Stock Code:3294

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

Consolidated Financial Statements

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Megaforce Company Limited as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Megaforce Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Megaforce Company Limited
Chairman: Wen-Lin Hsu
Date: March 15, 2024

Independent Auditors' Report

To the Board of Directors of

Megaforce Company Limited:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements for the year 2023. These matters were addressed in the context of our audit of the consolidated 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

   Please refer to notes (4)(h) to the consolidated financial statements for the accounting policies on the valuation of inventories, note (5)(a)for the uncertainties in accounting estimates and assumptions regarding the valuation of inventories, and note (6)(e) for the provision for losses on decline in value of inventories.

Description of key audit matter:

Inventories are 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. Therefore, the valuation of inventories has been identified as key audit matters.

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 the Group; 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 Group's 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 long-term non-financial assets (including goodwill)

Please refer to notes (4)(k) "Impairment of non-financial assets" of the consolidated financial statements for the accounting policies concerning the assessment on impairment of long-term non-financial assets (including goodwill), note (5)(b) for relevant accounting estimates and assumption uncertainty, and note (6)(f)(g)(h) for details on the impairment assessment of long-term non-financial assets (including goodwill).

Description of key audit matter:

The industry in which the Group operates is sensitive to market environment and the assessment on impairment of 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 long-term non-financial assets (including goodwill) has been identified as one of the key audit matters in our audit of the Group's consolidated 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 Group 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.

Other Matter

Megaforce Company Limited has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 consolidated 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 consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

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

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

Consolidated 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))	$ 2,133,533	40	1,756,579	34
1110	Financial assets at fair value through profit or loss—current (note (6)(b))	598	-	-	-
1170	Notes and accounts receivable, net (notes (6)(c), (r) and (7))	1,282,712	24	1,387,041	27
130X	Inventories (note (6)(e))	395,498	8	496,691	10
1476	Other financial assets—current (note (6) (a) (d) and (7))	235,208	4	4,868	-
1479	Other current assets	70,372	1	66,435	1
	Total current assets	4,117,921	77	3,711,614	72
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income—non-current (note (6)(b))	21,460	-	21,460	1
1600	Property, plant and equipment (notes (6)(f) and (8))	871,598	16	999,601	19
1755	Right-of-use assets (note (6)(g))	143,946	3	193,271	4
1780	Intangible assets (notes (6)(h))	36,727	1	62,338	1
1840	Deferred income tax assets (note (6)(o))	130,516	3	141,778	3
1980	Other financial assets—non-current	15,562	-	16,955	-
1990	Other non-current assets	22,358	-	8,259	-
	Total non-current assets	1,242,167	23	1,443,662	28
		$ 5,360,088	**100**	**5,155,276**	**100**

		December 31, 2023		December 31, 2022	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note (6)(j))	$ 690,000	13	1,020,000	20
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))	54,076	1	59,229	1
2170	Notes and accounts payable	526,261	10	450,232	9
2200	Other payables (notes (7))	481,390	9	539,041	11
2230	Current income tax liabilities	22,581	-	21,697	-
2280	Lease liabilities—current (note (6)(m))	44,709	1	52,448	1
2321	Current portion of bonds payable (note (6)(l))	-	-	28,907	1
2322	Current portion of long-term debt (notes (6)(k) and (8))	44,097	1	114,764	2
2360	Net defined benefit liability—current (note (6)(n))	6,250	-	6,000	-
2399	Other current liabilities—other	35,527	1	21,964	-
	Total current liabilities	2,004,891	38	2,314,567	45
	Non-current liabilities:				
2540	Long-term debt (notes (6)(k) and (8))	460,903	9	363,236	7
2570	Deferred income tax liabilities (note (6)(o))	114,682	2	75,190	1
2580	Lease liabilities—non-current (note (6)(m))	68,075	1	107,408	2
2640	Net defined benefit liability—non-current (note (6)(n))	41,366	1	45,055	1
2670	Other non-current liabilities (notes (9))	563,050	10	402	-
	Total non-current liabilities	1,248,076	23	591,291	11
	Total liabilities	3,252,967	61	2,905,858	56
	Equity attributable to owners of parent (notes (6)(l) and (p)):				
3100	Common stock	1,320,159	25	1,320,159	26
3200	Capital surplus	830,473	16	830,582	16
3300	Retained earnings(Accumulated deficits)	(31,036)	(1)	107,321	2
3400	Other equity	17,547	-	20,375	1
3500	Treasury shares	(44,905)	(1)	(44,905)	(1)
	Total equity attributable to owners of parent	2,092,238	39	2,233,532	44
36XX	Non-controlling interests	14,883	-	15,886	-
	Total equity	2,107,121	39	2,249,418	44
	Total liabilities and equity	**$ 5,360,088**	**100**	**5,155,276**	**100**

