Stock Code:3294

MEGAFORCE COMPANY LIMITED

Parent-Company-Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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The independent auditors' report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent-company-only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors

Megaforce Company Limited:

Opinion

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

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

Basis for Opinion

We 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 those standards are further described in the Auditors' Responsibilities for the Audit of the Parent-company-only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements for the year 2023. These matters were addressed in the context of our audit of the parent-company-only financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters that should be communicated in our report.

1. Inventory valuation of subsidiaries

   The accounting policy on inventory valuation of subsidiaries is same with the Company, please refer to note (4)(g) "Inventories", note (5)(a) for the uncertainties in accounting estimates and assumptions regarding the inventory valuation of subsidiaries, and the related disclosures of the inventory valuation of subsidiaries, please refer to note (6)(f) "Investment accounted for using the equity method".

Description of key audit matter:

Inventories of subsidiaries measured at the lower of costs and net realizable values. Due to fierce market competition or change in customer's demands, sales of related products might fluctuate significantly, which could possibly result in an obsolescence of products or no longer meet the market demand, and a significant fluctuation in the sales of the related products, wherein the carrying value of the inventories may exceed its net realizable value. Due to the valuation of inventories of subsidiaries might affect the Company's adoption of equity method to recognize its shares of profit and loss of subsidiaries, therefore, the adoption of the equity method to recognize the share of profit or loss of subsidiaries was considered one of the key audit matters in our audit of the Company's parent-company-only financial statements..

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the lower of inventory and net realizable value assessments and inventory aging schedules provided by subsidiaries; analyzing the fluctuation of inventory aging; evaluating the most recent sales prices used by the management and reviewing subsequent inventory liquidation to assess the reasonableness of the net value of the subsidiaries' inventories to verify the accuracy of the management's estimate of the inventory allowance for losses and adequacy of the disclosure.

2. Assessment on impairment of subsidiaries' long-term non-financial assets (including goodwill)

Please refer to notes (4)(l) "Impairment of non-financial assets" of the accompanying parent-company-only financial statements for the accounting policies concerning the assessment on impairment of subsidiaries' long-term non-financial assets (including goodwill), note (5)(b) for relevant accounting estimates and assumption uncertainty, and note (6)(f) "Investment accounted for using the equity method" for details on the impairment assessment of subsidiaries' long-term non-financial assets (including goodwill).

Description of key audit matter:

The industry in which the subsidiaries operate is sensitive to market environment and the assessment on impairment of subsidiaries' long-term non-financial assets (including goodwill) is based on management's estimates of recoverable amount. As the assumptions of relevant assessments involve judgement of the management, the assessment on impairment of subsidiaries' long-term non-financial assets (including goodwill) was considered one of the key audit matters in our audit of the parent-company-only financial statements.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included assessing whether there are impairment indications for the identified cash-generating units of the Company and its related assets; assessing the reasonableness of assumptions adopted by the management in calculating the recoverable amount, including the main parameters such as cash flow projections and discount rates; comparing the future cash flows projected in the past with the actual results to examine the accuracy of estimates made by the management and conducted sensitivity analysis on key assumptions; reviewing the adequacy of disclosures concerning the assessment on impairment of long-term non-financial assets (including goodwill); and making inquiries with management to ensure that matters having significant influence on impairment assessment did not occur after the reporting date.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yen-Ta Su and Mei-Yen Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2024

Notes to Readers

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

The independent auditors' report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent-company-only financial statements, the Chinese version shall prevail.

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

MEGAFORCE COMPANY LIMITED

Parent-Company-Only Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note (6)(a))	$ 337,636	8	380,342	7
1110	Financial assets at fair value through profit or loss—current (note (6)(b))	598	-	-	-
1170	Accounts receivable, net (notes (6)(c) and (r))	402,656	10	312,457	7
1180	Receivables from related parties (notes (6)(c), (r) and (7))	11,188	-	26,380	1
1210	Other receivables from related parties (notes (6)(d) and (7))	35,605	1	9,214	-
130X	Inventories (note (6)(e))	152,181	4	112,334	2
1476	Other financial assets—current (note (6)(d))	6,413	-	1,661	-
1479	Other current assets (note (7))	15,427	-	17,461	-
	Total current assets	961,704	23	787,849	17
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income — non-current (note (6)(b))	21,460	1	21,460	1
1550	Investments accounted for using equity method (note (6)(f))	2,679,884	64	3,177,408	71
1600	Property, plant and equipment (notes (6)(g), (7) and (8))	431,107	10	460,553	10
1755	Right-of-use assets (note (6)(h))	18,804	-	927	-
1780	Intangible assets	1,404	-	2,761	-
1840	Deferred income tax assets (note (6)(o))	44,789	1	50,770	1
1990	Other non-current assets	19,132	1	456	-
1990	**Total non-current assets**	3,216,580	77	3,714,335	83
		$ **4,178,284**	**100**	**4,502,184**	**100**

		December 31, 2023		December 31, 2022	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note (6)(j))	$ 690,000	17	1,020,000	23
2110	Short-term notes and bills payable (note (6)(i))	100,000	2	-	-
2120	Financial liabilities at fair value through profit or loss—current (notes (6)(b) and (l))	-	-	285	-
2130	Contract liabilities—current (note (6)(r))	29,792	1	28,563	1
2170	Notes and accounts payable	108,294	3	35,937	1
2180	Payables to related parties (note (7))	337,466	8	420,318	9
2200	Other payables (notes (7))	132,680	3	128,052	3
2230	Current income tax liabilities	720	-	415	-
2280	Lease liabilities—current (notes (6)(m) and (7))	7,841	-	741	-
2321	Current portion of bonds payable (note (6)(l))	-	-	28,907	1
2322	Current portion of long-term debt (notes (6)(k) and (8))	39,764	1	114,764	2
2360	Net defined benefit liability—current (note (6)(n))	6,250	-	6,000	-
2399	Other current liabilities—other	2,262	-	2,430	-
	Total current liabilities	1,455,069	35	1,786,412	40
	Non-current liabilities:				
2540	Long-term debt (notes (6)(k) and (8))	439,236	10	363,236	8
2570	Deferred income tax liabilities (note (6)(o))	112,906	3	73,744	2
2580	Lease liabilities—non-current (note (6)(m) and(7))	11,120	-	199	-
2640	Net defined benefit liability—non-current (note (6)(n))	41,366	1	45,055	1
2650	Credit balance of investments accounted for using equity method (notes (6)(f))	26,343	1	-	-
2670	Other non-current liabilities	6	-	6	-
	Total non-current liabilities	630,977	15	482,240	11
	Total liabilities	2,086,046	50	2,268,652	51
	Equity (notes (6)(b)(l) and (p)):				
3100	Common stock	1,320,159	25	1,320,159	29
3200	Capital surplus	830,473	20	830,582	19
3300	Retained earnings(Accumulated deficits)	(31,036)	(1)	107,321	2
3400	Other equity	17,547	-	20,375	-
3500	Treasury shares	(44,905)	(1)	(44,905)	(1)
	Total equity	2,092,238	50	2,233,532	49
	Total liabilities and equity	$ **4,178,284**	**100**	**4,502,184**	**100**

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

MEGAFORCE COMPANY LIMITED

Parent-Company-Only Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2023			2022	
			Amount	%	Amount	%
4000	**Operating revenues (notes (6)(r) and (7))**	$	1,140,199	100	1,019,369	100
5000	**Operating costs (notes (6)(e), (f), (g), (h), (m), (n), (7) and (12))**		1,022,602	90	941,139	92
	Gross profit		117,588	10	78,230	8
5910	Less: Unrealized profit from sales		902	-	-	-
	Realized gross profit		116,686	10	78,230	8
	Operating expenses (notes (6)(c), (d), (f), (g), (h), (m), (n), (7) and (12)):					
6100	Selling expenses		23,716	2	22,920	2
6200	Administrative expenses		169,205	15	176,761	17
6300	Research and development expenses		88,471	8	77,540	8
6450	Recognized (reversal of) expected credit losses		(1,535)	-	1,541	-
	Total operating expenses		279,857	25	278,762	27
	Net operating loss		(163,171)	(15)	(200,532)	(19)
	Non-operating income and expenses (notes (6)(h), (l), (m), (t) and (7)):					
7100	Interest income		7,559	1	2,612	-
7020	Other gains and losses, net		(29,024)	(3)	(2,505)	-
7050	Finance costs		(25,308)	(2)	(24,720)	(2)
7070	Share of profit of subsidiaries and associates accounted for using equity method		163,373	15	187,960	18
	Total non-operating income and expenses		118,600	11	163,347	16
7900	**Loss before tax**		(44,571)	(4)	(37,185)	(3)
7950	Less: Income tax expenses (note (6)(o))		84,823	7	119,382	12
	Net loss		(129,394)	(11)	(156,567)	(15)
8300	**Other comprehensive income (loss):**					
8310	**Items that will not be reclassified subsequently to profit or loss**					
8311	Remeasurement of defined benefit plans (note (6)(n))		(1,823)	-	15,217	1
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (notes (6)(p) and (u))		4,800	-	(1,139)	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss (note (6)(o))		(364)	-	3,043	-
	Items that will not be reclassified subsequently to profit or loss		3,341	-	11,035	1
8360	**Items that will be reclassified subsequently to profit or loss**					
8361	Exchange differences on translation of foreign operations (note (6)(p))		(15,020)	(1)	85,187	8
8399	Income tax related to items that will be reclassified subsequently to profit or loss		-	-	-	-
	Items that will be reclassified subsequently to profit or loss		(15.020)	(1)	85,187	8
8300	**Other comprehensive income (loss), net**		(11,679)	(1)	96,222	9
8500	**Total comprehensive income (loss)**	**$**	**(141,073)**	**(12)**	**(60,345)**	**(6)**
	Earnings per share (in New Taiwan dollars) (note (6)(q))					
9750	Basic earnings (loss) per share	**$**	**(0.995)**		**(1.198)**	
9850	Diluted earnings (loss) per share	**$**	**(0.995)**		**(1.198)**	

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

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

MEGAFORCE COMPANY LIMITED

Parent-Company-Only Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other equity			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity
Balance at January 1, 2022	$ 1,320,159	830,637	55,622	45,952	183,144	284,718	(52,620)	(11,053)	-	2,371,841
Net loss	-	-	-	-	(156,567)	(156,567)	-	-	-	(156,567)
Other comprehensive income	-	-	-	-	12,174	12,174	85,187	(1,139)	-	96,222
Total comprehensive income	-	-	-	-	(144,393)	(144,393)	85,187	(1,139)	-	(60,345)
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	1,684	-	(1,684)	-	-	-	-	-
Special reserve appropriated	-	-	-	17,721	(17,721)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(33,004)	(33,004)	-	-	-	(33,004)
Purchase of treasury share	-	-	-	-	-	-	-	-	(44,905)	(44,905)
Change in ownership interest in subsidiaries	-	(55)	-	-	-	-	-	-	-	(55)
Balance at December 31, 2022	1,320,159	830,582	57,306	63,673	(13,658)	107,321	32,567	(12,192)	(44,905)	2,233,532
et loss	-	-	-	-	(129,394)	(129,394)	-	-	-	(129,394)
Other comprehensive income	-	-	-	-	(1,459)	(1,459)	(15,020)	4,800	-	(11,679)
Total comprehensive income	-	-	-	-	(130,853)	(130,853)	(15,020)	4,800	-	(141,073)
Appropriation and distribution of retained earnings:										
Reversal special reserve	-	-	-	(63,673)	63,673	-	-	-	-	-
Change in ownership interest in subsidiaries	-	(109)	-	-	(112)	(112)	-	-	-	(221)
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	(7,392)	(7,392)	-	7,392	-	-
Balance at December 31, 2023	$ 1,320,159	830,473	57,306	-	(88,342)	(31,036)	17,547	-	(44,905)	2,092,238

