CIPHERLAB LIMITED (SAMOA)	21,840	36,121
MPLUS TECHNOLOGY CO., LTD. (MPLUS TECHNOLOGY)	(5,910)	(4,198)
Unrealized Profits on Transactions with subsidiaries	(<u>36,635</u>)	(<u>34,868</u>)
	63,897	95,697
Add: Credit balance of investments accounted for using equity method	<u>5,910</u>	<u>4,198</u>
	<u>\$ 69,807</u>	<u>\$ 99,895</u>

(2) The Company's ownership interest and voting rights percentages for investments using the equity method on the balance sheet date are as follows:

<u>Company Name</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
CIPHERLAB USA, INC.	100%	100%
CIPHERLAB LIMITED (SAMOA)	100%	100%
MPLUS TECHNOLOGY	95%	94%

MPLUS TECHNOLOGY implemented cash capital increase of NT\$5,000 thousand on February 20, 2023, subscribed by the Company in full, and the payment for the capital increase was offset by the loans to MPLUS TECHNOLOGY. In addition, MPLUS TECHNOLOGY implemented cash capital increase of NT\$2,000 thousand on June 30, 2023, subscribed by the Company in full as well. After the capital increase, the percentage of ownership of the Company to MPLUS TECHNOLOGY has increased from 94% to 95%. The difference of NT\$437 thousand in the carrying amount of investments decreased the unappropriated earnings.

(3) The Company's investments using the equity method, share of profit or loss, and other comprehensive income are calculated based on financial statements audited by professional accountants.

10. PROPERTY, PLANT, AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Molding equipment	Income- generating equipment	Total
<u>Cost</u>						
Balance as of January 1, 2023	\$ 57,996	\$ 55,493	\$ 16,406	\$ 222,821	\$ 101,701	\$ 454,417
Addition	-	-	-	10,556	4,957	15,513
Disposals	-	-	(554)	(288)	(5,042)	(5,884)
Reclassification (Note)	-	-	-	10,390	1,975	12,365
Balance as of December 31, 2023	<u>\$ 57,996</u>	<u>\$ 55,493</u>	<u>\$ 15,852</u>	<u>\$ 243,479</u>	<u>\$ 103,591</u>	<u>\$ 476,411</u>
<u>Accumulated depreciation</u>						
Balance as of January 1, 2023	\$ -	\$ 24,453	\$ 15,689	\$ 212,958	\$ 92,044	\$ 345,144
Depreciation expenses	-	991	111	11,560	4,393	17,055
Disposals	-	-	(554)	(288)	(4,727)	(5,569)
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 25,444</u>	<u>\$ 15,246</u>	<u>\$ 224,230</u>	<u>\$ 91,710</u>	<u>\$ 356,630</u>
Net balance as of December 31, 2023	<u>\$ 57,996</u>	<u>\$ 30,049</u>	<u>\$ 606</u>	<u>\$ 19,249</u>	<u>\$ 11,881</u>	<u>\$ 119,781</u>
<u>Cost</u>						
Balance as of January 1, 2022	\$ 57,996	\$ 55,493	\$ 16,406	\$ 220,551	\$ 95,233	\$ 445,679
Addition	-	-	-	1,718	5,988	7,706
Disposals	-	-	-	(360)	(312)	(672)
Reclassification (Note)	-	-	-	912	792	1,704
Balance as of December 31, 2022	<u>\$ 57,996</u>	<u>\$ 55,493</u>	<u>\$ 16,406</u>	<u>\$ 222,821</u>	<u>\$ 101,701</u>	<u>\$ 454,417</u>
<u>Accumulated depreciation</u>						
Balance as of January 1, 2022	\$ -	\$ 23,462	\$ 15,578	\$ 197,271	\$ 88,088	\$ 324,399
Depreciation	-	991	111	15,825	4,268	21,195
Disposals	-	-	-	(138)	(312)	(450)
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 24,453</u>	<u>\$ 15,689</u>	<u>\$ 212,958</u>	<u>\$ 92,044</u>	<u>\$ 345,144</u>
Net balance as of December 31, 2022	<u>\$ 57,996</u>	<u>\$ 31,040</u>	<u>\$ 717</u>	<u>\$ 9,863</u>	<u>\$ 9,657</u>	<u>\$ 109,273</u>

Note: Reclassified from other non-current assets – prepayments for business facilities, to property, plant, and equipment.

Related depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	55 years
Mechanical equipment	2~10 years
Molding equipment	2~5 years
Income-generating equipment	2~6 years
Buildings	55 years

Property, plant, and equipment pledged as collateral for bank borrowings are set out in Note 28.

11. LEASE ARRANGEMENT

(1) Right-of-use Assets

	<u>Buildings</u>	<u>Transportation</u>	<u>Total</u>
<u>Cost</u>			
Balance as of January 1, 2023	\$ 43,053	\$ 3,334	\$ 46,387
Additions	2,747	-	2,747
Reductions	(2,690)	-	(2,690)
Net exchange difference	<u>72</u>	<u>-</u>	<u>72</u>
Balance as of December 31, 2023	<u>\$ 43,182</u>	<u>\$ 3,334</u>	<u>\$ 46,516</u>
<u>Accumulated depreciation</u>			
Balance as of January 1, 2023	\$ 17,401	\$ 1,010	\$ 18,411
Depreciation expenses	21,560	1,300	22,860
Reductions	(2,690)	-	(2,690)
Net exchange difference	<u>32</u>	<u>-</u>	<u>32</u>
Balance as of December 31, 2023	<u>\$ 36,303</u>	<u>\$ 2,310</u>	<u>\$ 38,613</u>
Net Balance as of December 31, 2023	<u>\$ 6,879</u>	<u>\$ 1,024</u>	<u>\$ 7,903</u>
<u>Cost</u>			
Balance as of January 1, 2022	\$ 43,104	\$ 4,782	\$ 47,886
Additions	40,418	1,577	41,995
Reductions	(40,453)	(2,988)	(43,441)
Net exchange difference	(<u>16</u>)	(<u>37</u>)	(<u>53</u>)
Balance as of December 31, 2022	<u>\$ 43,053</u>	<u>\$ 3,334</u>	<u>\$ 46,387</u>
<u>Accumulated depreciation</u>			
Balance as of January 1, 2022	\$ 36,387	\$ 1,651	\$ 38,038
Depreciation expenses	21,475	1,210	22,685
Reductions	(40,453)	(1,847)	(42,300)
Net exchange difference	(<u>8</u>)	(<u>4</u>)	(<u>12</u>)
Balance as of December 31, 2022	<u>\$ 17,401</u>	<u>\$ 1,010</u>	<u>\$ 18,411</u>
Net Balance as of December 31, 2022	<u>\$ 25,652</u>	<u>\$ 2,324</u>	<u>\$ 27,976</u>

(2) Lease Liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 7,351</u>	<u>\$ 22,029</u>
Non-current	<u>\$ 618</u>	<u>\$ 6,066</u>

The range of the discount rates for lease liabilities is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.111% ~ 1.375%	1.111% ~ 1.167%
Transportation equipment	1.111% ~ 1.167%	1.111% ~ 1.167%

(1) Lease-in Activities and Terms

The Company leases certain buildings and transportation equipment with lease terms of 2 to 3 years. The Company does not have bargain purchase options to acquire the leasehold buildings and transportation equipment at the end of the lease terms.

(2) Other Lease Information

	<u>2023</u>	<u>2022</u>
Expenses relating to low-value asset leases	<u>(\$ 150)</u>	<u>(\$ 168)</u>
Expenses relating to short-term leases	<u>(\$ 303)</u>	<u>(\$ 155)</u>
Total cash outflow for leases	<u>(\$ 23,587)</u>	<u>(\$ 23,274)</u>

12. INTANGIBLE ASSETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Computer software	<u>\$ 4,041</u>	<u>\$ 6,088</u>
<u>Cost</u>	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	\$ 55,437	\$ 53,178
Separate acquisition	1,580	1,955
Disposals	(43,038)	-
Reclassification (Note)	-	304
Balance at the end of year	<u>\$ 13,979</u>	<u>\$ 55,437</u>
<u>Accumulated amortization</u>		
Balance at the beginning of the year	\$ 49,349	\$ 45,735
Amortization expenses	3,627	3,614
Disposals	(43,038)	-
Balance at the end of the year	<u>\$ 9,938</u>	<u>\$ 49,349</u>
Net Balance at the end of the year	<u>\$ 4,041</u>	<u>\$ 6,088</u>

Note: Reclassified from other non-current assets – prepayments for business facilities, to computer software

Amortization expenses of computer software are calculated on a straight-line basis over the estimated useful lives of 2~6 years.

13. OTHER ASSETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayments	\$ 41,848	\$ 39,193
Guarantee deposits paid	5,628	5,643
Prepayment for equipment	<u>1,613</u>	<u>3,914</u>
	<u>\$ 49,089</u>	<u>\$ 48,750</u>
Current	\$ 41,848	\$ 39,193
Non-current	<u>7,241</u>	<u>9,557</u>
	<u>\$ 49,089</u>	<u>\$ 48,750</u>

14. SHORT-TERM BORROWINGS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unsecured loans</u>		
Line of credit	<u>\$ 30,000</u>	<u>\$ 160,000</u>
<u>Secured loans</u>		
Mortgage	<u>\$ 50,000</u>	<u>\$ -</u>

As of December 31, 2023 and 2022, the interest rates for short-term loans ranged from 1.85% and 1.68% ~ 1.89%, respectively.