See accompanying notes to consolidated financial statements.

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

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

Consolidated 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))**	$ 4,138,158	100	4,834,937	100
5000	**Operating costs (notes (6)(e), (f), (g), (h), (m), (n), (7) and (12))**	3,580,213	87	4,351,713	90
	Gross profit	557,945	13	483,224	10
	Operating expenses (notes (6)(c), (d), (f), (g), (h), (m), (n), (7) and (12)):				
6100	Selling expenses	102,646	2	95,179	2
6200	Administrative expenses	321,330	8	331,772	7
6300	Research and development expenses	180,975	4	139,819	3
6450	Recognized (reversal of) expected credit losses	(554)	-	1,336	-
	Total operating expenses	604,397	14	568,106	12
	Net operating loss	(46,452)	(1)	(84,882)	(2)
	Non-operating income and expenses (notes (6)(h), (l), (m), (t) and (7)):				
7100	Interest income	29,047	1	17,686	1
7020	Other gains and losses, net	38,060	1	80,282	2
7510	Interest expense	(28,029)	(1)	(27,937)	(1)
	Total non-operating income and expenses	39,078	1	70,031	2
7900	**Loss before tax**	(7,374)	-	(14,851)	-
7950	Less: Income tax expenses (note (6)(o))	125,662	3	146,957	3
	Net loss	(133,036)	(3)	(161,808)	(3)
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	-
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	-
8360	**Items that will be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operations (note (6)(p))	(12,602)	-	85,039	2
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	(12.602)	-	85,039	2
8300	**Other comprehensive income (loss), net**	(9,261)	-	96,074	2
8500	**Total comprehensive income (loss)**	**$ (142,297)**	**(3)**	**(65,734)**	**(1)**
	Profit (loss), attributable to:				
8610	Profit (loss), attributable to owners of parent	$ (129,394)	(3)	(156,567)	(3)
8620	Profit (loss), attributable to non—controlling interests	(3,642)	-	(5,241)	-
	Net loss	**$ (133,036)**	**(3)**	**(161,808)**	**(3)**
	Comprehensive loss attributable to:				
8710	Comprehensive loss, attributable to owners of parent	$ (141,073)	(3)	(60,345)	(1)
8720	Comprehensive loss, attributable to non—controlling interests	(1,224)	-	(5,389)	-
	Total comprehensive loss	**$ (142,297)**	**(3)**	**(65,734)**	**(1)**
	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 consolidated financial statements.

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

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
			Retained earnings				Other equity interest					
	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 attributable to owners of parent	Non-controlling interests	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	21,220	2,393,061
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)	-	(33,004)
Net loss	-	-	-	-	(156,567)	(156,567)	-	-	-	(156,567)	(5,241)	(161,808)
Other comprehensive income	-	-	-	-	12,174	12,174	85,187	(1,139)	-	96,222	(148)	96,074
Total comprehensive income	-	-	-	-	(144,393)	(144,393)	85,187	(1,139)	-	(60,345)	(5,389)	(65,734)
Purchase of treasury share	-	-	-	-	-	-	-	-	(44,905)	(44,905)	-	(44,905)
Change in ownership interest in subsidiaries	-	(55)	-	-	-	-	-	-	-	(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	15,886	2,249,418
Appropriation and distribution of retained earnings:												
Reversal special reserve	-	-	-	(63,673)	63,673	-	-	-	-	-	-	-
Net loss	-	-	-	-	(129,394)	(129,394)	-	-	-	(129,394)	(3,642)	(133,036)
Other comprehensive income	-	-	-	-	(1,459)	(1,459)	(15,020)	4,800	-	(11,679)	2,418	(9,261)
Total comprehensive income	-	-	-	-	(130,853)	(130,853)	(15,020)	4,800	-	(141,073)	(1,224)	(142,297)
Change in ownership interest in subsidiaries	-	(109)	-	-	(112)	(112)	-	-	-	(221)	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	14,883	2,107,121