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

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

MEGAFORCE COMPANY LIMITED

Parent-Company-Only Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Loss before income tax	$ (44,571)	(37,185)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	43,223	43,223
Amortization expense	1,577	2,719
Recognized (reversal of) expected credit loss	(1,535)	1,541
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(80)	14,307
Interest expense	25,308	24,720
Interest income	(7,559)	(2,612)
Share of profit of subsidiaries accounted for using equity method	(165,373)	(187,960)
Gain on disposal of property, plant and equipment	(470)	(7)
Impairment loss on non-financial assets	25,495	-
Unrealized profit from sales	902	-
Loss on redemption of convertible bonds	749	-
Total adjustments to reconcile profit (loss)	(78,763)	(104,069)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(90,176)	41,972
Receivables from related parties	16,703	(13,259)
Other receivables from related parties	(6,313)	5,585
Inventories	(39,847)	31,195
Other current assets	2,684	(7,459)
Other financial assets－current	(4,670)	203
Net changes in operating assets	(121,619)	58,237
Changes in operating liabilities:		
Contract liabilities	1,229	12,244
Notes and accounts payable	72,357	(43,137)
Payables to related parties	(82,852)	6,294
Other payables	4,579	(21,186)
Other current liabilities	(168)	242
Net defined benefit liability	(5,262)	(10,014)
Net changes in operating liabilities	(10,117)	(55,557)
Total changes in operating assets and liabilities	(131,736)	2,680
Total adjustments	(210,499)	(101,389)
Cash inflow (outflow) generated from operations	(255,070)	(138,574)
Income taxes paid	(2,924)	(13,019)
Net cash flows used in operating activities	(257,994)	(141,593)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(15,480)
Proceeds from disposal of financial assets at fair value through other comprehensive income	4,800	-
Acquisition of financial assets at fair value through profit or loss	(734)	-
Proceeds from disposal of financial assets designated at fair value through profit or loss	-	30,000
Acquisition of investments accounted for using equity method	(42,755)	(50,000)
Proceeds from capital reduction of investments accounted for using equity method	322,991	-
Acquisition of property, plant and equipment	(23,919)	(31,536)
Proceeds from disposal of property, plant and equipment	525	153
Increase in other receivables from related parties	(20,000)	-
Acquisition of intangible assets	(220)	(1,716)
Decrease in other non-current assets	80	11
Interest received	7,399	2,589
Dividends received	330,630	837,170
Net cash flows from investing activities	578,797	771,191
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	3,649,000	6,895,000
Repayments of short-term borrowings	(3,979,000)	(6,995,000)
Increase in short-term notes and bills payable	190,000	-
Decrease in short-term notes and bills payable	(90,000)	-
Repayments of bonds	(30,000)	-
Increase in long-term debt	100,000	180,000
Repayments of long-term debt	(99,000)	(321,571)
Payments of lease liabilities	(7,488)	(7,094)
Increase in other non-current liabilities	-	6
Cash dividends paid	-	(33,004)
Payments to acquire treasury shares	-	(44,905)
Interest paid	(25,021)	(23,818)
Net cash flows from (used in) financing activities	(291,509)	(350,386)
Net increase (decrease) in cash and cash equivalents	29,294	279,212
Cash and cash equivalents at beginning of period	308,342	29,130
Cash and cash equivalents at end of period	$ 337,636	308,342

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

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

Megaforce Company Limited (the "Company"). was incorporated on October 15, 1991, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of Company's registered office is 1F., No.5, Ziqiang St., Tucheng Dist., New Taipei City 236, Taiwan. The Company is engaged in the manufacture and sales of plastic injection mold, tooling manufacturing and general import and export trade.

(2) Approval date and procedures of the financial statements:

The parent-company-only financial statements were authorized for issue by the Board of Directors on March 15, 2024.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2023:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reform – Pillar Two Model Rules"

(b) The impact of IFRSs issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its parent-company -only financial statements:

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

(Continued)

(c) The impact of IFRSs issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent-company-only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent-company-only financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in these financial statements.

(a) Statement of compliance

The parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent-company-only financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss;

2) Financial assets at fair value through other comprehensive income; and

3) The defined benefit liabilities is recognized as the present value of the defined benefit obligation less the fair value of the plan assets and the effect of the asset ceiling mentioned in note (4)(o).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The Company’s parent-company-only financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency. Except when otherwise indicate, all financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period ("the repoerting date"), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into New Taiwan Dollars at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to nonc-ontrolling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and checking deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset not at fair value through profit or loss (FVTPL) (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, these assets are measured at amortized cost, which equals to carrying amount determined by the effective interest less any impairment loss. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established (usually the ex-dividend date).

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

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, other receivable, refundable deposit and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

(Continued)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

The costs of inventories include all necessary expenditures and charges for bringing them to a condition and location wherein they are available to be sold or processed. Subsequently, inventories are evaluated at the lower of cost and net realizable value; net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses. The Company's inventories are normally valued at standard costs that are reviewed periodically and revised to suit current conditions when necessary. When the standard costs approximate the actual costs, the differences are directly recognized as operating costs. At the end of the period, the differences between the costs are allocated to operating costs and inventories on an average basis.

(h) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under equity method, profit or loss, and other comprehensive income recognized in parent-company-only financial statements is in line with total comprehensive income attributable to the shareholders of the Company in the consolidated financial statements. In addition, changes in equity recognized in the parent-company-only financial statements is in line with the changes in equity attributable to shareholders of the Company in the consolidated financial statements.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control as accounted for within equity.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(Continued)

1)	Buildings and construction	20~55 years
2)	Machinery and equipment	5~10 years
3)	Office and other equipment	3~5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a leasee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

1) fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments for purchase or termination options that are reasonably certain to be exercised.

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

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

4) there is a change of its assessment on whether it will exercise a extension or termination option; or

5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and leases of low-value assets, including parking sapce and other equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(k) Intangible assets

Goodwill arising on the acquisition of associates is included in the carrying amount of investment in associates. Goodwill is not amortized but is measured at cost, less accumulated impairment losses.

Other intangible assets, including computer software, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for computer software is 2~3 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under capital reserve–treasury shares transaction; losses on disposal of treasury shares should be offset against existing capital reserve arising from similar types of treasury shares. If there are insufficient capital reserve to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average different types of repurchase.

During the cancellation of treasury shares, capital reserve–share premiums and share capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserve arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserve arising from similar types of treasury shares. If there are insufficient capital reserve to be offset against, then such losses should be accounted for under retained earnings.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

(Continued)

(i) Sale of goods

The Company manufactures and sells plastic goods and molds to electronic product vender. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer or accepted by the customer with supporting documents issued, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(ii) Revenue from service rendered

The Company provide product design, prototyping and development service to customers. Revenue from providing services is recognized in the accounting periods in which the services are rendered. For performance obligations that are satisfied over time, the revenue is determined based on the milestone of services that have been reached at the end of the reporting period.

(iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at reporting date purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and stock-based employee compensation.

(r) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating information in the parent-company-only financial statements.

(5) Critical accounting judgments, estimates, and assumptions on uncertainty:

The preparation of the parent-company-only financial statements in conformity with the Regulations Governing the Preparation of Financial Reports requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the parent-company-only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

(Continued)

MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

(a) Inventory valuation of subsidiaries

As inventories are stated at the lower of cost or net realizable value, the Company's subsidiaries estimates the amount of obsolete and unmarketable inventories on the reporting date, and then writes down the cost of inventories to net realizable value. The valuation of the inventories is mainly determined based on assumptions as to future demand within a specific time horizon. Due to both rapid industrial transformation and fierce competition, there may be significant changes that will affect the Company's share of profit or loss of subsidiaries recognized using the equity method.

(b) Assessment on impairment of subsidiaries' long-term non-financial assets (including goodwill)

During the assessment on asset impairment, the Company and subsidiaries shall rely on subjective judgment and determine the recoverable amount of specific asset group based on the use pattern and industry characteristics. Changes in estimates due to changes in economic status and corporate strategies may lead to significant impairment loss in the future. Please refer to note (6)(f) for the assessment method and key assumptions applied for the recoverable amount of the long-term non-financial assets (including goodwill).

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2023	December 31, 2022
Cash on hand and petty cash	$	152	75
Demand and check deposits		294,090	220,269
Time deposits		43,394	87,998
	$	**337,636**	**308,342**

Please refer to note (6)(u) for the exchange rate risk, and sensitivity analysis of the financial assets of the Company.

(b) Financial instruments

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

		December 31, 2023	December 31, 2022
Current:			
Common stocks – domestic public companies	**$**	**598**	**-**
Non-current:			
Common stocks – domestic private companies	**$**	**-**	**-**

Based on the assessment of the Company's management, the equity interests in domestic private companies were fully recognized as impairment losses for prior years after the net value has already approximated $0.

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MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

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

		December 31, 2023	December 31, 2022
Convertible bonds with embedded derivatives	$	-	285

(iii) Fair value through other comprehensive income –equity investment

		December 31, 2023	December 31, 2022
Common stocks – domestic private companies	$	21,460	21,460

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for the long-term strategic purposes. In 2023, for strategic purpose, the Company has sold a part of equity investment at the amount of $4,800, resulting in the Company to reclassify the loss of $7,392 from other equity to retained earnings. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2022.

(iv) Please refer to note (6)(v) for credit risk and market risk.

(v) As of December 31, 2023 and 2022, none of the Company's financial assets mentioned above has been pledged as security.

(c) Notes and accounts receivable (including related parties)

		December 31, 2023	December 31, 2022
Accounts receivable	$	402,719	312,543
Receivable from related parties		11,188	27,891
Less: loss allowance		(63)	(1,597)
	$	413,844	338,837

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables (including related parties). Forward looking information is taken into consideration as well. Analysis of expected credit losses on notes and accounts receivable (including related parties) were as follows:

	December 31, 2023			
		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	408,721	0.01%	40
Past due 1~90 day		5,186	0%~0.6%	23
	$	413,907		63

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MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

	December 31, 2022		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 333,755	0.01%	31
Past due 1~90 day	6,527	1.1%~100%	1,537
Past due 91~180 day	152	19%	29
	$ 340,434		1,597

The movements in the allowance for notes and accounts receivable (including related parties) were as follows:

	2023	2022
Balance at January 1	$ 1,597	57
Impairment losses recognized (reversed)	(1,534)	1540
Balance at December 31	$ 63	1,597

As of December 31, 2023 and 2022, the notes and accounts receivable (including related parties) were not pledged as collateral.