15. ACCOUNTS PAYABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts payable</u>		
Arising from operations	<u>\$ 120,683</u>	<u>\$ 107,822</u>

16. OTHER LIABILITIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Other payables		
Salaries and bonus payable	\$ 21,266	\$ 37,573
Processing expense payable	26,260	55,237
Payables on testing	9,729	874
Payables on R&D projects	4,995	-
Payables on equipment	4,404	5,110
Export expense payable	4,200	151
Insurance expense payable	3,467	2,984
Others	<u>20,328</u>	<u>19,835</u>
	<u>\$ 94,649</u>	<u>\$ 121,764</u>
Other liabilities		
Contractual liabilities (Note 19)	\$ 22,932	\$ 16,758
Others	<u>3,776</u>	<u>4,143</u>
	<u>\$ 26,708</u>	<u>\$ 20,901</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Non-current</u>		
Other liabilities		
Contractual liabilities (Note 19)	\$ 30,995	\$ 31,414
Guarantee deposits received	6,458	6,458
Credit balance of investments accounted for using equity method (Note 9)	<u>5,910</u>	<u>4,198</u>
	<u>\$ 43,363</u>	<u>\$ 42,070</u>

17. RETIREMENT CONTRIBUTION PLAN

(1) Defined Contribution Plan

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

(2) Defined Benefit Plan

The defined benefit plan adopted by the Company in accordance with the Labor Standard Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the name of the committee. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor, and the Company has no right to influence the investment policy and strategy.

The amount of the defined benefit plans presented in the balance sheet is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ 26,008	\$ 25,482
Fair value of planned assets	(<u>17,642</u>)	(<u>16,718</u>)
Contribution deficit	<u>8,366</u>	<u>8,764</u>
Net defined benefit liability	<u>\$ 8,366</u>	<u>\$ 8,764</u>

Changes on net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Balance as of January 1, 2023	<u>\$ 25,482</u>	<u>(\$ 16,718)</u>	<u>\$ 8,764</u>
Service costs			
Current service costs	34	-	34
Interest expense (income)	<u>356</u>	<u>(238)</u>	<u>118</u>
Recognized in profit or loss	<u>390</u>	<u>(238)</u>	<u>152</u>
Remeasurement			
Return on planned assets (excluding the amount included in the net interest)	-	(118)	(118)
Actuarial loss - changes in financial assumption	233	-	233
Actuarial gain - experience adjustment	<u>(97)</u>	<u>-</u>	<u>(97)</u>
Recognized in other comprehensive income	<u>136</u>	<u>(118)</u>	<u>18</u>
Contribution from the employer	<u>-</u>	<u>(568)</u>	<u>(568)</u>
Balance as of December 31, 2023	<u>\$ 26,008</u>	<u>(\$ 17,642)</u>	<u>\$ 8,366</u>
Balance as of January 1, 2022	<u>\$ 26,454</u>	<u>(\$ 14,857)</u>	<u>\$ 11,597</u>
Interest expense (income)	<u>198</u>	<u>(113)</u>	<u>85</u>
Recognized in profit or loss	<u>198</u>	<u>(113)</u>	<u>85</u>
Remeasurement			
Return on planned assets (excluding the amount included in the net interest)	-	(1,154)	(1,154)
Actuarial gain - changes in financial assumption	(1,594)	-	(1,594)
Actuarial loss - experience adjustment	<u>424</u>	<u>-</u>	<u>424</u>
Recognized in other comprehensive income	<u>(1,170)</u>	<u>(1,154)</u>	<u>(2,324)</u>
Contribution from the employer	<u>-</u>	<u>(594)</u>	<u>(594)</u>
Balance as of December 31, 2022	<u>\$ 25,482</u>	<u>(\$ 16,718)</u>	<u>\$ 8,764</u>

The amount recognized in profit or loss in respect of the defined benefit plan is summarized by function as follows:

	2023	2022
Operating costs	\$ 83	\$ 45
Selling expenses	42	24
Administrative expenses	19	11
Research and development expenses	<u>8</u>	<u>5</u>
	<u>\$ 152</u>	<u>\$ 85</u>

Due to the pension system under the “Labor Standards Act”, the Company is exposed to the following risks:

- A. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- B. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- C. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.300%	1.400%
Expected rate of salary increase	3.000%	3.000%

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increased by 0.25%	(\$ <u>592</u>)	(\$ <u>623</u>)
Decreased by 0.25%	\$ <u>612</u>	\$ <u>646</u>
Expected rate of salary increase		
Increased by 0.25%		
Decreased by 0.25%	\$ <u>587</u>	\$ <u>620</u>
Discount rate	(\$ <u>571</u>)	(\$ <u>602</u>)

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Expected contributions to the plans for the next year	\$ <u>568</u>	\$ <u>593</u>
Average duration of the defined benefit obligation	9 years	11 years

18. EQUITY

(1) Ordinary Shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized shares (in thousands of shares)	<u>90,000</u>	<u>90,000</u>
Authorized capital	<u>\$ 900,000</u>	<u>\$ 900,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>68,489</u>	<u>68,489</u>
Capital issued	<u>\$ 684,891</u>	<u>\$ 684,891</u>

The par value of each ordinary share issued is NT\$10, and each share possesses one voting right and a right to receive dividends.

(2) Capital Surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (A)</u>		
Additional paid-in capital	\$ 1,062	\$ 1,062
<u>May only be used to offset a deficit</u>		
Unclaimed dividends (B)	<u>89</u>	<u>89</u>
	<u>\$ 1,151</u>	<u>\$ 1,151</u>

A. Such capital surplus may be used to offset a deficit. In the case when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to a certain percentage of the Company's capital surplus once a year.

B. According to the letter No. 10602420200 issued by the Ministry of Economic Affairs on September 21, 2017, unclaimed dividends should be recognized as capital reserves.

(3) Retained Earnings and Dividends Policy

Suppose the Company made a profit in a fiscal year. In that case, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, and setting aside as legal reserve 10% of the remaining profit by the laws and regulations except when the legal reserve has reached the Company's paid-in capital. The rest shall be setting aside or reversing a special reserve; any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholder's meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of employees' compensation and directors' remuneration, refer to Note 20-7.

The Company's dividend policy evaluates the Company's future capital requirement, long-term financial planning, and shareholders' profit expectations. The actual distribution of share dividends should be accounted for not less than 50% of the distributable earnings of the current year. The Company is in the steady growth stage with consistent profit increases and a solid financial structure. While maintaining a stable profit per share, the cash dividends shall account for at least 10% of the total dividends.

The statutory surplus reserve can be used to offset losses. When the company has no losses, the portion of the statutory surplus reserve exceeding 25% of the total paid-in capital may be allocated as share capital and can also be distributed as cash.

The Company follows the regulations outlined in the letter No. 1090150022 and "Questions and Answers on Applicable for the Provision of Special Reserve after the Adoption of International Financial Reporting Standards (IFRS accounting standards)" to set aside and reverse the special reserve.

The appropriations for the earnings of years 2022 and 2021 approved at the shareholders' meeting on June 27, 2023 and June 21, 2022, respectively, are as follows

	2022	2021
Legal reserve	<u>\$ 3,411</u>	<u>\$ 3,651</u>
Special reserve	<u>(\$ 10,424)</u>	<u>\$ 8,446</u>
Cash dividend	<u>\$ 41,093</u>	<u>\$ 23,971</u>
Cash dividend per share (NT\$)	\$ 0.60	\$ 0.35

The proposal of making up losses of 2023 has been proposed by the board of directors on March 13, 2024, to cover up the losses by legal reserve of NT\$4,129 thousand, and reserve special reserve of NT\$217 thousand, and is expected to be resolved by the shareholders' meeting held on June 26, 2024.

(4) Special Reserve

	2023	2022
Balance at the beginning of the year	\$ 11,508	\$ 3,062
Provision (reversal) of special reserve		
Provision of deductions to other equity	-	8,446
Reversal of deductions to other equity	<u>(10,424)</u>	<u>-</u>
Balance at the end of the year	<u>\$ 1,084</u>	<u>\$ 11,508</u>

(5) Other Equities

A. Exchange differences on translation of foreign financial statements:

	2023	2022
Balance at the beginning of the year	\$ 1,096	(\$ 9,328)
Recognized for the year		
Exchange differences arising from translation of a foreign operation	271	13,030
Income tax related to exchange differences arising from translation of a foreign operation	(54)	(2,606)
Balance at the end of the year	<u>\$ 1,313</u>	<u>\$ 1,096</u>

B. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	2023	2022
Balance at the beginning and the end of the year	(\$ 2,180)	(\$ 2,180)

19. REVENUE

	2023	2022
Revenue from contracts with customers		
Sales revenue	\$ 1,260,304	\$ 1,175,992
Service revenue	<u>29,733</u>	<u>18,279</u>
	<u>\$ 1,290,037</u>	<u>\$ 1,194,271</u>

(1) Contract Balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable (including related parties) (Note 7 & 27)	<u>\$ 159,855</u>	<u>\$ 224,624</u>	<u>\$ 217,223</u>
Contract liabilities - current (Note 16)			
Sale of goods	\$ 1,819	\$ 2,614	\$ 1,223
Warranty service	<u>21,113</u>	<u>14,144</u>	<u>3,755</u>
	22,932	16,758	4,978
Contract liabilities-non-current (Note 16)			
Warranty service	<u>30,995</u>	<u>31,414</u>	<u>9,677</u>
	<u>\$ 53,927</u>	<u>\$ 48,172</u>	<u>\$ 14,655</u>

The changes in the balance of contract liabilities primarily resulted from the timing difference between the satisfaction of performance obligations and the respective customer's payment.

Revenue in 2023 and 2022 recognized from the contract liability balance at the beginning of the year were NT\$16,621 thousand and NT\$2,938 thousand, respectively.

(2) Disaggregation of Revenue from Contracts with Customers

Please refer to Statement 7 for information regarding disaggregation of revenue.

(3) Contract with customers not completed in full

The transaction prices allocated to performance obligations not fully completed and the expected time points of revenue recognition are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Warranty service		
- Perform in 2023	\$ -	\$ 14,144
- Perform in 2024	21,113	13,095
- Perform in 2025	16,843	9,921
- Perform in 2026	9,865	5,975
- Perform in 2027	3,713	2,423
- Perform in 2028	<u>574</u>	<u>-</u>
	<u>\$ 52,108</u>	<u>\$ 45,558</u>

The aforementioned disclosure does not include sales contracts with maturity less than one year.