See accompanying notes to consolidated financial statements.

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

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

Consolidated 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:		
Profit (loss) before tax	$ (7,374)	(14,851)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	226,450	246,827
Amortization expense	3,670	3,846
Recognized (reversal of) expected credit loss	(554)	1,336
Net gain on financial assets or liabilities at fair value through profit or los	(3,792)	(5,110)
Interest expense	28,029	27,937
Interest income	(29,047)	(17,686)
Gain on disposal of property, plan and equipment	(5,158)	(915)
Property, plant and equipment reclassified to expenses	3,740	-
Lease modification gains	(485)	-
Impairment loss on non-financial assets	25,495	-
Loss on redemption of convertible bonds	749	-
Total adjustments to reconcile profit (loss)	249,097	256,235
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	89,467	272,896
Inventories	99,542	173,167
Other current assets	669	4,758
Other financial assets	(5,762)	487
Other non-current assets	(319)	(541)
Net changes in operating assets	183,597	450,767
Changes in operating liabilities:		
Contract liabilities	(5,563)	(6,319)
Notes and accounts payable	82,118	(95,849)
Other payables	(55,117)	(108,023)
Other current liabilities	14,629	(10,309)
Net defined benefit liability	(5,262)	(10,014)
Net changes in operating liabilities	30,805	(230,514)
Total changes in operating assets and liabilities	214,402	220,253
Total adjustments	463,499	476,488
Cash inflow generated from operations	456,125	461,637
Income taxes paid	(75,838)	(137,148)
Net cash flows from operating activities	380,287	324,489
Cash flows from (used in) investing activities:		
Proceeds from disposals of financial assets at fair value through other comprehensive income	4,800	-
Acquisition of financial assets at fair value through other comprehensive income	-	(15,480)
Proceeds from disposal of financial assets designated at fair value through profit or loss	-	30,000
Acquisition of financial assets at fair value through profit or loss	(625,176)	(2,560,274)
Proceeds from disposal of financial assets at fair value through profit or loss	625,778	2,594,301
Acquisition of property, plant and equipment	(47,577)	(75,704)
Proceeds from disposal of property, plant and equipment	10,027	1,578
Acquisition of intangible assets	(3,577)	(2,671)
Increase in other financial assets	(216,928)	(1,857)
Received in advance due to disposal of assets	562,540	-
Interest received	22,907	16,778
Net cash flows used in investing activities	332,794	(13,329)
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	126,000	180,000
Repayments of long-term debt	(99,000)	(321,571)
Payments of lease liabilities	(59,447)	(78,715)
Increase (decrease) in other non-current liabilities	115	6
Cash dividends paid	-	(33,004)
Payments to acquire treasury shares	-	(44,905)
Interest paid	(25,360)	(23,818)
Net cash flows used in financing activities	(317,692)	(422,007)
Effect of exchange rate changes on cash and cash equivalents	(18,435)	25,569
Net increase (decrease) in cash and cash equivalents	376,954	(85,278)
Cash and cash equivalents at beginning of period	1,756,579	1,841,857
Cash and cash equivalents at end of period	$ 2,133,533	1,756,579

See accompanying notes to consolidated financial statements.

(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 and subsidiaries (the "Group") 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:

These consolidated 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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated 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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated 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 Group 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 consolidated 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"

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

The Group 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 consolidated 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 consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (“the IFRSs endorsed by the FSC”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated 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)(n).