(d) Other receivables (including related parties)

	December 31, 2023	December 31, 2022
Other receivables	$ 6,413	1,662
Other receivables from related parties	35,605	9,214
Less: loss allowance	-	(1)
	$ 42,018	10,875

The movements in the allowance for other receivables (including related parties) were as follows:

	2023	2022
Balance at January 1	$ 1	-
Impairment losses recognized (reversed)	(1)	1
Balance at December 31	$ -	1

(e) Inventories

	December 31, 2023	December 31, 2022
Raw materials	$ 18,396	10,907
Work in progress and semi-finished products	21,215	32,310
Projects in progress	11,821	17,452
Finished goods	16,104	13,855
Merchandise	84,645	37,810
	$ 152,181	112,334

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The details of the cost of sales were as follows:

		2023	2022
Inventory that has been sold	$	1,015,765	933,198
Write-down of inventories (reversal of write-downs)		(7,044)	7,471
Loss on disposal of inventories		716	553
Income from sale of scraps		(169)	(9)
Gain on physical inventory count		(23)	(74)
Unallocated production costs		13,357	-
	$	1,022,602	941,139

The reversal of write-downs arose when the inventories initially written down are sold or used, resulting in a decrease in the amount of the original write-down. The write-downs arose from the write-down of inventories to net realizable value.

As of December 31, 2023 and 2022, the Company did not provide any inventories as collateral for its loans.

(f) Investments accounted for using equity method

A summary of the Company's investments accounted for using the equity method at the reporting date is as follows:

		December 31, 2023	December 31, 2022
Subsidiaries	$	2,653,541	3,177,408
Add: Credit balance of investments accounted for using equity method		26,343	-
	$	2,679,884	3,177,408

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2023

(ii) Collateral

As of December 31, 2023 and 2022, the Company's investments accounted for using equity method were not pledged as collateral.

(iii) Write-down of inventories of subsidiaries were as follows:

		December 31, 2023	December 31, 2022
Write-down of inventories	$	(8,670)	(4,321)

(iiii) Impairment testing for non-current financial assets

The Company and subsidiaries performed impairment testing on assets or the cash generating unit (CGU) as there were indication of impairment.

The recoverable amount of the cash generating unit (CGU) is based on value in use. Value in use is determined by discounting the future cash flows arising from the continued use of the

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MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

unit. The values in use (including goodwill) on December 31, 2023 and 2022, determined in similar methods, were calculated based on the following key assumptions.

1) The estimate of cash flow was based on past experience, actual operating results and a 5-year operating plan. The portion of cash flows of more than 5 years is estimated at the carrying amount of the net future cash flows to be received from the disposal of assets.

2) The Company estimates the discount rate according to the weighted-average capital cost. The discount rate adopted for the recoverable amount of CGUs is as follows:

	December 31, 2023	December 31, 2022
Discount rate	8.67%	7.72%

As the recoverable amount of the opto-mechatronics CGU was lower than its carrying amount, the Company recognized an impairment loss of $25,495 on December 31, 2023 and didn't have to recognize as the recoverable amount exceeded the carrying amount impairment loss on December 31, 2022. The impairment losses which caused a decrease in the carrying amount of goodwill for the opto-mechatronics segments were included in "other gains and losses" of the Parent-Company-Only statement of comprehensive income.

(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended 2023 and 2022, were as follows:

	Land	Buildings and construction	Machinery and equipment	Office and other equipment	Construction in progress/ equipment to be tested	Total
Cost:						
Balance at January 1, 2023	$ 308,196	91,867	87,474	106,544	-	594,080
Additions	-	-	3,097	2,467	-	5,564
Disposals	-	-	(5,426)	(454)	-	(5,880)
Balance on December 31, 2023	$ 308,196	91,867	85,145	108,557	-	593,765
Balance at January 1, 2022	$ 308,196	91,867	70,226	101,601	208	572,098
Additions	-	-	17,907	5,550	-	23,457
Reclassification	-	-	-	208	(208)	-
Disposals	-	-	(659)	(815)	-	(1,474)
Balance on December 31, 2022	$ 308,196	91,867	87,474	106,554	-	594,081
Accumulated depreciation and impairment losses:						
Balance at January 1, 2023	$ -	33,128	43,966	56,434	-	133,528
Depreciation	-	5,379	8,584	20,992	-	34,955
Disposals	-	-	(5,371)	(454)	-	(5,825)
Balance at December 31, 2023	$ -	38,507	47,179	76,972	-	162,658
Balance at January 1, 2022	$ -	27,749	35,176	35,680	-	98,605
Depreciation	-	5,379	9,303	21,569	-	36,251
Disposals	-	-	(513)	(815)	-	(1,328)
Balance at December 31, 2022	$ -	33,128	43,966	56,434	-	133,528
Carrying amount:						
Balance at December 31, 2023	$ 308,196	53,360	37,966	31,585	-	431,107
Balance at January 1, 2022	$ 308,196	64,118	35,050	65,921	208	473,493
Balance at December 31, 2022	$ 308,196	58,739	43,508	50,110	-	460,553

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Notes to the Parent-Company-Only Financial Statements

Please refer to note (8) for the Company's property, plant and equipment pledged as collateral for long-term debt and credit lines as of December 31, 2023 and 2022.

(h) Right-of-use assets

The Company leases many assets including buildings and vehicles. Information about leases for which the Company is a lessee was presented below:

	Buildings	Vehicles	Total
Cost:			
Balance at January 1, 2023	$ 9,875	1,549	11,424
Additions	25,234	221	25,455
Deductions	(9,875)	(556)	(10,431)
Balance at December 31, 2023	**$ 25,234**	**1,214**	**26,448**
Balance at January 1, 2022	$ 14,663	2,672	17,335
Additions	532	-	532
Deductions	(5,320)	(1,123)	(6,443)
Balance at December 31, 2022	**$ 9,875**	**1,549**	**11,424**
Accumulated depreciation:			
Balance at January 1, 2023	$ 9,565	932	10,497
Depreciation	6,789	479	7,268
Deductions	(9,565)	(556)	(10,121)
Balance at December 31, 2023	**$ 6,789**	**855**	**7,644**
Balance at January 1, 2022	$ 8,466	1,502	9,968
Depreciation	6,419	553	6,972
Deductions	(5,320)	(1,123)	(6,443)
Balance at December 31, 2022	**$ 9,565**	**932**	**10,497**
Carrying amount:			
Balance at December 31, 2023	**$ 18,445**	**359**	**18,804**
Balance at January 1, 2022	**$ 6,197**	**1,170**	**7,367**
Balance at December 31,2022	**$ 310**	**617**	**927**

(i) Short-term notes and bills payable

	December 31, 2023	December 31, 2022
Short-term notes and bills payable	**$ 100,000**	-
Range of interest rates	**1.848%~1.888%**	-

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Notes to the Parent-Company-Only Financial Statements

(j) Short term borrowings

	December 31, 2023	December 31, 2022
Unsecured bank loans	$ 690,000	1,020,000
Unused credit lines	$ 520,000	610,000
Range of interest rates	1.82%~1.9662%	1.64%~1.93%

(k) Long-term debt

The details of long-term debt were as follows:

	December 31, 2023			
	Currency	Range of interest rate	Maturity year	Amount
Unsecured bank loans	NTD	2.09%	2025	$ 100,000
Secured bank loans	NTD	1.965%~2.0521%	2026~2036	379,000
Less: current portion of long-term debt				(39,764)
Total				$ 439,236
Unused credit lines				$ -

	December 31, 2022			
	Currency	Range of interest rate	Maturity year	Amount
Unsecured bank loans	NTD	1.71%~1.88%	2023	$ 75,000
Secured bank loans	NTD	1.84%~1.944%	2026~2035	403,000
Less: current portion of long-term debt				(114,764)
Total				$ 363,236
Unused credit lines				$ -

Refer to note (8) for a description of the Company's assets pledged as collateral to secure the bank loans.

(l) Bonds payables

The details of unsecured convertible bonds were as follows:

	December 31, 2023	December 31, 2022
Total convertible bonds issued	$ 30,000	30,000
Less: cumulative redemption amount	(30,000)	-
Less: unamortized discounted corporate bonds payalbe	-	(1,093)
Less: current portion of bonds payables	-	(28,907)
	$ -	-
Embedded derivatives–put options (included in financial liabilities at fair value through profit or loss)	$ -	285

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MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

	2023	2022
Embedded derivatives–gains or losses on put options remeasured at fair value (included in other gains and losses)	$ (216)	45
Interest expenses	$ 373	563

On March 13, 2020, the Company's Board of Directors resolved to issue domestic unsecured convertible bonds under private placement, so as to repay bank loans and improve the financial structure. On June 5, 2020, the shareholders' meeting resolved to issue the bonds twice within 1 year from the date of the resolution, with the aggregate amount of the issue being capped at $100,000.

On August 7, 2020, the Company's Board of Directors resolved to issue the 1st domestic unsecured convertible bonds under a private placement, which has been carried out on August 26, 2020. The amount of the issue totaled $30,000, which has been received.

In accordance with IFRS 9, the Company separated the conversion option from bonds, and recognized as equity and liabilities. The related information was as follows:

The fair value of convertible bonds at issuance	$ 27,939
The embedded derivatives at issuance (i.e., put options)	585
The equity components at issuance (i.e., conversion right)	1,476
	$ 30,000

The major terms of the aforementioned first private unsecured convertible bond were as follows:

(i) Issue period: 5 years (August 26, 2020 ~ August 25, 2025)

(ii) Terms of repayment: Unless the bondholders request the Company to repurchase the bonds or the bonds are converted into ordinary shares of the Company in accordance with the regulations, the Company shall redeem the bonds in cash at par value of the bonds upon maturity.

(iii) Conversion period: The bondholders have the right to ask for conversion of the bonds into common shares of the Company at any time during the period from the date after three months of the bonds issued to the maturity date by notifying to the Company, with the exceptions of the following: (1) the book closure period of the ordinary shares according to law; (2) from the 15 business days prior to the closure date of the Company's stock dividends, the closure date of cash dividends, or the closure date of cash capital increase subscription, to the ex-dividend date; (3) from the capital reduction base date to the day before the trading day of producing the new stock certificates due to the capital reduction.

(iv) Put option of bond-holders: The Company shall set the date after 3 years (August 26, 2023) and the date after 4 years (August 26, 2024) from the issue date of the convertible bond as the record dates for the early exercise of put option. The bondholders are entitled to request the Company to redeem the private placement convertible bond at par value plus an indemnity to cover the interest rate, which amounted to 101.5075% of the par value after 3 years (0.5% yield rate) and 102.0151% of the par value after 4 years (0.5% yield rate), respectively. After accepting the redemption request, the Company should redeem the bonds by cash within 5 business days after the redemption date.

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Notes to the Parent-Company-Only Financial Statements

(v) Conversion price: Determined on August 7, 2020, the conversion price of the convertible bond shall be the higher of the following two calculations, multiplied by 110% (rounded to the nearest dime of NTD):

- The simple average closing price of the common shares of the Company for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of share dividends, cash dividends or capital reduction.
- The simple average closing price of the common shares of the Company for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.

Under the above-mentioned method, the conversion price was set at $15.2 per share.

In August, 2023, the bondholders made a request to the Company to redeem the private placement convertible bond, with a par value of $30,000, for $30,000 in cash plus an interest of $452, in accordance with the above-mentioned redemption condition. The Company recognized a loss of $749 on the redemption of the bonds, which was included in "other gains and losses".

The Company had neither issued, repurchased, nor redeemed, bonds payable during 2022.

(m) Lease liabilities

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

	December 31, 2023	December 31, 2022
Current	$ 7,841	741
Non-current	$ 11,120	199

Please refer to note (6)(u) for the maturity analysis.