20. NET PROFIT

(1) Interest Income

	<u>2023</u>	<u>2022</u>
Bank deposits	\$ 2,771	\$ 938
Others	<u>77</u>	<u>45</u>
	<u>\$ 2,848</u>	<u>\$ 983</u>

(2) Other Income

	<u>2023</u>	<u>2022</u>
Government Grants (Note 23)	\$ 1,624	\$ 1,369
Others	<u>830</u>	<u>1,146</u>
	<u>\$ 2,454</u>	<u>\$ 2,515</u>

(3) Other Gains and Losses

	2023	2022
Net foreign exchange gain	\$ 5,857	\$ 15,899
Gains on lease modification	-	4
Gains on financial assets measured at fair value through profit or loss	4	-
Gains on disposal of property, plant and equipment	(299)	(176)
Others	-	(608)
	<u>\$ 5,562</u>	<u>\$ 15,119</u>

(4) Financial Costs

	2023	2022
Interest on bank loans	\$ 2,149	\$ 3,143
Interest on lease liabilities	220	328
	<u>\$ 2,369</u>	<u>\$ 3,471</u>

(5) Depreciation and Amortization

	2023	2022
Property, plant, and equipment	\$ 17,055	\$ 21,195
Right-of-use assets	22,860	22,685
Intangible assets	3,627	3,614
Total	<u>\$ 43,542</u>	<u>\$ 47,494</u>
Depreciation expenses by function		
Operating costs	\$ 15,484	\$ 19,640
Operating expenses	24,431	24,240
	<u>\$ 39,915</u>	<u>\$ 43,880</u>
Amortization expenses by function		
Operating costs	\$ 469	\$ 655
Selling expenses	470	315
Administrative expenses	155	170
Research and development expenses	2,533	2,474
	<u>\$ 3,627</u>	<u>\$ 3,614</u>

(6) Employee Benefit Expenses

	2023	2022
Post-retirement benefit (Note17)		
Defined contribution plan	\$ 10,578	\$ 9,495
Defined benefit plan	152	85
	10,730	9,580
Other employee benefit	217,653	218,427
Total employee benefit	<u>\$ 228,383</u>	<u>\$ 228,007</u>
Summarized by function		
Operating costs	\$ 50,010	\$ 53,768
Operating expenses	178,373	174,239
	<u>\$ 228,383</u>	<u>\$ 228,007</u>

(7) Employees' Compensation and Directors' Remuneration

The company distributes 0.5% ~ 10% and no higher than 3% of pretax net profit of the current year as employees' compensation and directors' remuneration. As the Company incurred net loss before tax, employees' compensation and directors' remuneration were not accrued. The employees' compensation and directors' remuneration for the year of 2022 were resolved by the board of directors on March 29, 2023 as follows:

Accrual rate

	2022
Compensation of employees	10%
Remuneration of directors	3%

Amount

	2022	
	Cash	Stocks
Compensation of employees	\$ 4,209	\$ -
Remuneration of directors	1,262	-

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

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

Information on the employees' compensation and directors' remuneration resolved by the Company's board of directors will be available at the Market Observation Post System website of the Taiwan Stock Exchange.

(8) Profit or Loss on Foreign Currency Exchange

	2023	2022
Total profit on foreign currency exchange	\$ 30,092	\$ 41,187
Total loss on foreign currency exchange	(24,235)	(25,288)
Net profit (loss)	<u>\$ 5,857</u>	<u>\$ 15,899</u>

21. INCOME TAX

(1) Income Tax Expense Recognized in Profit or Loss

Income tax expense (benefit) consisted of the following:

	<u>2023</u>	<u>2022</u>
Current income tax expense		
In respect of current year	\$ -	\$ 7,859
Adjustment for prior years	(206)	-
Deferred income tax		
In respect of the current year	(<u>1,550</u>)	(<u>3,498</u>)
Income tax expense (benefit) recognized in profit or loss	(<u>\$ 1,756</u>)	<u>\$ 4,361</u>

A reconciliation of accounting profit and income tax expense (benefit) is as follows:

	<u>2023</u>	<u>2022</u>
Net profit (loss) before tax	(<u>\$ 6,122</u>)	<u>\$ 36,615</u>
Income tax calculated at the 20% statutory rate	(\$ 1,225)	\$ 7,323
Non-deductible losses	1	681
Tax-exempt income	(326)	(274)
Adjustment of income tax expenses of prior years in current year	(206)	-
Unrecognized investment offsets	<u>-</u>	(<u>3,369</u>)
Income tax expense (benefit) recognized in profit or loss	(<u>\$ 1,756</u>)	<u>\$ 4,361</u>

(2) Income Tax Recognized in Other Comprehensive Income

	<u>2023</u>	<u>2022</u>
<u>Deferred tax</u>		
In respect of the current year		
- Remeasurement of defined benefit plans	(\$ 3)	\$ 465
- Translation of foreign financial statements	<u>54</u>	<u>2,606</u>
Total income tax recognized in other comprehensive income	<u>\$ 51</u>	<u>\$ 3,071</u>

(3) Current Tax Assets and Liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current tax assets		
Tax refund receivables	<u>\$ 5,882</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payables	<u>\$ -</u>	<u>\$ 6,051</u>

(4) Deferred Tax Assets and Liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

2023

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	End balance
<u>Deferred tax assets</u>				
Temporary differences				
Inventory price decline and obsolescence loss	\$ 14,517	\$ 1,162	\$ -	\$ 15,679
Leave payable	22	2	-	24
Pension not contributed	2,468	(83)	-	2,385
Share of profit or loss of subsidiaries accounted for using equity method	34,209	7,373	-	41,582
Unrealized gross profit from sales with subsidiaries	6,974	353	-	7,327
	58,190	8,807	-	66,997
Loss deduction	17,367	(6,871)	-	10,496
	<u>\$ 75,557</u>	<u>\$ 1,936</u>	<u>\$ -</u>	<u>\$ 77,493</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Unrealized currency exchange gains	\$ 1,881	\$ 386	\$ -	\$ 2,267
Exchange differences on foreign operations	274	-	54	328
Defined benefit retirement plan	1,751	-	(3)	1,748
	<u>\$ 3,906</u>	<u>\$ 386</u>	<u>\$ 51</u>	<u>\$ 4,343</u>

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	End balance
<u>Deferred tax assets</u>				
Temporary differences				
Inventory price decline and obsolescence loss	\$ 15,867	(\$ 1,350)	\$ -	\$ 14,517
Leave payable	20	2	-	22
Pension not contributed	2,569	(101)	-	2,468
Share of profit or loss of subsidiaries accounted for using equity method	24,537	9,672	-	34,209
Unrealized gross profit from sales with subsidiaries	4,727	2,247	-	6,974
Loss allowance	288	(288)	-	-
Exchange difference on foreign operations	2,332	-	(2,332)	-
	50,340	10,182	(2,332)	58,190
Loss deduction	23,459	(6,092)	-	17,367
	<u>\$ 73,799</u>	<u>(\$ 4,090)</u>	<u>(\$ 2,332)</u>	<u>\$ 75,557</u>

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	End balance
<u>Deferred income tax liabilities</u>				
Temporary differences				
Unrealized currency exchange gains	\$ 1,289	\$ 592	\$ -	\$ 1,881
Exchange differences on foreign operations	-	-	274	274
Defined benefit retirement plan	<u>1,286</u>	<u>-</u>	<u>465</u>	<u>1,751</u>
	<u>\$ 2,575</u>	<u>\$ 592</u>	<u>\$ 739</u>	<u>\$ 3,906</u>

- (5) Deductible temporary differences and losses not recognized in the balance sheet as deferred income tax assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary differences		
Financial assets measured at fair value through other comprehensive income	<u>\$ 2,180</u>	<u>\$ 2,180</u>

- (6) Relevant Information on Unused Loss Deduction

As of December 31, 2023, relevant information on loss deduction is as follows:

<u>Un-deducted balance</u>	<u>Final deduction year</u>
<u>\$ 52,481</u>	<u>2030</u>

- (7) Income Tax Assessments

The tax authorities have assessed the income tax returns of the Company a through 2021.

22. EARNINGS (LOSSES) PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit (loss) for the year

	<u>2023</u>	<u>2022</u>
Earnings (losses) used in the computation of basic and diluted earnings per share	<u>(\$ 4,366)</u>	<u>\$ 32,254</u>

Number of shares

	<u>2023</u>	<u>Units: Thousands of Shares</u> <u>2022</u>
Weighted average number of ordinary shares used in the computation of basic earnings (losses) per share	<u>68,489</u>	<u>68,489</u>
Effect of potential dilutive ordinary shares:		
Compensation of employees	<u>-</u>	<u>320</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>68,489</u>	<u>68,809</u>

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. As the Company incurred net loss before tax in 2023, diluted earnings per share shall not be calculated..

23. GOVERNMENT GRANTS

According to the “Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens”, the consolidated company was eligible to apply for government grants for various expenses. The subsidies received were NT\$1,624 thousand and NT\$1,369 thousand for 2023 and 2022, respectively, which were recognized under other income.