(ii) Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the Group operates. The Company’s consolidated 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.

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Company. The Company 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

			Percentage of ownership		
Name of investor	**Name of subsidiary**	**Principal activity**	**December 31, 2023**	**December 31, 2022**	**Description**
The Company	Megaforce Group Co., Ltd. (Group)	Holding company	100.00%	100.00%	
The Company	Megachamp Investment Company Limited (Megachamp)	Holding company	100.00%	100.00%	
The Company	Dongguan Megaforce Electronic Technology Co., Ltd. (Dongguan Megaforce)	Manufacturing and selling plastic components and high-precision tools	100.00%	100.00%	
The Company and Megachamp	Megaforcemx, S.de R.L. de C.V. (MegaforceMX)	Manufacturing and selling plastic components and high-precision tools	100.00%	100.00%	(Note 1)
The Company	Megaforce SDN. BHD. (MegaforceMY)	Manufacturing and selling plastic components	100.00%	100.00%	
The Company	Megal Company Limited (Megal)	Manufacturing optical components	99.88%	99.88%	
The Company	Barintec Co., Ltd. (Barintec)	Developing AR modules and optical technology, and selling related products	70.76%	64.79%	(Note 2)
The Company	Megaforce International Corporation (International-US)	Trading of merchandise	100.00%	100.00%	
Group	Megaforce International Co., Ltd. (International-Samoa)	Holding company	100.00%	100.00%	
Group	Newforce Global Ltd. (Newforce)	Holding company	100.00%	100.00%	
International-Samoa	Shanghai Yingji Electronic Plastic Co., Ltd. (Shanghai Yingji)	Manufacturing and selling plastic components	100.00%	100.00%	

(Continued)

			Percentage of ownership		
Name of investor	**Name of subsidiary**	**Principal activity**	**December 31, 2023**	**December 31, 2022**	**Description**
International-Samoa	Suzhou Intentech Co., Ltd. (Suzhou Intentech)	Manufacturing and selling plastic components	100.00%	100.00%	
International-Samoa and Shanghai Yingji	Shanghai AB Megaforce Co., Ltd. (Shanghai AB)	Manufacturing and selling of high-precision tools	90.00%	90.00%	(Note 3)
Newforce	Shanghai Shanghua Painting Co.,Ltd. (Shanghai Shanghua)	Painting of electronic and plastic products	100.00%	100.00%	

Note 1: The Group held 99.8% and 0.2% equity interests in MegaforceMX through the Company and Megachamp, respectively.

Note 2: Barintec issued share for cash in January 2023, which increased the Copmany's shareholding to 70.76%.

Note 3: The Group owned 40% and 50% equity interests in Shanghai AB through International-Samoa and Shanghai Yingji , respectively.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currencies of the Group at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period (“the reporting 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 Group 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 non-controlling interests. When the Group 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.

(Continued)

(e) 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.

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

(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 Group 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.

(f) 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.

(g) 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 Group 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.

(Continued)

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 Group 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 Group 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 Group'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 Group 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.

(Continued)

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 Group 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 Group 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 Group's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

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

The Group 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 Group 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 Group'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.

(Continued)

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 Group is exposed to credit risk.

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 Group in accordance with the contract and the cash flows that the Group 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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group 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 Group 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 Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Group 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 Group 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 Group 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.

(Continued)

3) Compound financial instruments

Compound financial instruments issued by the Group 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 Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group 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 Group 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.

(Continued)

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(h) 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 Group'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.

(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 Group.

(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:

1)	Buildings and construction	20~55 years
2)	Machinery 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) 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.

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

(Continued)

Other intangible assets, including computer software, that are acquired by the Group 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 straightline 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.

(k) Impairment of non-financial assets

At each reporting date, the Group 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. Goodwill is tested annually for impairment.

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. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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.

(l) 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.

(Continued)

(m) Revenue from contracts with customers

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

(i) Sale of goods

The Group manufactures and sells plastic goods and molds to electronic product vender. The Group 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 Group 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 Group has a right to an amount of consideration that is unconditional.