The amounts recognized in profit or loss was as follows:

	2023	2022
Interest expense on lease liabilities	$ 364	88
Expense relating to short-term lease	$ 844	236
Expenses related to leases of low-value assets (excluding short-term leases of low-value assets)	$ 637	599

The amounts recognized in the statement of cash flows by the Company were as follows:

	2023	2022
Total cash outflow for leases	$ 9,333	8,017

(i) Leases of buildings and structures

The Company leases buildings for its office space. The leases of office space typically run for a period of 1 to 3 years. Leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Company leases transportation equipment with contract terms of 2 to 3 years. In addition, the Company leases dormitories, miscellaneous equipment and parking spaces, with contract terms of 6 months to 1 year. These leases are short-term and/or of leases of low-value items, for which the Company elected not to recognized right-of-use assets and lease liabilities for these leases.

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value was as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	$ 110,756	110,592
Fair value of plan assets	(63,140)	(59,537)
Net defined benefit liabilities	**$ 47,616**	**51,055**

The amounts recognized as net defined benefit liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	$ 6,250	6,000
Non-current	41,366	45,055
	$ 47,616	**51,055**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2023 and 2022, the balances of the labor pension reserve account and the Company's Bank of Taiwan labor pension reserve account amounted to $63,140 and $59,537 respectively. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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Notes to the Parent-Company-Only Financial Statements

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

		2023	2022
Defined benefit obligations on January 1	$	110,592	123,820
Current service cost and interest		2,914	2,570
Remeasurement of net defined benefit liabilities			
—Actuarial losses (gains) arising from experience adjustments		328	(69)
—Actuarial gains (losses) arising from changes in financial assumptions		1,805	(11,607)
Benefits paid by the plan		(4,095)	(4,122)
Benefits paid by the Company		(788)	-
Defined benefit obligations on December 31	$	**110,756**	**110,592**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

		2023	2022
Fair value of plan assets on January 1	$	59,537	47,534
Interest income		886	332
Remeasurements loss (gain):			
—Return on plan assets (excluding interest income)		310	3,541
Contribution of pension fund		6,502	12,252
Benefits paid		(4,095)	(4,122)
Fair value of plan assets on December 31	$	**63,140**	**59,537**

4) For 2023 and 2022, there was no effect of asset ceiling of defined benefit plan.

5) Expenses recognized in profit or loss:

		2023	2022
Current service costs	$	1,188	1,800
Net interest on the net defined benefit liabilities		840	438
	$	**2,028**	**2,238**
Operating costs	$	114	300
Administrative expenses		1,670	1,698
Research and development expenses		244	240
	$	**2,028**	**2,238**

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2023.12.31	2022.12.31
Discount rate	1.25%	1.75%
Future salary increase rate	1.00%	1.00%

The Company expects to make contribution of $6,250 to the defined benefit plans in the year following December 31, 2023.

The weighted average lifetime of the defined benefits plans is 8 years.

7) Sensitivity analysis

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation:

	Impact on the defined benefit obligations	
	0.25% increase	**0.25% decrease**
December 31, 2023		
Discount rate	$ (915)	942
Future salary increase rate	4,180	(3,818)
December 31, 2022		
Discount rate	(1,812)	1,868
Future salary increase rate	1,839	(1,793)

The sensitivity analysis above was based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $13,463 and $13,511 for the years ended December 31, 2023 and 2022, respectively.

(o) Income taxes

(i) The components of income tax expense (benefits) in the years 2023 and 2022 were as follows:

	2023	2022
Current tax expenses	$ 39,316	93,736
Deferred income tax expenses	45,507	25,646
Income tax expenses	**$ 84,823**	**119,382**

The amount of income tax expense (benefits) recognized in other comprehensive income for 2023 and 2022 was as follows:

	2023	2022
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	**$ (364)**	**3,043**

Reconciliation of income tax expense (benefits) and profit before tax for 2023 and 2022 was as follows.

	2023	2022
Loss before tax	$ (44,571)	(37,185)
Income tax using the Company's statutory tax rate	(8,914)	(7,437)
Permanent difference and others	6,287	2,164
Income added pursuant to the Income Tax Act	1,468	21
Withholding tax in foreign jurisdiction	34,166	2,022
Changes in unrecognized temporary differences	51,816	122,612
Income tax expenses	**$ 84,823**	**119,382**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

Deferred tax liabilities have not been recognized in respect of the following items:

	December 31, 2023	December 31, 2022
Investment income recognized under equity method (Note)	**$ 247,636**	**300,481**

(Note) The Company is able to control and assure the amount will not be remitted back in the foreseeable future; therefore, such temporary differences are not recognized as deferred tax liabilities.

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2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2023	December 31, 2022
Deductible temporary differences	$ 181,139	182,168

3) Recognized deferred tax assets and liabilities

Change in the amounts of deferred income tax assets and liabilities for 2023 and 2022 were as follows:

	Loss on inventory valuation	Unrealized loss on equity method investments	Defined benefit plans	Tax losses carry forwards	Others	Total
Deferred income tax assets:						
Balance on January 1, 2023	$ 3,182	4,800	10,211	28,387	4,190	50,770
Recognized in profit or loss	(1,409)	(4,800)	(1,052)	(4,244)	(5,160)	(6,345)
Recognized in other comprehensive income	-	-	364	-	-	364
Balance on December 31, 2023	$ 1,733	-	9,523	24,143	9,350	44,789
Balance on January 1, 2022	$ 1,688	-	15,257	82,389	3,833	103,167
Recognized in profit or loss	1,494	4,800	(2,003)	(54,002)	357	(49,354)
Recognized in other comprehensive income	-	-	(3,043)	-	-	(3,043)
Balance on December 31, 2022	$ 3,182	4,800	10,211	28,387	4,190	50,770

	Unrealized gain on equity-meth od investments	Others	Total
Deferred income tax liabilities:			
Balance on January 1, 2023	$ 73,520	224	73,744
Recognized in profit or loss	39,386	(224)	39,162
Balance on December 31, 2023	$ 112,906	-	112,906
Balance on January 1, 2022	$ 94,553	2,899	97,452
Recognized in profit or loss	(21,033)	(2,675)	(23,708)
Balance on December 31, 2022	$ 73,520	224	73,744

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Notes to the Parent-Company-Only Financial Statements

Under the ROC income tax laws, approved tax losses can be carried forward for 10 years to offset future taxable profits.

As of December 31, 2023, the information of the Company's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax loss	Expiry date
2018	$ 37,294	2028
2019	48,968	2029
2020	34,452	2030
	$ 120,714	

(iii) The Company's tax returns through 2021 were assessed and approved by the Tax Authority.

(p) Capital and other equity

As of December 31, 2023 and 2022 the Company's authorized share capital consisted of 200,000 thousand shares, with a par value of $10 per share, amounting to $2,000,000, of which 132,016 thousand shares were issued. All issued shares were paid up upon issuance. In addition, the Company has reserved $200,000 for employee stock options.

Reconciliation of shares outstanding for 2023 and 2022 was as follows (expressed in thousand shares):

	Ordinary shares	
	2023	**2022**
Balance at January 1	130,016	132,016
Repurchase of treasury stock	-	(2,000)
Balance at December 31	**130,016**	**130,016**

(i) Capital surplus

The balances of capital surplus as of December 31, 2023 and 2022, were as follows:

	December 31, 2023	**December 31, 2022**
Additional paid-in capital	$ 734,511	734,511
Treasury share transactions	41,683	41,683
Lapsed stock options	52,798	52,798
Changes in equity of subsidiaries for using the equity method	-	109
Equity component of issuance for convertible bonds	1,476	1,476
Dividends not claimed by shareholders within time limit	5	5
	$ 830,473	**830,582**

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According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received.

According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

According to the Company's Articles of Incorporation, the Company's annual net profit shall first be used to offset accumulated losses in previous years, and then set aside the legal reserve at 10% of net profit, until the accumulated legal reserve equals to the Company's capital and any special reserve pursuant to relevant regulations or as requested by the authorities. The remainder, plus the undistributed prior-year earnings, shall be distributed as dividends or retained based on business operation conditions after the earnings distribution plan proposed by the Board of Directors and approved during the stockholders' meeting. Dividends shall be distributed by way of cash or stock; however, cash dividends shall not be less than 30% of the total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. When the Company distributes its 2021 earnings in 2022, a portion of its current-period earnings and undistributed prior-period earnings shall be reclassified to special earnings reserve. When the Company distributes its 2022 earnings in 2023, the after-tax net profit in the period, plus items other than the after-tax net profit in the period, that are included in the undistributed current-period earnings and undistributed prior-period earnings, shall be reclassified to special earnings reserve. A portion of undistributed prior-period earnings shall be reclassified to special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

(iii) Earnings distribution

The appropriations of earning for 2021 had been approved by the shareholder's meeting held on June 8, 2022. The relevant dividend distributions to shareholders were as follows:

	2021	
	Dividends per share (in dollars)	**Amount**
Dividends distributed to ordinary shareholders:		
Cash	$ 0.25	33,004

As of December 31, 2023, and 2022, the Company had incurred a net loss. Therefore, considering the Company's operational and capital requirements, the Company's board resolved that no dividends would be distributed on March 15, 2024, and 2023.

(iv) Treasury shares

In accordance with the requirements under Article 28-2 of the Securities and Exchange Act and Regulation Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, the Company's board of directors decided on March 18, 2022 to repurchase 2,000 thousand shares of the Company in order to motivate employees and enhance internal cohesion in the company. The number of the above-mentioned repurchase shares will not over 1.51% of the total number of issued of the Company. The shares purchased for the purpose of transferring to employees shall be transferred within three years from the date of share repurchase. Those not transferred within the said limit shall be deemed as not issued by the Company and it should be cancelled. As of December 31, 2023, the Company has repurchased its 2,000 thousand ordinary shares, at a total cost of $44,905.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(v) Other equity interests (net of tax)

	Exchange differences on translation of foreign financial statements	**Unrealized gains (losses) on financial assets at fair value through other comprehensive income**	**Total**
Balance at January 1, 2023	$ 32,567	(12,192)	20,375
Exchange differences arising from translation of foreign operations	(15,020)	-	(15,020)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	-	4,800	4,800
Proceeds from investments in equity instruments measured at fair value through other comprehensive income	-	7,392	7,392
Balance at December 31, 2023	$ 17,547	-	17,547

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Notes to the Parent-Company-Only Financial Statements

		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total
Balance at January 1, 2022	$	(52,620)	(11,053)	(63,673)
Exchange differences arising from translation of foreign operations		85,187	-	85,187
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		-	(1,139)	(1,139)
Balance at December 31, 2022	$	32,567	(12,192)	20,375

(q) Earnings per share

The Company's basic and diluted earnings per share were calculated as follows:

		2023	2022
Basic earnings per share			
Loss attributable to ordinary shareholders of the Company	$	(129,394)	(156,567)
Weighted-average number of ordinary shares outstanding (in thousands)		130,016	130,646
Basic earnings per share (in dollars)	$	(0.995)	(1.198)

The Company incurred a net loss for the year ended December 31, 2023, and 2022, the potential ordinary shares had an anti-dilutive effect, therefore, there is no need to calculate the diluted earnings per share.