24. CASH FLOW INFORMATION

(1) Non-cash Transaction

Except as disclosed in other notes, the Company entered into the following non-cash transaction investing activities in the years 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Partial cash payment for real property, plant and equipment		
Acquisition of property, plant and equipment	\$ 15,513	\$ 7,706
Changes in payables on purchases of equipment (Net)	<u>706</u>	<u>(3,395)</u>
Cash paid	<u>\$ 16,219</u>	<u>\$ 4,311</u>

(2) Changes in Liabilities Arising from Financing Activities

2023

	January 1, 2023	Cash flows	Non-cash changes			December 31, 2023
			Addition	Less	Effective rate	
Short-term loans	\$ 160,000	(\$ 80,000)	\$ -	\$ -	\$ -	\$ 80,000
Lease liabilities	<u>28,095</u>	<u>(22,914)</u>	<u>2,747</u>	<u>-</u>	<u>41</u>	<u>7,969</u>
	<u>\$ 188,095</u>	<u>(\$ 102,914)</u>	<u>\$ 2,747</u>	<u>\$ -</u>	<u>\$ 41</u>	<u>\$ 87,969</u>

2022

	January 1, 2022	Cash flows	Non-cash changes			December 31, 2022
			Addition	Less	Effective rate	
Short-term loans	\$ 182,341	(\$ 22,341)	\$ -	\$ -	\$ -	\$ 160,000
Long-term loans	8,333	(8,333)	-	-	-	-
Lease liabilities	<u>9,914</u>	<u>(22,623)</u>	<u>41,995</u>	<u>(1,145)</u>	<u>(46)</u>	<u>28,095</u>
	<u>\$ 200,588</u>	<u>(\$ 53,297)</u>	<u>\$ 41,995</u>	<u>(\$ 1,145)</u>	<u>(\$ 46)</u>	<u>\$ 188,095</u>

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that every entity within the group can function effectively and generate maximum returns for shareholders by optimizing the balance of liability and equity.

The capital structure is made up of the interests of the Company.

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

26. FINANCIAL INSTRUMENTS

(1) Fair Value of Financial Instruments Not Measured at Fair Value

The Company's management considers that carrying amount of financial instruments that are not measured at fair value in the financial statements approximate the fair values.

(2) Categories of Financial Instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 323,420	\$ 428,882
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	277,057	350,016

Note 1: Including financial assets measure at amortized cost such as cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable (including related parties), other receivables (excluding tax refund receivable), and refundable deposits.

Note 2: Including financial liabilities measured at amortized cost such as short-term loans, accounts payable, other payables (excluding salaries and bonus payable, and insurance expenses), and guaranteed deposits received.

(3) Financial Risk Management Objectives and Policies

The Company's major financial instruments include investments in equity and debt instruments, accounts receivable, accounts payable, and lease liabilities. The financial risks relating to the operation of the Company include market risk (including foreign currency risk and interest risk), credit risk, and liquidity risk.

A. Market risk

The main financial risks borne by the Company are foreign currency risk (please refer to (I) below) and interest risk (please refer to (II) below).

(I) Foreign currency risk

The Company engages in foreign currency sales and purchases, which exposes it to exchange rate fluctuations. To minimize risks, the Company regularly assesses the net risk for sales and cost amounts in non-functional currencies and adjusts its cash holdings accordingly.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 30.

Sensitivity analysis

The Company is mainly exposed to the US dollar exchange rate fluctuation.

The following table details the Company's sensitivity to a 1% change in the functional currency against US dollars. 1% is the sensitivity rate used when reporting exchange rate risk to key management in the Company. This rate is based on management's evaluation of potential fluctuations in foreign currency exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. It is imperative to consider the Company's external borrowing, accounts receivable, and accounts payable in addition to internal receivables from foreign operating institutions and foreign currency bank account balances for sensitivity analysis.

The positive number in the table below means that when the functional currency depreciates by 1% against the U.S. dollar, it will increase the pre-tax net profit; when the functional currency appreciates by 1% relative to the U.S. dollar, the impact on the pre-tax net profit will be the same amount negative number.

	Impact of the US dollar	
	2023	2022
Profit or loss	\$ 1,408 (i)	\$ 2,459 (i)
Equities	852 (ii)	1,078 (ii)

(i) Primarily originated from the Company's receivables, payables, and bank account balances denominated in foreign currencies outstanding at the balance sheet date without being cash flow hedged.

(ii) Primarily originated from the investments accounted for using equity method denominated in foreign currencies at the balance sheet date.

The Company's sensitivity to exchange rates has decreased in 2023 primarily because of the decrease in net assets denominated in foreign currencies.

(II) Interest risk

The Company's bank deposits and borrowings consist of fixed and floating interest rates which may lead to the Company's exposure to interest risk.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
- Financial assets	\$ -	\$ 55,278
- Financial liabilities	57,969	58,095
Cash flow interest rate risk		
- Financial assets	136,745	93,342
- Financial liabilities	30,000	130,000

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The rate of change used when reporting interest rates to the key management in the Consolidate company reflects a 25-basis point increase or decrease per annum. This rate serves as a reference for potential fluctuations to the management team in their evaluations.

If interest rates had been changed by 25 basis points and all other variables were held constant, the Company's pre-tax profit for 2023 would change by NT\$267 thousand, and for 2022 NT\$92 thousand, respectively, which was mainly due to fluctuations in variable interest rate related to the Company's bank deposits and borrowings.

The Company's sensitivity to interest rates increased in 2023, mainly due to the decrease in financial assets and liabilities at floating interest rates.

B. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company has adopted a policy to only carry out transactions with reputable counterparties; therefore, no significant credit risk is anticipated.

C. Liquidity risk

The Company's objective is to finance its operations and mitigate the effects of fluctuations in cash flows through the use of cash and cash equivalents, equity investments and bank loans. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Company had available unutilized short-term bank loan facilities set out in (II) below.

(I) Liquidity and interest rate risk tables

December 31, 2023

	On demand or less than 1 month	1~3 months	3~12 months	1~5 years
Non-derivative financial liabilities				
Non-interest-bearing liabilities	\$ 147,299	\$ 42,979	\$ 195	\$ 6,458
Floating rate instrument	\$ -	\$ -	\$ 30,178	\$ -
Fixed rate instrument	\$ 50,018	\$ -	\$ -	\$ -
Lease liabilities	\$ 1,897	\$ 3,794	\$ 1,693	\$ 620

December 31, 2022

	On demand or less than 1 month	1~3 months	3~12 months	1~5 years
Non-derivative financial liabilities				
Non-interest-bearing liabilities	\$ 141,893	\$ 41,555	\$ 110	\$ 6,458
Floating rate instrument	\$ -	\$ 100,326	\$ 30,171	\$ -
Fixed rate instrument	\$ -	\$ 30,081	\$ -	\$ -
Lease liabilities	\$ 1,927	\$ 3,804	\$ 16,504	\$ 6,082

(II) Financing facilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amount of short-term bank loans		
- Amount used	\$ 80,000	\$ 160,000
- Amount unused	<u>540,705</u>	<u>380,710</u>
	<u>\$ 620,705</u>	<u>\$ 540,710</u>

27. RELATED PARTY TRANSACTIONS

Transactions between the Company and related parties are disclosed as follows:

(1) Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
CIPHERLAB USA, INC.	Subsidiary
CIPHERLAB LIMITED (SAMOA)	Subsidiary
CipherLab Electron Trade (Shanghai) Limited Company (CipherLab (Shanghai))	Subsidiary
MPLUS TECHNOLOGY	Subsidiary
AtechOEM Inc.	Substantive Related Parties
Weikeng Industrial Co., Ltd.	Substantive Related Parties

(2) Operating revenue

Related Party Category	2023	2022
Subsidiary		
CIPHERLAB USA, INC.	\$ 186,313	\$ 221,559
CipherLab (Shanghai)	-	25,136
MPLUS TECHNOLOGY	517	6,122
	<u>\$ 186,830</u>	<u>\$ 252,817</u>

There isn't a significant difference in pricing between related parties and general sales. However, the payment terms for sales to related parties are longer, with a credit time of 210 days, compared to non-related parties ranging from a credit time of 15 to 120 days..

(3) Operating costs

	2023	2022
<u>Purchases of goods</u>		
Substantive Related Parties	<u>\$ 3,757</u>	<u>\$ 7,028</u>

There is no significant difference regarding the terms and conditions for the purchase price and the payment terms between the Company and related parties and those of the third parties.

(4) Receivables from related parties

Accounting item	Related party /Name	December 31, 2023	December 31, 2022
Accounts receivable	Subsidiaries		
	CIPHERLAB USA, INC.	\$ 5,805	\$ 19,372
	MPLUS TECHNOLOGY	495	5,141
	CipherLab (Shanghai)	-	344
		<u>\$ 6,300</u>	<u>\$ 24,857</u>

There was no collateral for the accounts receivable associated with the related party currently in circulation. Additionally, no provisions for potential losses were made for the accounts receivable linked to the related party in both 2023 and 2022.

Accounting item	Related party	Description	December 31, 2023	December 31, 2022
Other receivables	Subsidiary	Consulting service	<u>\$ 101</u>	<u>\$ 369</u>

(5) Payables to related parties

Accounting item	Related party	December 31, 2023	December 31, 2022
Accounts payable	Substantive related parties	<u>\$ 1,129</u>	<u>\$ 2,367</u>
Other payables	Subsidiaries	<u>\$ 50</u>	<u>\$ -</u>

The balance of payables to related parties has not been pledged as collateral.

(6) Disposal of property, plant, and equipment

Related party	Disposal price		Loss on disposal	
	2023	2022	2023	2022
Subsidiaries	\$ -	\$ 46	\$ -	\$ 176

(7) Other transactions with related parties

A. Revenue

Related party	Description	2023	2022
MPLUS TECHNOLOGY	Consulting service revenue	\$ 240	\$ 318
MPLUS TECHNOLOGY	Others	\$ -	\$ 4

The Company provided consulting services to subsidiaries in 2023 and 2022 and listed the revenue under other income.

B. Expenses

Related party	Description	2023	2022
Subsidiaries	Service costs	\$ 217	\$ -
Subsidiaries	Selling expense	\$ 46	\$ 15

The technical service and other expenses paid by the Company to subsidiaries are recognized under selling expenses.

(8) Compensation of key management personnel

The compensation of directors and key management executives in 2023 and 2022 are as follows:

	2023	2022
Short-term employee benefits	\$ 10,316	\$ 13,009
Post-employment benefits	108	108
	<u>\$ 10,424</u>	<u>\$ 13,117</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee in accordance with the individual performance and market trends.