(ii) Revenue from service rendered

The Group 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 Group 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 Group does not adjust any of the transaction prices for the time value of money.

(n) 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 Group'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 Group, 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.

(Continued)

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 Group 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 Group 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 Group 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.

(o) Leases

At inception of a contract, the Group 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 Group 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 Group's incremental borrowing rate. Generally, the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee; or
3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
4) there is a change of its assessment on whether it will exercise 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 Group 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 Group 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 Group 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 dormitory, warehouse and other equipment. The Group 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 Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(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 Group 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 Group 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) Government grants

A government grant is recognized in profit or loss only when there is reasonable assurance that the Group will comply with the conditions attached to it and that the grant will be received.

On a systematic basis, the grant is recognized in profit or loss for the period wherein the costs that it is intended to compensate are recognized as expenses by the Group. Government grants for obtaining non-current assets through acquisition, construction, and other methods shall be deducted when recognizing the underlying assets' carrying amounts. Over the useful lives of depreciable assets, the corresponding amounts shall be reclassified as profit or loss on a reasonable and systematic basis.

(r) Earnings per share

The Group 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.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(Continued)

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

The preparation of the consolidated 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 consolidated 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:

(a) Inventory valuation

As inventories are stated at the lower of cost or net realizable value, the Group 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 in the net realizable values of inventories. Please refer to note (6)(e) for inventory valuation.

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

During the assessment on asset impairment, the Group 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)(h) 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	$ 837	1,232
Demand deposits	1,723,732	1,533,781
Time deposits	408,964	221,566
	$ 2,133,533	1,756,579

As of December 31, 2023, the Group’s time deposits with original maturities exceeding three months amounted to $218,570 and presented in “other financial assets – current”.

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

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(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 Group'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.

(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 Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for the long-term strategic purposes. In 2023, for strategic purpose, the Group has sold a part of equity investment at the amount of $4,800, resulting in the Group 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)(u) for credit risk and market risk.

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

(c) Accounts receivable (including related parties)

	December 31, 2023	December 31, 2022
Accounts receivable	$ 1,282,363	1,387,282
Receivable from related parties	555	1,720
Less: loss allowance	(206)	(1,961)
	$ 1,282,712	1,387,041

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The Group 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	$ 1,270,436	0.01%	127
Past due 1~90 days	12,446	0.6%	75
Past due 91~180 days	36	11%	4
	$ 1,282,918		206

	December 31, 2022		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 1,366,704	0.01%	137
Past due 1~90 days	21,668	1.1%~100%	1,704
Past due 91~180 days	630	19%	120
	$ 1,389,002		1,961

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

	2023	**2022**
Balance at January 1	$ 1,961	618
Impairment losses recognized (reversed)	(553)	1,335
Amounts written off	(1,211)	-
Foreign exchange gains or losses	9	8
Balance at December 31	$ 206	1,961

As of December 31, 2023 and 2022, the notes and accounts receivable were not pledged as collateral.

(d) Other receivables (including related parties)

	December 31, 2023	**December 31, 2022**
Other receivables	$ 16,259	4,869
Other receivable from related parties	379	-
Less: loss allowance	-	(1)
	$ 16,638	4,868

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The movements in the allowance for other receivables 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	$ 84,030	112,236
Work in progress and semi-finished products	112,118	178,366
Finished goods	141,765	203,455
Merchandise	57,585	2,634
	$ 395,498	**496,691**

The details of the cost of sales were as follows:

	2023	2022
Inventory that has been sold	$ 3,410,786	4,110,483
Write-down of inventories (reversal of write-downs)	(15,714)	3,150
Loss on disposal of inventories	39,968	50,066
Gain on physical inventory count	(554)	(74)
Unallocated production costs	116,748	140,339
Others	28,979	47,749
	$ 3,580,213	**4,351,713**

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 Group did not provide any inventories as collateral for its loans.