(r) Revenue from contracts with customers

(i) Details of revenue

		2023	2022
Primary geographical markets:			
Asia	$	753,177	728,205
America		387,013	288,065
Europe		-	3,099
	$	1,140,190	1,019,369
Major products lines:			
Plastic injection	$	782,865	799,942
Tools		92,438	108,951
Product development services		76,382	22,009
Medical product		92,197	57,407
Laser Optics		82,745	23,061
Others		13,563	7,999
	$	1,140,190	1,019,369

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Notes to the Parent-Company-Only Financial Statements

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable (including related parties)	$ 413,907	340,434	369,147
Less: loss allowance	(63)	(1,597)	(57)
Total	$ 413,844	338,837	369,090
Contract liabilities-plastic injection	$ 254	1,389	291
Contract liabilities-tools	8,338	7,626	7,310
Contract liabilities-laser Optics	16,745	23	23
Contract liabilities-product development services	3,686	16,640	5,378
Contract liabilities-medical product	769	2,885	3,317
Total	$ 29,792	28,563	16,319

Please refer to note (6)(c) for details on notes and accounts receivable and allowance for impairment.

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the period were $26,967 and $8,835, respectively.

The contract liabilities were primary related to the advance received from customers due to sales and product development services; for which revenue is recognized when products have been delivered to or accepted by customers.

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

(s) Remuneration to employees and directors

In accordance with the Articles of Incorporation, if the Company incur profit for the year (prior to deduction of compensations to employees and directors), the profit shall first to be offset against any deficit, then, the Company shall contribute no less than 1% of the profit as employee remuneration and no more than 5% as directors remunerations. The aforementioned employee compensation shall be paid in shares or cash, and the recipients may include the employees of the subsidiaries of the Company who meet the certain conditions determined by the Board of Directors.

The Company incurred a net loss for year 2023 and 2022, therefore, no remuneration was accrued.

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Notes to the Parent-Company-Only Financial Statements

(t) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

		2023	2022
Interest income from bank deposits	$	7,481	2,612
Other interest income		78	-
	$	7,559	2,612

(ii) Other gains and losses

The details of other gains and losses were as follows:

		2023	2022
Gains on disposal of property, plant and equipment	$	470	7
Foreign exchange gains (losses)		(15,344)	2,891
Gains (losses) on financial assets (liabilities) at fair value through profit or loss		80	(14,307)
Impairment loss on non-financial assets		(25,495)	-
Government grants income		5,776	5,353
Others		5,489	3,551
Income tax expenses	$	29,024	(2,505)

(iii) Finance costs

The details of finance costs were as follows:

		2023	2022
Interest expense from bank loans	$	24,571	24,069
Interest expenses on lease liabilities		364	88
Interest expense and indemnity from bonds payable		373	563
	$	25,308	24,720

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

Credit risk is the risk of financial loss to the Company if a customer or counterparty of a financial instrument fail to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, notes and accounts receivable and other receivables, etc. The carrying amount of the Company's financial assets represents the maximum amount exposed to credit risk.

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Notes to the Parent-Company-Only Financial Statements

2) Concentration of credit risk

To minimize credit risk, the Company continuously evaluates it customer's financial positions and periodically monitors and reviews the recoverable amount of the accounts receivable to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2023 and 2022, 78.89% and 72.22% of the Company's accounts receivable were concentrated on 6 and 2 specific customers, respectively. Therefore, credit risk is significantly centralized.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1 to 2 years	2 to 5 years	Over 5 years
December 31, 2023							
Non-derivative financial liabilities							
Short-term notes and bills payable	$ 100,000	100,026	100,026	-	-	-	-
Short-term borrowings	690,000	691,617	691,617	-	-	-	-
Account and other payables (including related parties)	578,440	578,440	578,440	-	-	-	-
Lease liabilities (including current portion)	18,961	19,671	4,250	4,050	8,043	3,328	-
Long-term debt (including current portion)	479,000	518,239	23,121	26,066	150,941	172,454	145,657
Total	$ 1,866,401	1,907,993	1,397,454	30,116	158,984	175,782	145,657
December 31, 2022							
Non-derivative financial liabilities							
Short-term borrowings	$ 1,020,000	1,024,627	1,024,627	-	-	-	-
Account and other payables (including related parties)	584,307	584,307	584,307	-	-	-	-
Lease liabilities (including current portion)	940	951	535	216	200	-	-
Long-term debt (including current portion)	478,000	515,434	40,063	82,807	49,467	197,965	145,132
Bonds payable	28,907	30,452	-	30,452	-	-	-
Total	$ 2,112,154	2,155,771	1,649,532	113,475	49,667	197,965	145,132

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Exchange rate risk

1) Foreign currency risk

The Company's significant exposure to foreign currency risk on financial assets and liabilities was as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	16,420	30.735	504,669	11,237	30.708	345,066
RMB	55,886	4.3394	242,512	66,202	4.3999	291,282
Non-monetary items						
RMB	580,886	4.3394	2,520,698	663,286	4.3999	2,918,391
Financial liabilities						
Monetary items						
USD	13,205	30.735	405,856	13,737	30.708	421,836

2) Sensitivity analysis

The Company's foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and accounts payable that are denominated in foreign currency. Assuming all other variables remaining constant, a strengthening (weakening) of 1% of NTD against USD and RMB as of December 31, 2023 and 2022, would have increased or (decreased) the net profits before taxes by $3,413 and $2,145, respectively.

3) Foreign exchange gain and loss on monetary items

Information related to gains and losses (included unrealized and realized) by the fluctuation of foreign exchange rate was as follows:

	2023		2022	
	Exchange (losses) gains	Average exchange rate	Exchange (losses) gains	Average exchange rate
NTD	$ (15,344)	-	2,891	-

(iv) Interest rate analysis

The interest risk exposure from financial liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

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If the interest rate had increased or decreased by 0.25%, with all other variable factors remaining constant, the Company's profit before tax would have decreased or increased by $2,923 and $3,745 for the years ended December 31, 2023 and 2022, respectively, which was mainly resulted from the borrowings with floating interest rate.

(v) Other price risk

The impact of changes in the prices of equity securities (both periods adopted the same basis and assumed other variable factors had remained constant) on the comprehensive income as of the reporting date was as flows:

	2023		2022	
Price of Securities on the Reporting Date	**Other comprehensive income, Net of Tax**	**Net Income (Loss)**	**Other comprehensive income, Net of Tax**	**Net Income (Loss)**
3% increase	$ -	14	-	-
3% decrease	$ -	(14)	-	-

(vi) Fair value information

1) Financial instruments not measured at fair value

The Company's management considers the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate of their fair values.

2) Financial instruments measured at fair value

The Company's accounting policies and disclosures include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial and accounting department is responsible for the assessment of fair value by striving to use market observable inputs when measuring assets and liabilities. In addition, necessary adjustments of fair value are made to ensure that the evaluation results are reasonable.

The financial instruments at fair value through profit and loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition and grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Fair value levels have been defined as follows:

A. Level 1: quoted process (unadjusted) in active markets for identified assets or liabilities.
B. Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
C. Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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Notes to the Parent-Company-Only Financial Statements

	December 31, 2023				
		Fair value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss– current					
Common stocks – domestic public companies	$ 598	598	-	-	598
Financial assets at fair value through other comprehensive income – non-current	21,460	-	-	21,460	21,460
Financial assets measured at amortized cost					
Cash and cash equivalents	337,636	-	-	-	-
Notes and accounts receivable (including related parties), net	413,844	-	-	-	-
Other receivables from related parties	35,605	-	-	-	-
Other financial assets – current	6,413	-	-	-	-
Other financial assets – non-current	19,132	-	-	-	-
Subtotal	812,630	-	-	-	-
Total	$ 834,688	598	-	21,460	22,058
Financial liabilities at fair value through profit or loss					
Financial liabilities at amortized cost					
Short-term notes and bills payable	100,000	-	-	-	-
Bank loans	1,169,000	-	-	-	-
Notes and accounts payable (including related parties)	445,760	-	-	-	-
Other payables (including related parties)	132,680	-	-	-	-
Lease liabilities	18,961	-	-	-	-
Subtotal	1,866,401	-	-	-	-
Total	$ 1,866,401	-	-	-	-

	December 31, 2022				
		Fair value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets at fair value through other comprehensive income – non-current	$ 21,460	-	-	21,460	21,460
Financial assets measured at amortized cost					
Cash and cash equivalents	308,342	-	-	-	-
Notes and accounts receivable (including related parties), net	338,837	-	-	-	-
Other receivables from related parties	9,214	-	-	-	-
Other financial assets – current	1,661	-	-	-	-
Other financial assets – non-current	456	-	-	-	-
Subtotal	458,510	-	-	-	-
Total	$ 679,970	-	-	21,460	21,460

(Continued)

MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

	December 31, 2022				
		Fair value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss					
Put option of domestic convertible bond	$ 285	-	285	-	285
Financial liabilities at amortized cost					
Bank loans	1,498,000	-	-	-	-
Notes and accounts payable (including related parties)	456,255	-	-	-	-
Other payables (including related parties)	128,052	-	-	-	-
Lease liabilities	940	-	-	-	-
Bonds payable	28,907	-	-	-	-
Subtotal	2,112,154	-	-	-	-
Total	$ 2,112,439	-	285	-	285

3) Valuation techniques for financial instruments measured at fair value

A. Non-derivative financial instruments

The fair value of financial instruments with quoted prices in an active market is based on quoted prices. The prices announced by the main exchange centers or the exchange center of central government bonds serve as the basis for the fair value of the listed equity instruments and debt instruments with quoted prices from an active market.

If the market quotes of financial instruments from the Taiwan Stock Exchange, broker, underwriters, industrial trade unions, pricing service agencies or competent authorities can be frequently obtained on time, and the prices represent the actual and frequent transactions at arm’s length, then the financial instruments are deemed to have quoted prices in an active market. If the conditions above cannot be met, the market is deemed inactive. In general, wide bid-ask spread, significant increases in bid-ask spread or extremely low trading volume are all indicators of an inactive market.

TPEx-listed shared held by the Company are financial assets with standardized terms and conditions and an active market. Their fair value is determined by market quotes.

When the financial instruments of the Company are not traded in an active market, their fair values are illustrated by the category and nature as follows:

- Equity instruments without an active market price: Measurements of fair value of financial instruments without an active market price are calculated using the comparable market approach, with the use of key assumptions based on the ratio of the net value per share of the investee to the net value of the shares derived from the quoted market prices of comparable listed companies. These assumptions have been adjusted for the effect of discount on the lack of the marketability of the equity securities.

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- Private convertible bonds issued by TPEx-listed entities: Using the Discounted Cash Flow (DCF) Method, future cash flow is not only estimated based on observable share prices on the balance sheet date and the effect of liquidity discount, and the conversion price specified in the contract but also discounted at rates that reflect the credit risk of each counterparty.

B. Derivative financial instruments

For the conversion and put options of bonds payable, the fair values are estimated based on appraisal reports by external experts. The evaluation model is a binary tree model for convertible bond pricing that uses market observable inputs including share price volatility, risk-free interest rate, risk discount rate, and liquidity risk, so as to reflect the fair value of the option.

4) Transfers between levels of fair value hierarchy

There were no transfer among fair value hierarchies for the years ended December 31, 2023 and 2022.

5) Reconciliation of Level 3 fair values

	Financial assets at fair value through other comprehensive income
Opening balance, January 1, 2023	$ 21,460
Total gains and losses	
Recognized in other comprehensive income	4,800
Purchased	(4,800)
Ending Balance, December 31, 2023	**$ 21,460**
Opening balance, January 1, 2022	$ 7,119
Total gains and losses	
Recognized in other comprehensive income	(1,139)
Purchased	15,480
Ending Balance, December 31, 2022	**$ 21,460**

For the years ended December 31, 2023 and 2022, total gains and losses that were included in "unrealized gains and losses on financial assets at fair value through other comprehensive income" were as follows:

	2023	**2022**
In other comprehensive income, and presented in "unrealized gains and losses on financial assets at fair value through other comprehensive income"	-	(1,139)

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Notes to the Parent-Company-Only Financial Statements

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – equity investments" and "fair value through other comprehensive income – equity investments".