28. ASSETS PLEDGED AS SECURITY

The following assets have been provided in response to relevant tax laws and regulations as collateral for short-term bank loans:

	December 31, 2023	December 31, 2022
Land	\$ 57,996	\$ 57,996
Building	30,049	31,040
Pledged time deposits (recognized as financial assets at amortized cost)	<u>1,500</u>	<u>1,500</u>
	<u>\$ 89,545</u>	<u>\$ 90,536</u>

29. SIGNICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENT

Significant contingent liabilities and unrecognized commitments of the Company as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Acquisition of property, plant and equipment	\$ <u>1,640</u>	\$ <u>10,226</u>

30. SIGNIFICANT FINANCIAL ASSETS AND LIABILITES DENOMIATED IN FOREIGN CURRENCIES

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

December 31, 2023

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 7,642	30.705 (USD: NTD)	\$ 234,655
<u>Non-monetary item</u>			
Subsidiaries using equity method			
USD	3,467	30.705 (USD: NTD)	106,442
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	3,057	30.705 (USD: NTD)	93,856

December 31, 2022

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 11,618	30.71 (USD: NTD)	\$ 356,793
<u>Non-monetary item</u>			
Subsidiaries using equity method			
USD	4,388	30.71 (USD: NTD)	134,763
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	3,610	30.71 (USD: NTD)	110,864

Foreign currency exchange gains and losses with significant impact (including realized and unrealized) are as follows:

	<u>2023</u>		<u>2022</u>	
<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Net exchange gain (loss)</u>	<u>Exchange rate</u>	<u>Net exchange gain (loss)</u>
USD	31.155 (USD: NTD)	\$ 5,857	29.805 (USD: NTD)	\$ 15,899

31. OTHER DISCLOSURE

(1) Information on significant transactions

- A. Financing provided to others: None;
- B. Endorsements/guarantees provided: None;
- C. Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Table 1;
- D. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
- E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- G. Total purchases from or sales to related parties of at least to NT\$100 million or 20% of the paid-in capital: Table 2;
- H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- I. Trading in derivative instruments: None

(2) Information on investees: Table 3

(3) Information on investment in Mainland China:

- A. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: Table 4;
- B. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss: None;
 - (I) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - (II) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

- (III) The amount of property transactions and the amount of the resultant gains or losses.
 - (IV) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - (V) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - (VI) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- (4) Information on major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 5

CIPHERLAB CO., LTD.
Marketable securities held at the end of the period
December 31, 2023

Table 1

Unit: In Thousands of New Taiwan Dollars

Holding Company Name	Marketable Securities Type and Name	Relationship with the holding company	Financial Statement Account	End of the reporting period				Note
				Shares / Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
CIPHERLAB CO., LTD.	<u>Shares</u> JRC INTERNATIONAL PTY LIMITED	None	Financial assets measured at fair value through other comprehensive income	760	\$ -	19	\$ -	Note
	WELCOM DESIGN K.K.	"	"	40	-	4	-	"

Note: The abovementioned unlisted (counter) stock investment held by the consolidated company was evaluated and measured at fair value as zero as of the balance sheet date. The unrealized loss of NT\$2,180 thousand has been adjusted.

CIPHERLAB CO., LTD.

Total purchase from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital
January 1 to December 31, 2023

Table 2

Unit: In Thousands of New Taiwan Dollars

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	Percentage of Total Purchases/Sales (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Payable or Receivable (%)	
CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	Subsidiary	(Sales)	(\$ 186,313)	(14)	210 days after monthly closing	\$	- 15~120 days after monthly closing	\$ 5,805	4	
CIPHERLAB USA, INC.	CIPHERLAB CO., LTD.	Parent company	Purchases	186,313	100	210 days after monthly closing		- 15~120 days after monthly closing	(5,805)	(100)	

CIPHERLAB CO., LTD.

Name, location, and related information of investees
January 1 to December 31, 2023

Table 3

Unit: In Thousands of New Taiwan Dollars, unless specified otherwise

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Recognized Investment Income/Losses	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership (%)	Carrying Amount			
CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	USA	Electronics sales	USD 5,150	USD 5,150	5,000,000	100	NTD 48,372 (Note 2)	(NTD 14,612)	(NTD 14,612)	Note 1
	CIPHERLAB LIMITED(SAMOA)	Samoa	Investment holding	USD 4,150	USD 4,150	4,150,000	100	NTD 21,435 (Note 2)	(NTD 13,980)	(NTD 13,980)	//
	MPLUS TECHNOLOGY CO., LTD.	Taiwan	Electronic product development and design	NTD 37,000	NTD 30,000	3,700,000	95	(NTD 5,910)	(NTD 8,752)	(NTD 8,275)	//

Note 1: No market price is available, and the carrying amount on the balance sheet date is the fair value.

Note 2: The unrealized sales gross profit at the period's end was deducted.

CIPHERLAB CO., LTD.

Information on investment in Mainland China
January 1 to December 31, 2023

Table 4

Unit: In Thousands of New Taiwan Dollars, unless specified otherwise

1. Name of the investee company in Mainland China, main business and products, paid-in capital, investment method, investment flows, shareholding ratio, investment profit or loss, investment carrying amount, and inward remittance of investment earnings:

Investee company name	Main business and products	Total Amount of Paid-in capital	Investment Method (Note 1)	Accumulated outflow of investment from Taiwan at the beginning of the period	Investment flows		Accumulated outflow of investment from Taiwan at the end of the reporting period	Current profit or loss of the investee company	Ownership of direct or indirect investment (%)	Current recognized investment profit or loss (Note 2.2.(2))	Carrying value at the end of the period	Accumulated inward remittance of investment earnings at the end of reporting period	Note
					Out flow	Inflow							
CipherLab Electron Trade (Shanghai) Limited Company	Electronics sales	\$ 130,384 (USD 4,150)	(2)	\$ 130,384 (USD 4,150)	\$ -	\$ -	\$130,384 (USD 4,150) (Note 4)	(\$ 13,957)	100	(\$ 13,957)	\$ 20,584	\$ -	

2. Investment amount in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 130,384 (USD 4,150)	\$ 130,384 (USD 4,150)	\$ 455,755

Note 1: The methods for engaging in investment in mainland China include the following:

1. Direct investment in mainland China.
2. Indirect investment in mainland China through a third area (CIPHERLAB LIMITED (SAMOA)).
3. Other method

Note 2: The investment income (loss) recognized in current period:

1. No investment income (loss) has been recognized due to the investment is still in the development stage.
2. The investment income (loss) was determined based on the following basis:
 - (1) The financial report was reviewed and certified by an international accounting firm in cooperation with an accounting firm in the ROC.
 - (2) The financial statements were reviewed by the parent company’s auditors.
 - (3) Others

Note 3: The figures presented in this table are in New Taiwan Dollars.

Note 4: The company has remitted a total of USD4,150 thousand for investment.

CIPHERLAB CO., LTD.

Information on major shareholders
December 31, 2023

Table 5

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Chang En Enterprise Management Co., Ltd.	6,706,934	9.79
Lin, Yong-Fa	6,613,376	9.65
Lin, Jun-Yao	4,638,000	6.77

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis..

6.6 If the Company or Its Affiliates Enterprise have Experienced Difficulties for the Recent Year or during the Current Fiscal Year up to the Publication Date of the Annual Report, the Annual Report shall Explain How Difficulties Affected the Company's Financial Situation: None.

VII. Review analysis of financial position and performance and risk matters

7.1 Financial Status

Consolidated Financial Reporting -adopting IFRS

Unit: NT\$ Thousand

Year Item	2022	2023	Differences	
			Amount	%
Current assets	1,112,923	969,285	(143,638)	(13%)
Property, plant and equipment	0	0	0	0%
Fixed assets	110,016	119,989	9,973	9%
Intangible assets	9,804	4,041	(5,763)	(59%)
Other assets	139,952	114,878	(25,074)	(18%)
Total assets	1,372,695	1,208,193	(164,502)	(12%)
Current liabilities	473,082	360,483	(112,599)	(24%)
Long-term liabilities	94,287	88,119	(6,168)	(7%)
Other liabilities	0	0	0	0%
Total liabilities	567,369	448,602	(118,767)	(21%)
Capital stock	684,891	684,891	0	0%
Capital surplus	1,151	1,151	0	0%
Retained earnings	120,647	74,736	(45,911)	(38%)
Other equity	(1,084)	(867)	217	(20%)
Non-controlling equity	(279)	(320)	(41)	15%
Total equity	805,326	759,591	(45,735)	(6%)

(1) Analysis for the change ratio reaching more than 20%, and the change amount reachingNTD10 million:

1. Current liabilities:

The main reason is the repayment of short-term borrowings amounting to NT\$60,000 thousand, and the absence of bonus allocation in 2023, resulting in a decrease in current liabilities.

2. Retained earnings:

The main reason is that the reversal of the special reserve, amounting to NT\$10,424 thousand, has been allocated to distribute cash dividends, coupled with the loss incurred in 2023, resulting in a decrease in retained earnings.

(2)Effects:

No material effects

(3)Future response plan

Not applicable

7.2 Financial Performance

The main reasons for any material change in operating revenues, operating income, or income before tax during the past 2 fiscal years, provide a sales volume forecast and the basis therefor and describe the effect upon the Company's financial operations as well as the future response plan.