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(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group 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	$ 320,108	630,919	1,957,366	600,414	5,794	3,514,601
Additions	-	-	24,373	5,994	3,464	33,831
Disposals	(1,730)	(3,527)	(49,589)	(6,702)	-	(61,548)
Reclassification and other	-	-	(423)	470	(2,055)	(2,008)
Reclassified to expenses	-	-	-	-	(3,740)	(3,740)
Effects of changes in foreign exchange rates	1,751	(4,050)	(8,714)	(2,890)	157	(13,746)
Balance on December 31, 2023	$ 320,129	623,342	1,923,013	597,286	3,620	3,467,390
Balance at January 1, 2022	$ 318,300	619,705	1,959,469	587,556	1,626	3,486,656
Additions	-	-	43,524	15,215	5,817	64,556
Disposals	-	-	(88,235)	(10,765)	-	(99,000)
Reclassification	-	-	4,103	(2,476)	(1,627)	-
Effects of changes in foreign exchange rates	1,808	11,214	38,505	10,884	(22)	62,389
Balance on December 31, 2022	$ 320,108	630,919	1,957,366	600,414	5,794	3,514,601
Accumulated depreciation and impairment losses:						
Balance at January 1, 2023	$ -	421,061	1,612,028	481,911	-	2,515,000
Depreciation	-	24,307	84,413	51,509	-	160,229
Disposals	-	(672)	(49,305)	(6,702)	-	(56,679)
Reclassification and other	-	-	(1,681)	-	-	(1,681)
Effects of changes in foreign exchange rates	-	(5,793)	(12,696)	(2,588)	-	(21,077)
Balance at December 31, 2023	$ -	438,903	1,632,759	524,130	-	2,595,792
Balance at January 1, 2022	$ -	392,849	1,578,855	430,482	-	2,402,186
Depreciation	-	22,511	94,628	54,495	-	171,634
Disposals	-	-	(88,088)	(10,249)	-	(98,337)
Reclassification	-	-	1,025	(1,025)	-	-
Effects of changes in foreign exchange rates	-	5,701	25,608	8,208	-	39,517
Balance at December 31, 2022	$ -	421,061	1,612,028	481,911	-	2,515,000
Carrying amount:						
Balance at December 31, 2023	$ 320,129	184,439	290,254	73,156	3,620	871,598
Balance at December 31, 2022	$ 320,108	209,858	345,338	118,503	5,794	999,601
Balance at January 1, 2022	$ 318,300	226,856	380,614	157,074	1,626	1,084,470

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

The Group performed impairment testing on assets as there were indication of impairment in 2023. As a result of the testing, the Group didn't have to recognize impairment loss as the recoverable amount of CGUs exceeded the carrying amount.

As for the key assumptions in the estimation of recoverable amount, the discount rate was based on the weighted-average cost of capital of the industry and it was 8.67%~9.81% for 2023, Cash flow estimates were based on the 5-year budget. The above-mentioned key assumptions represented the management's evaluation of future trends in the industry including historical information from internal and external source.

(g) Right-of-use assets

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

	Right of land use	Buildings	Vehicles	Total
Cost:				
Balance at January 1, 2023	$ 72,031	311,222	1,549	384,802
Additions	-	16,419	221	16,640
Deductions	-	(68,162)	(556)	(68,718)
Lease modifications	-	51	-	51
Effect of changes in foreign exchange rates	(608)	11,005	-	10,397
Balance at December 31, 2023	$ 71,423	270,535	1,214	343,172
Balance at January 1, 2022	$ 71,460	268,039	2,672	342,171
Additions	-	66,473	-	66,473
Deductions	-	(42,114)	(1,123)	(43,237)
Lease modifications	-	4,950	-	4,950
Effect of changes in foreign exchange rates	571	13,874	-	14,445
Balance at December 31, 2022	$ 72,031	311,222	1,549	384,802
Accumulated depreciation:				
Balance at January 1, 2023	$ 39,913	150,686	932	191,531
Depreciation	1,118	64,624	479	66,221
Deductions	-	(62,352)	(556)	(62,908)
Effect of changes in foreign exchange rates	(278)	4,660	-	4,382
Balance at December 31, 2023	$ 40,753	157,618	855	199,226
Balance at January 1, 2022	$ 38,565	114,053	1,502	154,120
Depreciation	1,122	73,518	553	75,193
Deductions	-	(42,114)	(1,123)	(43,237)
Effect of changes in foreign exchange rates	226	5,229	-	5,455
Balance at December 31, 2022	$ 39,913	150,686	932	191,531
Carrying amount:				
Balance at December 31, 2023	$ 30,670	112,917	359	143,946
Balance at December 31, 2022	$ 32,118	160,536	617	193,271
Balance at January 1, 2022	$ 32,895	153,986	1,170	188,051