Most of fair value measurements of the Company which are categorized as equity investment into level 3 have several significant unobservable inputs. Significant unobservable inputs of equity investments without quoted price are independent of each other.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss, financial assets at fair value through comprehensive income–equity investment	Comparable market approach	• Price-Book ratio multiples (1.66~5.13 and 1.67~4.58, respectively on December 31, 2023 and 2022) • Lack of marketability discount rate (50%~70% as of December 31, 2023 and 2022)	• The higher the multiple is, the higher the fair value will be. • The higher the lack of marketability discount rate, the lower the fair value will be.

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or inputs are used. For financial instruments using level 3 inputs, if the inputs changed, the impact on other comprehensive income or loss are as follows:

			Changes in other comprehensive income arising from changes in fair value			
		Upward or	December 31, 2022		December 31, 2021	
	Input	downward	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at fair value through comprehensive income–equity investment	Price-Book ratio multiples	3%	$ 644	(644)	644	(644)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(Continued)

As for financial assets at fair value through profit or loss, the Company’s investments of unlisted shares in domestic markets incurred losses for a few consecutive years, causing the net value of equity interest to approximate $0. In 2017, the Company’s management decided to fully recognize impairment losses after assessment; therefore, it did not conduct sensitivity analysis for these underlying subjects.

(v) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Company’s objectives, policies and processes for measuring and managing the above mentioned risks.

(ii) Structure of risk management

With the Board of Directors as the highest guiding unit, a risk management framework with 3 levels of different duties has been established, and the lower level reports to the immediately higher level. In addition, risk management policies and procedures are formulated to maintain the effectiveness of their operation and reduce various risk costs. Through appropriate risk management education training, the Company equips its employees with the ability to perform risk management tasks, and makes them aware of their roles and obligations.

The Company’s Audit Committee oversees how management monitors compliance with the Company’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by internal auditors. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations, and arises principally from the Company’s receivables from customers.

1) Accounts and other receivables

To maintain the quality of accounts and other receivables, the Company has established procedures for customer risk assessment. In addition to granting credit lines according to credit ratings, the Company also periodically reviews the payments made through customers' accounts, so as to control the level of credit risk.

The above-mentioned financial assets are measured using lifetime expected loss provision and forward looking information is taken into consideration as well.

In addition, the Company will review the recoverable amounts of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables.

2) Cash and investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks and corporate organizations with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

As of December 31, 2023 and 2022, the Company has not provided any endorsement and guarantees for other than subsidiaries wherein the Company held more than 50% equity interests.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's financial department monitors cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2023 and 2022, the Company's unused credit line were amounted to $520,000 and $610,000, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Company. However, the net positions of foreign currency assets and liabilities are normally immaterial; therefore, the net exposure to foreign currencies was continuously controlled under acceptable level by the management that considered the currency risk to be immaterial.

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MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

(w) Capital management

In consideration of industry dynamics and future developments, as well as external environment factors, the Company maintains an optimal structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to find its working capital needs, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stockholders.

The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2023 and 2022, are as follows:

	December 31, 2023	December 31, 2022
Total liabilities	$ 2,086,046	2,268,652
Less: cash and cash equivalents	337,636	308,342
Net debts	**$ 1,748,410**	**1,960,310**
Total equity	**$ 2,092,238**	**2,233,532**
Debt-to-equity ratio	83.57%	87.77%

(x) Financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022, were as follow:

(i) For right-of-use assets under leases, please refer to note (6)(h).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes			
	January 1, 2023	Cash flows	Additions	Foreign exchange movements and others	Interest expense arising from lease liabilities	December 31, 2023
Long-term debt	$ 478,000	1,000	-	-	-	479,000
Short-term notes and bills payable	-	100,000	-	-	-	100,000
Short-term borrowings	1,020,000	(330,000)	-	-	-	690,000
Lease liabilities	940	(7,488)	25,455	(310)	364	18,961
Bonds payable	28,907	(30,000)	-	1,093	-	-
Total liabilities arising from financing activities	**$ 1,527,847**	**(266,488)**	**25,455**	**783**	**364**	**1,287,961**

MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

	January 1, 2022	Cash flows	Non-cash changes: Additions	Non-cash changes: Foreign exchange movements and others	Non-cash changes: Interest expense arising from lease liabilities	December 31, 2022
Long-term debt	$ 619,571	(141,571)	-	-	-	478,000
Short-term borrowings	1,120,000	(100,000)	-	-	-	1,020,000
Lease liabilities	7,415	(7,094)	532	(1)	88	940
Bonds payable	28,495	-	-	412	-	28,907
Total liabilities arising from financing activities	$ 1,775,481	(248,665)	532	411	88	1,527,847

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the parent-company-only financial statements.

Name of related party	Relationship with the Group
Megaforce Group Co., Ltd. (Group)	The Company's subsidiary
Megachamp Investment Company Limited (Megachamp)	The Company's subsidiary
Dongguan Megaforce Electronic Technology Co., Ltd. (Dongguan Megaforce)	The Company's subsidiary
Megaforcemx, S. de R. L. de C.V. (MegaforceMX)	The Company's subsidiary
Megaforce SDN. BHD. (MegaforceMY)	The Company's subsidiary
Megal Company Limited (Megal)	The Company's subsidiary
Barintec Co., Ltd. (Barintec)(Note)	The Company's subsidiary
Megaforce International Corporation (International-US)	The Company's subsidiary
Megaforce International Co., Ltd. (International-Samoa)	The Company's subsidiary
Newforce Global Ltd. (Newforce)	The Company's subsidiary
Shanghai Yingji Electronic Plastic Co., Ltd. (Shanghai Yingji)	The Company's subsidiary
Suzhou Intentech Co., Ltd. (Suzhou Intentech)	The Company's subsidiary
Shanghai AB Megaforce Co., Ltd. (Shanghai AB)	The Company's subsidiary
Shanghai Shanghua Painting Co.,Ltd. (Shanghai Shanghua)	The Company's subsidiary
Liefco Optical Inc. (Liefco)	The Company represented as a director of Liefco
CEREC Asia Inc. (CEREC) (Note)	The Company represented as a director of CEREC
Tairone Energy Saving Tech. Co., Ltd (Tairone)	The Company represented as a director of Tairone

(Note) On October 25, 2023, the Company removed the director of CEREC and it was no longer considered a related party.

MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

		2023	2022
Subsidiaries			
International-US	$	69,369	50,001
Other		3,044	7,632
Other related parties		-	1,906
	$	72,413	59,539

The selling prices and credit terms for the sales to related parties above are not significantly different from those third-party customers, and the normal credit term with the related party above is 45~140 days. There is no collateral received among related parties of accounts receivable.

(ii) Purchases

The amounts of purchases from related parties and the relevant processing fees were as follows:

		2023	2022
Subsidiaries:			
Suzhou Intentech	$	377,747	362,397
Dongguan Megaforce		203,988	179,078
Others		21,450	8,696
	$	603,185	550,171

The purchase prices and payment terms of accounts payables to related parties were based on varies economic environment and market forms and there is not significantly different from those with third-party venders.

(iii) Receivables from related parties

The details of the Company's receivables from related parties were as follows:

Account	Relationship		December 31, 2023	December 31, 2022
Accounts receivable from related parties	Subsidiaries	$	11,188	26,171
Accounts receivable from related parties	Other related parties		-	209
		$	11,188	26,380

MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

(iv) Payables to related parties

The details of the Company's payables to related parties were as follows:

Account	Relationship		December 31, 2023	December 31, 2022
Accounts payable to related parties	Subsidiary:			
	Suzhou Intentech	$	267,890	311,428
	Dongguan Megaforce		69,088	106,167
	Others		488	2,723
		$	337,466	420,318

(v) Prepayments

The details of the Company's prepayments to related parties were as follows:

Account	Relationship		December 31, 2023	December 31, 2022
Other current assets	Subsidiary	$	-	3,218

(vi) Service income

The Company provided support to related parties and charged the related fees, which were classified as a deduction from operating expenses and other gains and losses. The related charges were as follows:

		Transaction amount	
		2023	2022
Subsidiary:			
Shanghai Yingji	$	37,248	32,595
Shanghai AB		1,481	1,809
Shanghai Shanghua		1,660	1,455
Suzhou Intentech		13,665	16,864
	$	54,054	52,723
Account:			
Deduction from operating expenses	$	50,486	49,810
Other gains and losses		3,586	2,913
	$	54,054	52,723

Other receivables from related parties arising from the above-mentioned transactions were as follows:

MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

	Other receivables from related parties	
	December 31, 2023	**December 31, 2022**
Subsidiary:		
Shanghai Yingji	$ 9,691	6,698
Shanghai AB	744	694
Shanghai Shanghua	848	703
Suzhou Intentech	3,123	-
	$ 14,406	8,095

(vii) Other income and others

	Transaction amount		Other receivables from related parties	
	2023	**2022**	**December 31, 2023**	**December 31, 2022**
Subsidiary:				
Sale of sample and consumable supplies (Note 1)	$ 7,868	2,460	746	869
Receipts and payments on behalf of others	-	-	375	250
Other related parties:				
Sale of samples	-	4	-	-
Assignment revenue of EasyPrep patent	200	-	-	-
	$ 8,068	2,464	1,121	1,119

(Note 1) The amount is recognized as a deduction from manufacturing/operating expenses.

(viii) Operating costs and expenses

	Transaction amount		Other payables to related parties	
	2023	**2022**	**December 31, 2023**	**December 31, 2022**
Subsidiaries:				
Manpower support services	$ 22,675	-	9,235	-
Advertisement and sample fee	174	-	-	-
Supplies consumed/ miscellaneous purchases/ utilities/freight	13,029	506	1,119	532
Other related parties:				
Rent expenses	292	110	116	69
Processing fee	170	679	71	247
Advertisement and sample fee	-	95	-	-
	$ 36,340	1,390	10,541	848

(Continued)

MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

(ix) Property transactions

The price of property, plant and equipment acquired by the Company from related parties were as follows:

	Transaction amount		Other payables to related parties	
	2023	2022	December 31, 2023	December 31, 2022
Subsidiaries	$ 1,854	-	1,772	-

(x) Loans to related parties

The actual drawdown amounts were as follows:

	Other receivables from related parties	
	December 31, 2023	December 31, 2022
Subsidiary:		
Megal	$ 20,000	-

In 2023, interest income related to loans to subsidiaries was $78. There was no such transaction in 2022.

(xi) Other receivables

	Other receivables from related parties	
	December 31, 2023	December 31, 2022
Subsidiary	$ 78	-

(xii) Guarantee

As of December 31, 2023 and 2022, the guarantees for loans provided to subsidiaries were $0 and $114,124, respectively.

(xiii) Lease

The Company rented factory and office building from Mega1, and the rent is paid monthly with reference to the nearby rental rates. In July 2023, the company signed a new contract with Mega1 to rent part of the office building and recognized the right-of-use assets and lease liabilities in the same amount of $25,234. For the years ended December 31, 2023 and 2022, the Company recognized the amount of $353 and $64 as interest expense. As of December 31, 2023 and 2022, the balances of lease liabilities amounted to $18,594 and $0, respectively.