(1) Comparative Analysis for the Financial Performance

Consolidated Financial Reporting --adopting IFRS

Unit: NT\$ Thousand

Item \ Year	2022	2023	Increase (decrease) amount	Change in Percentage (%)
Operating revenue –net	1,257,962	1,359,549	101,587	8%
Operating costs	785,885	861,071	75,186	10%
Gross profit	472,077	498,478	26,401	6%
Operating expenses	445,553	508,425	62,872	14%
Operating Income	26,524	(9,947)	(36,471)	(138%)
Non-operating income and expense	10,446	3,603	(6,843)	(66%)
Profit before tax from continuing operations	36,970	(6,344)	(43,314)	(117%)
Income tax expense	5,776	(1,500)	(7,276)	(126%)
Other comprehensive income	12,283	202	(12,081)	(98%)
Net of income tax	43,477	(4,642)	(48,119)	(111%)
Total net profit attributable to stockholders of the parent	32,254	(4,366)	(36,620)	(114%)
Total comprehensive income attributable to stockholders of the parent	44,537	(4,164)	(48,701)	(109%)

1. Analysis for those whose ratio of increase or decrease exceeds 20% and the amount of change reaches NT\$10 million:

- (1) Operating Income: In 2023, central banks around the world have implemented monetary policy tightening, resulting in a sluggish consumer market, and impacting product sales. Nonetheless, demand for industry applications remained strong in emerging markets, resulting in significant growth compared to previous periods. To maintain the Company's product competitiveness, a significant portion of resources was allocated to R&D of product in 2023, focusing on the upgrade and optimization of the Company's ReMoCloud/EndeCloud, a device management system designed for personal, or enterprises use on the Android system. Consequently, the Company incurred an operating loss in 2023.
 - (2) Profit before tax from continuing operations, net of income tax, total net profit attributable to stockholders of the parent, and total comprehensive income attributable to stockholders of the parent:
Our company primarily operates in foreign markets, with exports accounting for over 90% of total revenue. The main currency for transactions is the US dollar. In 2022, the New Taiwan Dollar (NTD) significantly depreciated against the US dollar, resulting in a foreign exchange gain of NTD 15,340 thousand. In 2023, the exchange rate was relatively stable, yielding only NTD 5,478 thousand in foreign exchange gains. Additionally, there was a net operating loss in 2023, leading to a reduction in income-related items compared to 2022.
 - (3) Other comprehensive income: The main reason is due to the sharp depreciation of the US dollar against the Taiwan dollar in 2022, the subsequent items that may be reclassified to profit and loss increase the exchange difference in the translation of the financial statements of subsidiaries' foreign operating institutions. In 2023, the exchange rate remained relatively stable, resulting in a decrease in the exchange difference in the translation of the financial statements of foreign operating institutions.
2. Expected sales quantity and its basis: In the industrial PC industry market, there is no impact of the material shortage, and the demand of enterprises is still strong, and has not been affected by the economic recession. Looking forward to 2023, we will continue to promote the Company's transformation and change, enhance user value as a starting point, launch Android platform product solutions that meet the needs of the market and users, and conduct research and development for 5G, WiFi 6E and sensing technology, and apply them to various industries to meet the needs of new related application fields. At the same time, cooperate with important key partners in the market and strengthen the construction of business teams; in the part of factory operations, effectively control the inventory level and improve product quality, laying the foundation for the Company's sustainable growth and bringing profits to shareholders.
3. The possible impact on the Company's future financial business : No material impacts.
4. Future response plan: Not applicable.

7.3 Cash Flow

Unit: NT\$ Thousand

Beginning cash balance	Net cash flow from operating activities throughout the year	Net cash flow from investment and financing activities throughout the year	Amount of exchange rate change	Cash surplus (deficit) amount	Remedies for cash deficits	
					Investment plan	Financing plan
216,779	145,329	(179,248)	(90)	182,770	-	-

(1) Cash Flow Analysis for the Current Year

1. Operating activities : The net cash outflow from operating activities in the current year is NT\$ 145,329thousand, the main reason is due to inventory being reduced and account receivable decreased, etc.,
2. Investing activities : The net cash outflow from investing activities is NT\$27,629 thousand which is mainly due to the increase in purchase of fixed assets and intangible assets.
3. Financing activities : The net cash outflow from financing activities is NT\$151,619 thousand, which is mainly due to long-term, short-term borrowing and distribution of cash dividends.

(2) Cash Flow Analysis for the Next Year

Unit: NT\$ Thousand

Beginning cash balance	Net cash flow from operating activities in the next year	Net cash flow from investment and financing activities in the next year	Cash surplus (deficiency) amount	Remedies for cash deficits	
				Investment plan	Financing plan
182,770	135,980	(91,890)	226,860	-	(Note)

Note: In order to maintain the Company's consistent safe cash position in the past, it is expected that the credit line of financial institutions may be properly used to meet relevant needs.

7.4. Impact of Major Capital Expenditure in the Most Recent Year on the Financial and Business:

None.

7.5 The policy, main reason for profit or loss, and improvement plan of reinvestment in the most recent fiscal year and investment plan for the coming one year

(1)The reinvestment policy in the most recent fiscal year:

The Company's investment policy is mainly based on the reinvestment plan on the needs of the deep cultivation of the market. First evaluate the project according to the organization type, investment purpose, location, market conditions, business development, possible joint venture partners, shareholding ratio, reference price, and financial status, and make the evaluation as the investment project recommendation, provide the management decision-making unit as the decision-making basis. Also, follow the " Subsidiary Supervision and Management Measures" of the Company's internal control system to process the supervision management for reinvestment, and formulate the relevant regulation for its information disclosure, finance, business, and inventory management. The Company also performs audit operations regularly to establish relevant operational risk management mechanism that enables the Company's reinvestment business to maximize its benefits.

(2)The main reasons for profit or loss of the reinvestment and its improvement plan:

Unit : NT\$ Thousand

Reinvestedbusiness	Recognized(loss) gain for 2023	Main reason for the profit or loss	Improvement plan	Other reinvestment plan in the future
CIPHERLAB USA, INC.	(14,612)	New products failed to connect in time	Expand operation scale Develop products that meet local needs	Depends on its operating status
CIPHERLAB LIMITED (SAMOA)	(13,980)	Insufficient market demand	Improve market development rate Improve service ability	Depends on its operating status
CipherLab Electron Trade (Shanghai) Limited Company	(13,957)	Insufficient market demand	Improve market development rate Improve service ability	Depends on its operating status
mPlus Technology Co., Ltd	(8,275)	Not reaching a profitable scale	Increase self-operating capacity Improve operational efficiency	Depends on its operating status

(3)Investment plan for the coming year:

The Company will from the perspective of a long-term strategy carefully evaluate investment plans in order to meet future market demand and strengthen competition.

7.6 The following risk matters for the most recent year and as of the annual report publication date

(1) The Company's 2023 interest and exchange gain and loss are listed as follows:

Unit: NT\$ Thousand

Item	YearI	2023
Operating net income		1,359,549
Pre-tax net (loss) profit		(6,344)
Exchange gain (loss)		5,478
Ratio of net exchange (loss) gain to net operating income		0.40%
Ratio of net exchange (loss) gain to pre-tax net (loss) profit		(86.35%)
Interest income		3,139
Ratio of interest income to operating net income		0.23%
Ratio of interest income to pre-tax net (loss) profit		(49.48%)
Interest expense		2,216
Ratio of interest expense to operating net income		0.16%
Ratio of interest expense to pre-tax net(loss)profit		(34.93%)

1.Exchange rate changes: The ratio of net exchange (loss) gain to net operating income and pre-tax net (loss) interest this year is mainly affected by fluctuations in the exchange rate of the Taiwan dollar, the Company will work hard to assess whether it is appropriate to operate far-exchange hedging or increase the proportion of US dollar debt to mitigate the impact.

2.Interest: The Company's bank interest expense in 2023 was NT\$2,216 thousand, accounting for 0.16% of the net operating income. The ratio of interest expense is not high, so it is still the limited impact of interest rate changes on the Company's profit and loss. In the future, the Company will continue to carefully evaluate bank borrowing rates and maintain a good relationship with banks in order to obtain more favorable interest rates and reduce interest expenses. IFRS 16 Leasing 2023 Financial cost of lease liability interest of NT\$ 1,561 thousand is not included in interest expenses.

3.Inflation:

The Company maintains a close and good interactive relationship with upstream and downstream customers, and pays attention to market price fluctuations at any time, and timely reflects them in costs and quotations to reduce the impact of inflation changes on the Company's profit and loss. In the most recent year and up to the publication date of the annual report, there have been no major changes in the financial market and prices, nor had a major impact on the Company's profit or loss.

4. The Company's business is mainly export-oriented for the impact of future exchange rate changes, the Company will strive to maintain close communication with various financial institutions and improve the control system, in order to facilitate the exchange rate trend immediately and the information of interest rate changes and also plan the contingency measure to reduce the risk of loss from relevant factors.

(2) Policies, the main reason(s) for profits or losses, and future countermeasures for engaging in high-risk and high-leverage investments, lending, offering guarantees and endorsements, and derivatives investments

1.The Company has been focusing on the operation and development of its own business for a long time, and did not engage in high-risk, high-leverage investment and endorsement guarantee transactions; engaging in derivative commodity transactions, it only undertakes pre-sale forward exchange transactions to lock in the exchange rate, which will evaluate carefully in accordance with relevant management regulations and laws and regulations.

2.The Company engages in capital loan transactions with other parties, all of which are reinvestment companies of the Company, and the transaction process is handled in accordance with the " Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees ".

(3) Future research and development plans and the projected expense.

The Company has a long-term training technical team leading the research and development of software and hardware. In 2024, it will still follow the market and customer needs, and the R&D expenses are estimated to invest NT\$267,413 thousand, accelerating the launch of new products will be the main direction and continuing to invest high R&D expenses to develop higher-level products, and strive to enhance the influence of the global automatic identification product market. capacity and room for development.

(4) Impact of major policies and legal changes at home or abroad on the Company's finance and operations, and countermeasures

1. Article 43-1 of the Securities and Exchange Act states that the report and announcement of the acquiring of 10% total share was revised to 5% of total share, and the revision will be in effect on May 10, 2024. Responding Measure: The Company will comply with new regulations. Countermeasures: The Company has made declarations in accordance with the newly promulgated regulations.

2. To make information more transparent, according to Article 6, "Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEX Listed Securities," companies must publish material information in English from 2024. Responding Measure: The Company has disclosed material information on MOPS in both Chinese and English simultaneously.