The Group performed impairment testing on assets as there were indication of impairment in 2023. As a result of the testing, the Group didn't have to recognize impairment loss as the recoverable amount of CGUs exceeded the carrying amount. Please refer to Note(6)(f) Property, plant and equipment for the key assumptions used in the estimation of recoverable amount.

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(h) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended 2023 and 2022, were as follows:

		Computer software	Goodwill	Total
Cost:				
Balance at January 1, 2023	$	20,455	57,971	78,426
Additions		3,577	-	3,577
Disposals		(483)	-	(483)
Effect of changes in foreign exchange rates		117	-	117
Balance at December 31, 2023	$	23,666	57,971	81,637
Balance at January 1, 2022	$	19,702	57,971	77,673
Additions		2,671	-	2,671
Disposals		(2,154)	-	(2,154)
Effect of changes in foreign exchange rates		236	-	236
Balance at December 31, 2022	$	20,455	57,971	78,426
Accumulated amortization and impairment losses:				
Balance at January 1, 2023	$	16,088	-	16,088
Amortization		3,670	-	3,670
Impairment loss		-	25,495	25,495
Disposals		(483)	-	(483)
Effect of changes in foreign exchange rates		140	-	140
Balance at December 31, 2023	$	19,415	25,495	44,910
Balance at January 1, 2022	$	14,191	-	14,191
Amortization		3,846	-	3,846
Disposals		(2,154)	-	(2,154)
Effect of changes in foreign exchange rates		205	-	205
Balance at December 31, 2022	$	16,088	-	16,088
Carrying amount:				
Balance at December 31, 2023	$	4,251	32,476	36,727
Balance at December 31, 2022	$	4,367	57,971	62,338
Balance at January 1, 2022	$	5,511	57,971	63,482

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Notes to the Consolidated Financial Statements

(i) Amortization

The amortization of intangible assets are included in the statement of comprehensive income:

		2023	2022
Operating cost	$	1,658	1,126
Operating expense		2,012	2,720
	$	3,670	3,846

(ii) Impairment testing for goodwill

For impairment testing purposes, goodwill has been allocated to the operating units, which are the minimum level for monitoring the Group's goodwill for internal management. Such units shall not be larger than the Group's operating segments. The overall carrying amount of goodwill as of December 31, 2023 and 2022, is allocated to the segments of electronic components and opto-mechatronics.

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 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 Group 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 Group recognized an impairment loss of $25,495 on December 31, 2023 and didn't have to recognize impairment loss on December 31, 2022 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 consolidated statement of comprehensive income.

(i) Short-term notes and bills payable

	December 31, 2023	December 31, 2022
Short-term notes and bills payable	$ 1,00,000	-
Range of interest rates	1.848%~1.888%	-

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Notes to the Consolidated Financial Statements

(j) Short term borrowings

	December 31, 2023	December 31, 2022
Unsecured bank loans	$ 690,000	1,020,000
Unused credit lines	$ 563,394	675,999
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	1.7439%~2.0521%	2026~2036	405,000
Less: current portion of long-term debt				(44,097)
Total				$ 460,903
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 Group’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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Notes to the Consolidated 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 Group'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 Group'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) Period of issue: 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 bondholders: The Group 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 Group 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 (0.50% yield rate) and 102.0151% of the par value after 4 years (0.50% yield rate), respectively. After accepting the redemption request, the Group should redeem the bonds by cash within 5 business days after the redemption date.