(Continued)

(xiv) Other

In 2023 and 2022, the Company participated in the cash capital increase of its subsidiaries by $42,755 and $50,000, respectively. Additionally, the Company received cash dividends (after withholding taxes) from its subsidiaries of $330,630 and $837,170 in 2023 and 2022, respectively. The above-mentioned amounts had been collected as of December 31, 2023 and 2022.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2023	2022
Short-term employee benefits	$ 36,893	42,326
Post-employment benefits	2,338	2,370
	$ 39,231	**44,696**

(8) Pledged assets:

The carrying values of assets pledged as security were as follows:

Pledged assets	Pledged to secure	December 31, 2023	December 31, 2022
Property and plant	Long-term debt	**$ 343,915**	**366,934**

(9) Significant commitments and contingencies :None

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

(12) Other:

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

	For the year ended December 31					
	2023			2022		
By function / By item	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	96,935	214,665	311,600	87,061	211,272	298,333
Labor and health insurance	7,940	19,945	27,885	8,827	19,511	28,338
Pension	3,533	11,958	15,491	4,129	11,620	15,749
Remuneration of directors	-	1,406	1,406	-	798	798
Others	4,678	8,524	13,202	5,466	7,313	12,779
Depreciation	28,259	13,964	42,223	27,506	15,717	43,223
Amortization	-	1,577	1,577	-	2,719	2,719

The number of the Company's employees and the additional information of employee benefits were as follows:

	2023	2022
Number of employees	337	360
Number of non-employee directors	3	4
Average benefit expenses of employees	$ 1,102	998
Average salary expense of employees	$ 933	838
Percentage of change in average salary expense of employees	11.34%	(6.99)%
Supervisors' remuneration	$ -	-

The Company's remuneration policies (for directors, managers, and employees) are as follows:

Director remuneration is determined taking into account the overall operation of the Company, future operating risks associated with the industry, and the percentage of directors' remuneration stipulated by the Articles of Incorporation; the performance assessment and reasonableness have been reviewed and approved by both the Remuneration Committee and the Board of Directors. In addition, the remuneration system is timely reviewed based on the actual operating conditions as well as relevant laws and regulations.

The salaries of managers and employees are paid not only in accordance with related personnel rules and regulations but also with reference to the industry and market averages. The amount of employee remuneration is determined by the Board of Directors in accordance with earnings distribution and the percentage of employee remuneration stipulated by the Articles of Incorporation, taking into account individual performance and contribution of individuals, and assessing the performance of employees' remuneration and managers' related remuneration. In addition, all recommendations regarding remuneration and performance, made by the Remuneration Committee, shall be submitted to the Board of Directors for approval.

(Continued)

MEGAFORCE COMPANY LIMITED
Notes to the Parent-Company-Only Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of NTD)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 1)	Actual usage amount during the period	Range of interest rates	Nature of financing	Transaction amounts	Reasons for short-term financing	Loss allowance	Collateral Item	Collateral Value	Financing limit for each borrowing company	Maximum financing limit for the lender
0	The Company	Mega1	Accounts receivable from related parties	Yes	20,000	20,000	20,000	2.11%	2	-	Operating requirement	-	-	-	Net equity * 20% 418,448	Net equity * 40% 836,895
1	Shanghai Yingji	Dongguan Megaforce	Accounts receivable from related parties	Yes	45,165	-	-	-	2	-	Operating requirement	-	-	-	Net equity * 100% 1,294,839	Net equity * 100% 1,294,839
2	Suzhou Intentech	The Company	Accounts receivable from related parties	Yes	162,095	-	-	-	2	-	Operating requirement	-	-	-	Net equity * 100% 751,114	Net equity * 100% 751,114
4	Shanghai Shanghua	Dongguan Megaforce	Accounts receivable from related parties	Yes	43,394	43,394	43,394	-	2	-	Operating requirement	-	-	-	Net equity * 100% 107,539	Net equity * 100% 107,539

Note 1: The amount approved by the Board of Directors as of December 31, 2023.

Note 2: Nature of financing were as follows:

(i) Business transaction

(ii) Short-term financing.

(Continued)

MEGAFORCE COMPANY LIMITED
Notes to the Parent-Company-Only Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of NTD)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Shanghai Yingji	2	2,092,238	95,562	-	-	-	- %	Net equity * 200% 4,184,476	Y	N	Y
0	The Company	Dongguan Megaforce	2	2,092,238	22,227	-	-	-	- %	Net equity * 200% 4,184,476	Y	N	Y
1	Suzhou Intentech	Shanghai Yingji	4	751,114	269,658	-	-	-	- %	Net equity * 200% 1,502,228	N	N	Y

Note 1: Relationship between the guarantee and the guarantor were as follows:

1. For entities the guarantor has business transaction with.
2. The Company directly or indirectly, owned more than 50% of their shares.
3. For entities who owned, directly or indirectly, more than 50% in total of the guarantor’s shares.
4. The Company and subsidiaries directly or indirectly, owned more than 90% of their shares.
5. Fulfillment of contractual obligation by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. For entities who are guaranteed and endorsed by all capital contributing shareholders in proportion to each of their shareholder’s percentage.
7. Performance guarantee in which entities within the same industry provide among themselves joint and several securities by entering into sales agreement with each other for pre-construction project pursuant to Company Protection Act.

(Continued)

MEGAFORCE COMPANY LIMITED
Notes to the Parent-Company-Only Financial Statements

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of NTD)

Name of holder	Category and name of security	Relationship with securities issuer	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Liefco Optical Inc.	Related party	Financial assets at fair value through profit or loss－non-current	2,107	-	9.50%	-	
The Company	Tairone Energy Saving Tech. Co., Ltd	Related party	Financial assets at fair value through profit or loss－non-current	1,099	-	10.25%	-	
The Company	Opus Microsystem Inc.	-	Financial assets at fair value through profit or loss－non-current	1	-	7.27%	-	
The Company	Super Bravo Bio Co., Ltd.	Related party	Financial assets at fair value through other comprehensive income－non-current	2,232	21,460	6.97%	21,460	
The Company	Intech Biopharm Ltd.	-	Financial assets at fair value through profit or loss－current	20	598	0.02%	598	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

MEGAFORCE COMPANY LIMITED
Notes to the Parent-Company-Only Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of NTD/RMB)

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Name of company	Related party	Nature of relationship	Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms (Note)	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	Note
Shanghai Yingji	Shanghai Shanghua	Affiliates	Processing fee	RMB 32,458	20.90 %	140 days	-		RMB (16,202)	(22.51) %	
Shanghai Shanghua	Shanghai Yingji	Affiliates	Sales	RMB 32,458	100.00 %	140 days	-		RMB 16,202	100.00 %	
The Company	Suzhou Intentech	Parent/subsidiary	Purchase	NTD 377,747	43.26 %	140 days	-		NTD (267,890)	(60.10) %	
Suzhou Intentech	The Company	Parent/subsidiary	Sales	RMB 80,340	47.14 %	140 days	-		RMB 61,734	66.81 %	
The Company	Dongguan Megaforce	Parent/subsidiary	Purchase	NTD 203,988	23.36 %	140 days	-		NTD (69,088)	(15.50) %	
Dongguan Megaforce	The Company	Parent/subsidiary	Sales	RMB 46,146	45.67 %	140 days	-		RMB 15,921	42.74 %	

Note: In consideration of the Group's capital utilization, the Company adjusts timely the credit terms granted to related parties.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of RMB)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Suzhou Intentech	The Company	Parent/subsidiary	RMB 61,734	-	-		RMB 9,503	-

(ix) Trading in derivative instruments: None.

(Continued)

MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of shares/USD/NTD/JPY)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount				Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023		December 31, 2022		Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Group	The British Virgin Islands	Investment and holding		971,803		1,294,793	16	100.00%	2,248,719	337,880	337,880	
				USD	30,088	USD	40,088						
The Company	Megachamp	Taiwan	Investment and holding		5,000		5,000	500	100.00%	2,014	(173)	(173)	
The Company	MegaforceMX	Mexico	Plastic components and precision tools		455,886		424,751	-	99.80%	135,743	(57,200)	(57,083)	
				USD	14,970	USD	13,970						
The Company	MegaforceMY	Malaysia	Plastic components		85,215		85,215	16,386	100.00%	47,481	(17,629)	(17,629)	
				USD	3,064	USD	3,064						
The Company	MEGA1	Taiwan	Manufacturing of optical components		587,061		587,061	9,988	99.88%	(24,888)	(74,506)	(74,325)	
The Company	Barintec	Japan	Developing AR modules and optical technology, and selling related products		55,029		43,409	12	70.76%	2,218	(13,331)	(9,433)	
				JPY	212,000	JPY	162,000						
The Company	International-US	USA	Trading of merchandise		9,233		9,233	-	100.00%	(1,455)	(2,625)	(2,625)	
				USD	300	USD	300						
Group	International-Samoa	Samoa	Investment and holding	USD	41,932	USD	51,932	4,700	100.00%	2,100,708	334,661	Note	
Group	Newforce	The British Virgin Islands	Investment and holding	USD	7,929	USD	7,929	20	100.00%	146,368	4,958	Note	
Megachamp	MegaforceMX	Mexico	Plastic components and precision tools		916		916	-	0.20%	272	(57,200)	Note	
				USD	30	USD	30						

Note: To prevent confusion, profits (losses) of investees, which have already been included in those of the investor, are not presented separately herein.

MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of NTD/USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Shanghai Yingji	Plastic components	USD 15,500	(2) (Note 4)	USD 2,698	-	-	USD 2,698	305,258	100.00%	305,050	1,292,773	USD 64,199
Shanghai AB	High-precision tools	USD 3,700	(2) (Note 4)	USD 1,200	-	-	USD 1,200	3,451	90.00%	2,672	125,563	-
Suzhou Intentech	Plastic components	USD 32,500	(2) (Note 4)	USD 24,921	-	10,000	USD 14,921	27,566	100.00%	27,970	751,114	-
Shanghai Shanghua	Painting	USD 2,000	(2) (Note 5)	USD 3,779	-	-	USD 3,779	4,958	100.00%	4,958	107,539	USD 18,587
Dongguan Megaforce	Plastic components and high-precision tools	USD 6,525	(1)	USD 6,526	-	-	USD 6,526	(10,246)	100.00%	(11,239)	243,709	-

(Continued)

MEGAFORCE COMPANY LIMITED
Notes to the Parent-Company-Only Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023 (Notes 3 and 7)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment (Note 6)
NTD 1,087,773 (USD 35,392)	NTD 1,192,057 (USD 38,785)	1,255,343

Note 1: There are three methods to invest:

(a) Direct investment in Mainland China.

(b) Investments in Mainland China through the 3rd region.

(c) Other methods.

Note 2: Investment profit (loss) is recognized based on the financial statements audited by the parent company's external certified auditors.

Note 3: Exchange rate on the balance sheet date.

Note 4: The Company conducts reinvestment in Mainland China through Group and International-Samoa in the 3rd region.

Note 5: The Company conducts reinvestment in Mainland China through Group and Newforce in the 3rd region.

Note 6: The amount is limited to 60% of the net value.

Note 7: The amount includes USD641 of transferred equity interest in Mega Mobile (China) International Co., Ltd., USD4,249 remitted by the processing plant in Dongguan, and USD1,378 remitted by Dong Guan Shi Jian Light Electron Technology Co. Ltd.