3. According to Paragraph 3-7, "Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEX Listed Securities," companies shall submit a digital copy of annual preliminary financial information approved by the board of directors within seventy-five days after the end of each fiscal year. Responding Measures: The Company will conduct its submission per new regulations.

In addition to the impacts mentioned above, the changes in relevant laws and regulations in 2023 and this year as of the publication date have had no significant effect on the Company's operations.

(5) Impact on the Company's finance and business due to changes in technology (including cyber security risks) and the industry, and countermeasures.

The Company has been marketing its own brand CipherLab internationally to compete with world-class manufacturers, so the R&D of new products has been constantly innovating following changes in the market, Google has been actively operating in the enterprise market in recent years and began to set up AER (Android Enterprise Recommendation Project) and EMM (Enterprise Mobility Management) are two major corporate user standards from 2018. After the establishment of these two standards, CipherLab follows the certification, all online products have obtained Google's software and hardware standard certification.

In addition, CipherLab has also invested in the development of MDM (Mobile Device Management) since 2017, in order to integrate services, CipherLab has cloud-based MDM and merged it into its ReMoCloud cloud management software, and in April 2019, ReMoCloud passed the Google EMM and become the first company in Asia Pacific region to obtain EMM certification, so MDM also meets its specifications, the previous designs MDM will also be compatible with the Android system.

CipherLab also signed a Zero-touch Enrollment (zero-touch registration mechanism) with Google. The main purpose of this mechanism is to assist enterprises in quickly installing and deploying Android mobile devices. Therefore, the most applier is telecom operators. Currently, the Taiwan member-only Chunghwa Telecom, Far EasTone, and CipherLab, Zero-touch Enrollment allow dealers to add their own settings in the Android system. Telecom operators can add value to their services and enhance market competitiveness. CipherLab can use its own ReMoCloud to provide more functions for enterprise customers.

Coming with the start of smart trends, the application of automatic identification and process management in various industries will gradually increase. Android is currently the mainstream operating system for enterprise handheld systems. However, Android must be closely linked with the Google

system, which is not available in the China market, so resulting in the local manufacturers have difficulty in the development situation, under this situation, Taiwan manufacturers in an open environment have advantages, especially since Google has continued to strengthen support for enterprise users in recent years, the positive attitude makes the future development of Android more impressive, CipherLab will follow Android's footsteps combining past technology and experience and accord learning, continuously deepening the advantages of vertical application fields.

Looking into the future, supporting enterprise users in transforming their digital operations will be the key to winning the market. CipherLab has the experience and advantages of collecting data, and the next step is to develop the application of artificial intelligence (AI) (such as image and voice recognition), to store diverse data and supplement it with APPs used by enterprises, and to complete the digital operation of enterprises. The next step is to connect the user-centric ecosystem, build a user-oriented operation network, implement the operation solutions that small and medium-sized enterprises can quickly introduce, and enhance CipherLab focus on customer value which competitive advantage.

(6) The impact of changes in corporate image on corporate crisis management and the countermeasures.

The Company has always taken honesty and provided professional services that satisfy customers as its business philosophy and pays attention to corporate image and risk management. Currently, there are no foreseeable related risks.

Committed to the display of "service power", with honesty to customers and the public as the greatest operational response principle, to enhance the relationship and connection with customers, and stabilize the corporate image.

(7) Expected benefits and potential risks of mergers and acquisitions, and countermeasures

The Company will commit to doing pre-evaluation, through professional evaluation agencies and relevant experts, and task the review team of the project to carefully evaluate the relevant expected operating benefits and possible risks to employees, intellectual property rights, and important customer operations, and submit the evaluation to the Board of Directors and relevant regulatory announcements handle it.

In the most recent year and as of the date of publication of the annual report, the Company has no plans to acquire other companies. However, if there is a plan for mergers and acquisitions in the future, it will uphold an attitude with careful evaluation and fully consider the synergy of mergers and acquisitions to truly protect the interests of the Company and shareholder equity.

(8) Expected benefits and potential risks of factory expansion and countermeasures

The Company will strictly assess the demand and necessity of expanding the factory, the possibility of improving quality, and the affordability of long-term operating costs. The Company will entrust a dedicated project review group to assess relevant management risks cautiously and submit the assessment report to the board of directors. The Company will also release timely announcements in compliance with laws and regulations.

(9) Risks associated with any centralized sales or procurement and the countermeasure

Regarding purchasing main raw materials, the Company usually maintains at least two suppliers for the same type of raw materials in addition to cooperating with major suppliers to ensure the stability of the source of supply and unit prices and to effectively neutralize the risks of purchase concentration. Moreover, since most of the required raw materials are standard electronic components commonly found in the market, there are many suppliers and sufficient supply. The Company has established long and good cooperative relationships with our major suppliers to minimize supply shortages, interruptions, or delays and guarantee that production operations won't be affected.

(10) Influence and risks of the massive transaction or conversion of shares by directors, supervisors, or dominant shareholders holding over 10% of the stake of the Company and countermeasures

The Company has no circumstances of massive transaction or conversion of shares by the directors, supervisors, or dominant shareholders holding over 10% of the stake of the Company, there is no obvious impact on the shareholding structure of the Company. The Company will continue to strengthen the relationship with the directors' operational structure and functions and important investors to stabilize internal operational risks caused by changes in management or important investors.

(11) Impacts from the change of ownership on the Company and its risk and countermeasures

The Company's directors and managers have a close relationship related to the Company's future operations and business expansion. If there is an improper change of the management right, it may have an adverse impact on the Company. Therefore, all directors and professional managers of the Company are committed to their own business operations in order to maximize the interests of all shareholders. If there is a change in the manager, the Company will strive to identify with the Company's culture, ability, and quality should meet the requirements and implement the Company's consistent policy.

(12) Major litigious events, non-litigious events, or administrative remedies with confirmed verdicts in recent years and by the date of report publication or in progress by the date of report publication of Directors, Supervisors, General Manager, actual principals, and shareholders holding over 10% of the stake of the Company, subsidiaries, or affiliates, with results that may cause significant impact to the rights and interests of shareholders or the stock price, then their fact in dispute, contract value, trial start date, parties concerned, and the status as of the date of the annual report publication must be stated: There is no such things.

(13) Other material risks and countermeasures:

Information Security Risk Assessment Form

	Assessment item	Execution degree			Remark
		Yes	No	Not Applicable	
1	Handing the forgot password process, must require identity verification procedures	V			-
2	Each user has a unique identification code.	V			-
3	Avoid showing the password on the screen when entering it.	V			-
4	Whether the password length stipulated should not be too short.	V			More than eight words in length, uppercase, lowercase, numbers, special symbols, choose three of the above four categories
5	Request to change the password according to the specified period or limit on the number of times of use.	V			90 days
6	It is stipulated to avoid using personal information (such as birthdays, ID card numbers, unit abbreviations, phone numbers, etc.) as a password.		V		The personal information cannot be verified and the adopted promotion method is to avoid the use of passwords related to personal information
7	The application system has a protection mechanism that automatically logs out after the operation is completed or when there is no operation for a certain period of time.	V			-
8	External unit employees (including former employees) should not obtain formal access authorization.	V			-
9	There are appropriate authentication mechanisms for access control for remote users,	V			-
10	There are additional authentication control measures for wireless network access and application.	V			-

	Assessment item	Execution degree			Remark
		Yes	No	Not Applicable	
11	According to the needs of network services, separate logical domains (such as the organization's internal network or external network), each domain has established protection measures and communication gateway control to filter the access of data between domains (such as a network firewall).	V			-
12	For abnormal login procedures, records are kept, and dedicated personnel are regularly inspected.	V			-
13	According to the identity of users to restrict access of the application	V			-
14	Separate storage and processing of applications and databases under development and official operations.	V			-
15	The recorded content of the event includes the user identification code, the date and time of logging in and out of the system, the identification information of the computer or its URL, and the description of the event.	V			-
16	When the system access is abnormal, keep a record and make a necessary handle.	V			-
17	System logs are reviewed regularly.	V			-
18	Formulate management policies for mobile computer devices (such as physical protection, access control, encryption technology used, backup, and virus prevention requirements).	V			-
19	Remote work is authorized by management and necessary protective measures are implemented.	V			-
20	There is a security control measure when personnel enter the important physical area	V			-
21	The access rights and personnel lists of computer rooms and important areas are regularly reviewed and updated.	V			-
22	The necessary restrictions shall be imposed on the entry and exit of personnel and their activities shall be supervised for the computer room and important area.	V			-
23	The computer room is strictly forbidden to store flammables, unapproved electrical appliances, or other dangerous items.	V			-
24	Computer room operators should pay attention to the environmental monitoring system at any time to get the temperature and humidity of the computer room.	V			-
25	Computer room operators are familiar with the operation method of the automatic fire extinguishing system and the location of the fire extinguisher.	V			-
26	The storage location of backup equipment and backup media shall be kept at a safe distance from important physical areas.	V			-
27	The third-party support service personnel are authorized and monitored when entering the important physical area	V			-
28	Smoking and drinking are prohibited in the computer work area (including the computer room).	V			-
29	The power supply and backup power supply should be considered for safety.	V			-
30	Equipment is regularly maintained to ensure its availability and integrity.	V			-
31	It should have safety protection measures for storing information when the equipment is sent off-site for maintenance.	V			-
32	Media with confidential or sensitive information has secure storage and scrap procedures.	V			-
33	Remove or overwrite confidential, sensitive information and copyrighted software before the equipment is scrapped.	V			-
34	After the equipment is scrapped, if it is determined that it will no longer be used, the stored data and software will be removed and physically destroyed.	V			-
35	Automated data backup management tools have been established to manage data backup, retention, and scheduling.	V			-
36	Important data and software are regularly backed up.		V		The Company plans to update backup software and strategies in recently