(Continued)

MEGAFORCE COMPANY LIMITED

Notes to the Parent-Company-Only Financial Statements

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholding Shareholder's Name	Shares	Percentage
Ying Fan Investment Co., Ltd.	38,983,802	29.52%

(14) Segment information:

Please refer to the Company's consolidated financial statements for the year ended December 31, 2023 for details.

Megaforce Company Limited

Statement of cash and cash equivalents

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		$ 152
Cash in banks:		
Demand deposits		17,679
Foreign currency demand deposits:		
USD	2,518,715.02, exchange rate: 30.735	77,413
HKD	940.06, exchange rate: 3.929	3
RMB	45,857,674.58, exchange rate: 4.3394	198,995
JPY	6, exchange rate: 0.2172	-
Foreign time deposit: RMB	10,000,000, exchange rate: 4.3394	43,394
		$ 337,636

Statement of notes and accounts receivable

Customer name	Amount
Non-related parties:	
Compal Networking (Kunshan) Co., Ltd.	$ 116,356
Buffalo Technology Inc.	33,277
Arcadyan Technology Corporation	91,477
Pegatron Corporation	28,161
Nodesnow, Inc.	27,600
TPV Electronic Technology (Fujian) Co., Ltd.	20,796
Others (individual amount not exceeding 5%)	85,052
	402,719
Less: loss allowance	(63)
Total	**$ 402,656**

Megaforce Company Limited

Statement of notes and accounts receivable-related parties

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Customer name	Amount
International-US	$ 8,551
MegaforceMY	2,637
Total	**$ 11,188**

Statement of inventories

Item	Amount	
	Carrying amount (note)	Net realizable value
Raw materials	$ 18,396	25,047
Semi-finished products	5,701	10,657
Molds in process	15,514	30,889
Projects in progress	11,821	19,088
Finished goods	16,104	22,395
Merchandise	84,645	116,969
Total	**$ 152,181**	**225,045**

Note: Provision of inventory obsolescence has been deducted.

Megaforce Company Limited

Statement of other financial assets－current

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Interest receivables	$ 105
Other receivables	3,985
Business tax refund receivable	2,323
Total	**$ 6,413**

Statement of other current assets

Item	Amount
Prepaid expenses	$ 13,403
Input tax	758
Income tax refund receivable	941
Offset against business tax payable	203
Others	122
Total	**$ 15,427**

Megaforce Company Limited

Statement of changes in investments accounted for using the equity method

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Investee	Beginning balance		Addition		Decrease (Note)		Investment income (loss)	Foreign currency translation differences	Unrealized profit (loss) from sales	Capital surplus	Ending balance			Market value or net assets value	Collaterals or pledged
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount					Number of shares	Shareholding	Amount		
Megaforce Group Co., Ltd.	24	$ 2,633,308	-	-	(8)	(690,357)	337,880	(32,112)	-		16	100.00%	2,248,719	2,248,719	None
Megaforce International Corporation	-	2,054	-	-	-	-	(2,625)	18	(902)		-	100.00%	(1,455)	(1,455)	〃
Megachamp Investment Company Limited	500	2,084	-	-	-	-	(173)	72	-	31	500	100.00%	2,014	2,014	〃
Megal Company Limited	23,972	49,437	-	-	(13,984)	-	(74,325)	-	-		9,988	99.88%	(24,888)	(24,888)	〃
Megaforcemx, S. de R.L. de C.V.	-	135,700	-	31,135	-	-	(57,083)	26,022	-	(31)	-	99.80%	135,743	135,743	〃
Dongguan Megafore Electronic Technology Co., Ltd.	-	258,374	-	-	-	-	(11,239)	(3,426)	-		-	100.00%	243,709	243,709	〃
Megaforce SDN. BHD.	16,386	67,292	-	-	-	-	(17,629)	(2,182)	-		16,386	100.00%	47,481	47,481	〃
Barintec Co., Ltd.	9	29,159	3	11,620	-	(25,495)	(9,433)	(3,412)	-	(221)	12	70.76%	2,218	2,218	〃
		$ 3,177,408		42,755		(715,852)	165,373	(15,020)	(902)	(221)			2,653,541	2,653,541	
Add: Credit balance of investments accounted for using equity method													26,343		
													2,679,884		

Note: The decrease included cash dividends distributed from subsidiary, proceeds from a capital reduction by subsidiary, and impairment losses of goodwill in investments accounted for using the equity method.

Megaforce Company Limited

Statement of changes in intangible assets

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Beginning balance	Addition	Disposal	Amortization for the period	Ending balance
Computer software	$ 2,761	220	-	1,577	1,404

Statement of short-term borrowings

December 31, 2023

Creditor	Description	Ending balance	Period	Interest rate	Credit lines	Collaterals or pledged
Hua Nan Commercial Bank	Unsecured loans	$ 20,000	2023/11/1~2024/1/30	(Note)	$ 20,000	None
Mega International Commercial Bank	Unsecured loans	30,000	2023/10/23~2024/1/19	〃	120,000	None
Mega International Commercial Bank	Unsecured loans	30,000	2023/11/24~2024/1/19	〃	-	None
Mega International Commercial Bank	Unsecured loans	30,000	2023/11/30~2024/1/19	〃	-	None
Mega International Commercial Bank	Unsecured loans	20,000	2023/12/1~2024/1/19	〃	-	None
Mega International Commercial Bank	Unsecured loans	10,000	2023/12/7~2024/1/19	〃	-	None
Bank of Taiwan	Unsecured loans	100,000	2023/11/7~2024/2/5	〃	100,000	None
Bank SinoPac	Unsecured loans	80,000	2023/12/15~2024/2/5	〃	80,000	None
Cathay United Bank	Unsecured loans	60,000	2023/12/6~2024/3/5	〃	170,000	None
Cathay United Bank	Unsecured loans	60,000	2023/12/7~2024/3/5	〃	-	None
Taipei Fubon Commercial Bank	Unsecured loans	50,000	2023/10/5~2024/2/2	〃	200,000	None
CTBC Bank	Unsecured loans	200,000	2023/12/7~2024/3/6	〃	200,000	None
		$ 690,000			$ 890,000	

Note: The range of interest rate of aforementioned loans were 1.82%~1.9662%.

Megaforce Company Limited

Statement of notes and accounts payable

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Non-related parties:	
Top Victory Investments Limite	$ 49,857
Socle Technology Corp..	7,435
Others (individual amount not exceeding 5%)	51,002
	$ 108,294

Statement of other payables

Item	Description	Amount
Salaries and bonus payable		$ 65,831
Payables for professional service fee		3,580
Insurance payables		4,318
Payables for processing fees		10,989
Pension payable under defined contribution plan		3,405
Other accrued expenses	Payables arising from miscellaneous purchases and others	44,557
		$ 132,680

Megaforce Company Limited

Statement of long-term borrowings

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Creditor	Beginning balance Number of shares	Beginning balance Amount	Addition (Note 1) Number of shares	Addition (Note 1) Amount	Decrease (Note 2) Number of shares	Decrease (Note 2) Amount	Ending balance Number of shares	Ending balance Amount	Note
Super Bravo Bio Co., Ltd.	2,232	$ 21,460	-	-	-	-	2,232	21,460	
CEREC Asia I.nc.	769	-	-	4,800	769	4,800	-	-	
		$ 21,460		4,800		4,800		21,460	

Note 1: The addition was due to the adjustment of unrealized gains from financial assets measured at fair value.
Note 2: The decrease was due to the disposal of financial assets at fair value through other comprehensive income.

Statement of long-term borrowings

Creditor	Credit lines	Amount: Current portion	Amount: Non-current portion	Period	Range of interest rate	Amount	Collaterals or pledged
Bank of Taiwan	$ 227,000	15,764	211,236	2020/2/3~2036/2/3	(Note)	227,000	Property and plant $269,151
Bank SinoPac	152,000	24,000	128,000	2022/10/20~2026/10/20	〃	152,000	Property and plant $74,764
Hua Nan Commercial Bank	100,000	-	100,000	2023/9/27~2025/9/26	〃	100,000	None
	$ 479,000	$ 39,764	$ 439,236			479,000	

Note: The range of interest rate of aforementioned loans were 1.965%~2.09%

Megaforce Company Limited

Other non-current liabilities

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Prepayments for equipment	$ 19,117
Security deposits	15
	$ 19,132

Statement of lease liabilities

(current and non-current)

Item	Lease Term	Discount Rate	Amount
Building	2023/7/1~2024/12/31	2%	$ 18,595
Vehicles	2021/8/1~2025/6/30	2%~3%	366
			$ 18,961
Current			**$ 7,841**
Non-current			**$ 11,120**

Statement of operating revenue

For the year ended December 31, 2023

Item	Quantity		Amount
Operating revenues:			
Plastic components	125,708,074	pcs	$ 787,231
Tools	235	sets	92,438
Product development services	-	pcs	76,382
Medical product	365,497	pcs	92,495
Laser Optics	21,163	pcs	82,745
Others	1,991,133	pcs	13,564
Subtotal			1,144,855
Less: Sales returns			(2,406)
Sales discounts and allowances			(2,259)
Net operating revenue			**$ 1,140,190**

Megaforce Company Limited

Statement of operating costs

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Merchandise, beginning of year	$ 38,283
Add: Purchases (net)	672,007
Gain on physical inventory count	1
Less: Merchandise, ending of year	(84,688)
Transferred to expenses	(440)
Costs of sales from purchasing	625,163
Raw materials, beginning of year	22,155
Add: Purchases (net)	163,423
Gain on physical inventory count	13
Less: Raw materials, end of year	(23,608)
Sale of raw materials	(11,340)
Scraps	(12)
Transferred to expenses	(7,748)
Direct raw materials consumed	142,883
Direct labor	73,893
Manufacturing overheads	139,131
Manufacturing costs	355,907
Add: Work in process, beginning of year	28,199
Semi-finished products, beginning of year	6,395
Purchases (net)	217
Less: Work in process, end of year	(15,514)
Semi-finished products, end of year	(8,732)
Transferred to expenses	(434)
Sale of semi-finished products	(1,613)
Scraps	(704)
Costs of finished goods	363,721
Add: Finished goods, beginning of year	15,762
Purchases (net)	11,864
Gain on physical inventory count	9
Less: Finished goods, end of year	(16,686)
Transferred to expenses	(27,571)
Costs of finished goods sold	347,099
Sale of raw materials and semi-finished products	12,953
Cost of sales from manufacturing	360,052
Scrap loss of inventory	716
Gain on physical inventory count	(23)
Revenue from selling scrap	(169)
Write-downs of inventories	(7,044)
Other	43,907
Operating costs	$ 1,022,602

Megaforce Company Limited

Statement of operating expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Salaries	$ 21,788	127,447	66,836
Pension expenses	1,154	7,325	3,479
Traveling expenses	1,409	4,707	964
Telecom and internet expenses	7	3,426	5
Repairs and maintenance expenses	7	11,174	1,705
Insurance expenses	1,927	12,103	6,244
Depreciation	-	10,002	3,962
Amortization	-	1,480	97
Professional service fees	21	9,979	1,612
Testing expenses	-	-	835
Supplies consumed	-	-	9,230
Service revenues attributable to expenses	(10,249)	(32,799)	(7,438)
Others	7,652	14,361	940
	$ 23,716	**169,205**	**88,471**

Statements of changes in property, plant, and equipment, please refer to note 6(g)

Statements of changes in right of use assets, please refer to note 6(h)

Statements of other gains and losses, please refer to note 6(t)

Statement of finance costs, please refer to note 6(t)