	Assessment item	Execution degree			Remark
		Yes	No	Not Applicable	
37	The backup of important data is kept for over two generations.		V		As above
38	Backup data is regularly tested to ensure the availability of backup data.		V		As above
39	Following software licensing regulations and prohibiting the use of unauthorized software.	V			-
40	Use antivirus software comprehensively and update virus code immediately	V			-
41	Regularly scan computer systems and data storage media for viruses.	V			-
42	Regularly implement various system vulnerability patching programs.	V			-
43	Before opening email attachments and downloading files should check for malware (including viruses, Trojan horses, or backdoors)	V			-
44	Regularly detect security vulnerabilities in the network operating environment.	V			-
45	Protective measures such as data encryption are adopted for the transmission of sensitive information.	V			-

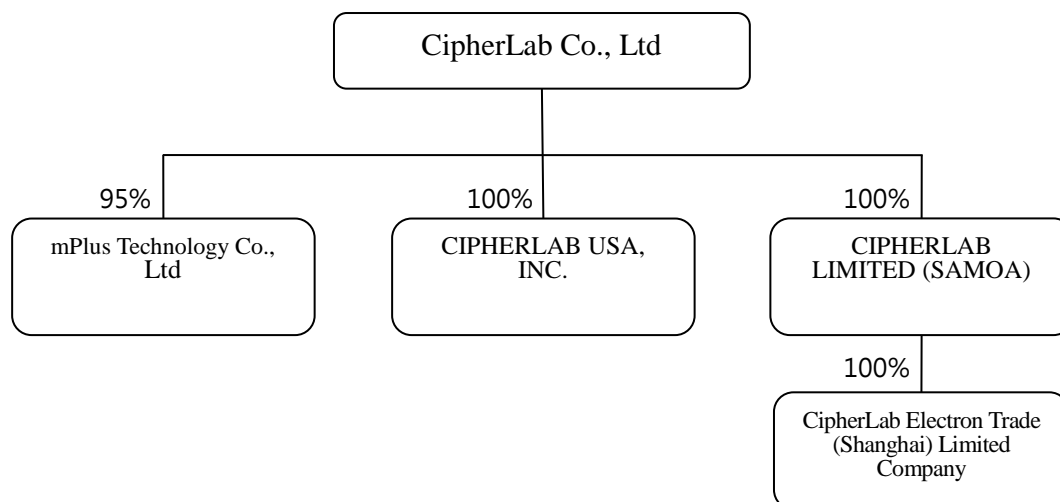
7.7 Other important matters : None

VIII. Special Disclosure

8.1 Related information for affiliated enterprises

(1) Consolidated business report and consolidated financial statements for affiliated enterprises: Please refer to Page 120 ~179. (December 31,2023)

1.Organization chart for affiliated enterprises:



2. Names, incorporation date, addresses, paid-in capital and main business items of each affiliated enterprises:

As of December 31,2023

Name of affiliated enterprise	Incorporation date	Address	Paid-in Capital	Main business or production item
CIPHERLAB USA, INC.	2007.01.11	2552 Summit Ave., Suite 400, Plano, TX 75074	USD 5,150 thousand	electronics products sales
CIPHERLAB LIMITED (SAMOA)	2006.05.29	Offshore Chambers, P.O. Box 217, Apia, Samoa	USD 4,150 thousand	Investment holding
CipherLab Electron Trade (Shanghai) Limited Company	2006.11.15	Room 308, Zone G, 3rd Floor, Building 2, No. 1588, Fengxing Road, Huaxin Town, Qingpu District,	USD 4,150 thousand	electronics products sales
mPlus Technology Co., Ltd	2014.05.19	2F., No. 105, Minquan Rd., Xindian Dist., New Taipei City	NTD 37,000 thousand	electronics products sales

3. Those who presumed to have a relationship of control and subordination according to Article 369-3 of the Company Act should disclose the matters: None

4. The industries covered by the business operated by the affiliates overall

Name of affiliated enterprise	Scope of business	The mutual dealings and division of work status
CipherLab Co., Ltd.	R & D, manufacturing, sales, and repairing of various barcode scanners and handheld industrial computers, etc.	R & D, manufacturing, sales, and repairing of various barcode scanners and handheld industrial computers, etc.
CIPHERLAB USA, INC.	R & D, manufacturing, sales, and repairing of various barcode scanners and handheld industrial computers, etc.	R & D, manufacturing, sales, and repairing of various barcode scanners and handheld industrial computers, etc.
CIPHERLAB LIMITED (SAMOA)	Investment holding	Investment holding
CipherLab Electron Trade (Shanghai) Limited Company	Sales, and repairing of various barcode scanners and handheld industrial computers, etc.	Sales, and repairing of various barcode scanners and handheld industrial computers, etc.
mPlus Technology Co., Ltd	R & D, manufacturing and sales of various POS series touch mobile computers and self-service POS systems, etc.	R & D, manufacturing and sales of various POS series touch mobile computers and self-service POS systems, etc.

5. The names of the directors, supervisors, and general manager of each affiliate and the details of their shareholding or capital contribution in such affiliate

Name of affiliated enterprise	Title	Name or representative	Share held(Up to December 31,2023)	
			Number of shares	Shareholding ratio
CIPHERLAB USA, INC.	Director	Mr. Steven Liao	0	0
	Director	Tan, Chen-Huan	0	0
CIPHERLAB LIMITED (SAMOA)	Director	Tan, Chen-Huan	0	0
CipherLab Electron Trade (Shanghai) Limited Company	Executive director	Tan, Chen-Huan	0	0
mPlus Technology Co., Ltd	Chairman	Mr. Steven Liao	0	0
	Director	Tan, Chen-Huan	0	0
	Director	Wang, Chi-Bo	0	0
	Supervisor	Chang, Chia-Jung	0	0

6. Affiliated Enterprise Operation Overview

Year : 2023 Unit : NT\$ Thousand

Name of affiliated enterprise	Capital	Total asset value	Total liabilities	Net worth	Operating revenue	Operating Income	Net income	Earnings after tax per share (NTD)
CIPHERLAB USA, INC.	USD5,150 Thousand	142,318	57,716	84,602	239,640	(13,282)	(14,612)	(2.92)
CIPHERLAB LIMITED (SAMOA)	USD4,150 Thousand	21,840	0	21,840	0	(37)	(13,980)	(3.36)
CipherLab Electron Trade (Shanghai) Limited Company	USD4,150 Thousand	21,319	735	20,584	47	(14,071)	(13,957)	(3.36)
mPlus Technology Co., Ltd	NTD39,000 Thousand	10,439	16,668	(6,229)	16,917	(5,046)	(8,751)	(2.24)

7. Information on endorsements and guarantees of affiliated enterprises, capital lending to others, and derivative transactions

- (1) Endorsement guarantees by affiliated enterprises: None
- (2) Affiliated enterprises lending funds to others: None
- (3) Affiliated enterprises engaged in derivatives trading information: None

(2)Affiliated Enterprise Consolidated Financial Report Statement:

CipherLab Co., Ltd

Affiliated Enterprise Consolidated Financial Report Statement:

The Company 2023 (from January 1 to December 31, 2023) in accordance with the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises" shall be included in the preparation of the consolidated financial statements of affiliated enterprises and according to International Financial Reporting Standards No. 10, the companies that should be included in the preparation of the parent-subsidiary consolidated financial report are the same, and the relevant information that should be disclosed in the parent-subsidiary consolidated financial statement has been disclosed in the previously disclosed parent-subsidiary consolidated financial report, and will not be prepared separately consolidated financial reports of affiliated enterprises.

Hereby declared

Name of Company : CipherLab Co., Ltd

Person in Charge: Mr. Steven Liao

March 27, 2024

8.2 Handling Status of Privately Placed Securities in the Most Recent Year and Up to the Publication date of the Annual Report: None.

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years and up to the date of publication of the annual report: None

8.4 Other necessary supplementary notes: None

8.5 Significant issues in the Most Recent Year and up to the Publication Date of the Annual Report which might Affect Shareholders' Equity or Price of Shares Pursuant to Item 2, Paragraph 3, Article 36 of the Securities Exchange Law: None

CipherLab Co., Ltd
Statement of Internal Control System

Date : March 13, 2023

The Company regard to its internal control system during in year 2023, based on the findings of a self-assessment, the states as following

1. The Company is fully aware that establishing, operating, and maintaining an internal control system is the responsibility of the Board and managerial officers of the Company, that such a system has been implemented within the Company. The purpose of the system is to reasonably ensure that the effectiveness and efficiency of operations (including profits, performance and protecting the security of assets), reliability, timeliness, transparency and regulatory compliance of reporting, as well as the compliance with applicable laws, regulations and by laws are achieved.
2. The internal control system is designed with inherent limitations, no matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes in the environment and circumstances. However, the Company's internal control system has a self-supervision mechanism. Once the missing element is recognized, the Company takes corrective action.
3. The Company evaluates the design and execution of its internal control system based on the criteria specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to determine whether or not the existing system continues to be effective. The criteria defined in "the Regulations" include five elements depending on the management control process: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and Communication, and 5. Monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. The Company has adopted the said criteria to validate the effectiveness of its internal control system design and execution.
5. Based on the results of the examination, the Company believes that the design and implementation of its internal control system dated December 31, 2023 (including supervising and managing its subsidiaries), consisting of the effectiveness and efficiency of business operations, the preparation of reliable, timely and transparent financial statements and their compliance with the relevant rules and regulations, are effective and reasonably assure the achievement of the aforementioned goals.
6. The Statement of Declaration will be the major contents of the annual report and prospectus of the Company and to be publicly disclosed. The Company shall be held liable for misrepresentation or nondisclosure in the above content, according to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement has been approved by the Company Directors' Meeting on Mar 13, 2023, among the 9 directors present, 0 objected, and the rest agreed with the content of this statement and hereby declare it.

CipherLab Co., Ltd

Chairman : Mr. Steven Liao
President : Mr. Steven Liao