(Continued)

(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 Group's lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	$ 44,709	52,448
Non-current	$ 68,075	107,408

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	$ 2,733	3,305
Expense relating to short-term lease	$ 11,030	8,782
Expenses related to leases of low-value assets (excluding short-term leases of low-value assets)	$ 1,141	1,477

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

	2023	2022
Total cash outflow for leases	$ 74,351	92,279

(i) Leases of land and buildings

The Group leases lands and buildings for its factory and storage locations. The leases of factory typically run for a period of 10 years, and of storage locations for 1 to 5 years. Leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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(ii) Other leases

The Group leases transportation equipment with contract terms of 2 to 5 years. In addition, the Group leases dormitories, parking spaces and miscellaneous equipment, 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 Group 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**

Only the Company within the Group adopts defined benefit plans. 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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2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group 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 Group 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

(Continued)

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES
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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 Group 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 Group 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 Group 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 $15,562 and $14,518 for the years ended December 31, 2023 and 2022, respectively.

The pension costs, basic old-age insurance and social welfare expenditure recognized by other subsidiaries including in consolidated financial statements amounted to $126,781 and $143,045 for the years ended December 31, 2023 and 2022, respectively.

(Continued)

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(o) Income taxes

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

		2023	2022
Current tax expenses	$	75,720	122,016
Deferred tax expenses		49,942	24,941
Income tax expenses	$	125,662	146,957

The amount of income tax 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 and profit before tax for 2023 and 2022 is as follows:

		2023	2022
Loss before tax	$	(7,374)	(14,851)
Income tax using the Company's statutory tax rate		(1,475)	(2,970)
Effect of tax rates in foreign jurisdiction		12,751	10,599
Share of profit of equity-accounted subsidiaries		33,075	37,592
Permanent difference and others		4,646	3,134
Income added pursuant to the Income Tax Act		1,468	21
Changes in unrecognized temporary differences		61,583	121,938
Current-year losses for which no deferred tax asset was recognized		39,445	23,618
Withholding tax in foreign jurisdiction		34,166	2,022
Change in provision in prior periods		3,414	4,732
Tax incentives		(63,411)	(53,729)
Income tax expenses	$	125,662	146,957

Shanghai Yingji and Suzhou Intentech, the Company's subsidiaries, obtained high-tech enterprise certifications. During the three years after dates on which the certifications were issued, the two subsidiaries were entitled to a preferential income tax rate of 15%.

(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 the equity method (Note)	$	247,636	300,481
Others		22,628	1,650
	$	270,264	302,131

(Continued)

(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.

2) Unrecognized deferred tax assets

As of December 31, 2023 and 2022, the Group's unrecognized deferred tax assets were as follows:

	December 31, 2023	December 31, 2022
Deductible temporary differences	$ 249,716	218,983
The carryforward of unused tax losses	231,463	182,435
	$ 481,179	**401,418**

The Income Tax Act of each country allows net losses, as assessed by the tax authorities, to offset taxable income for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom. As of December 31, 2023, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax loss	Expiry date
2014	$ 74	2024
2015	62	2025
2016	14,889	2026
2017	26,532	2027
2018	39,665	2028
2019	21,524	2029
2019	977	-
2020	2,892	2029
2020	35,557	2030
2020	371	-
2021	2,306	2026
2021	23,319	2031
2021	45	-
2022	2,148	2027
2022	632	2031
2022	20,543	2032
2022	29	-
2023	976	2028
2023	2,085	2032
2023	36,383	2033
2023	454	-
	$ 231,463	

(Continued)

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3) Recognized deferred tax assets and liabilities

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

		Loss on inventory valuation	Depreciation adjustment for tax purposes	Defined benefit plans	Tax losses carry forwards	Others	Total
Deferred income tax assets:							
Balance at January 1, 2023	$	20,584	37,628	10,211	42,839	30,516	141,778
Recognized in profit or loss		(10,261)	(3,935)	(1,052)	4,300	523	(10,425)
Recognized in other comprehensive income		-	-	364	-	-	364
Effect on changes in foreign exchange rate		(84)	(420)	-	(373)	(324)	(1,201)
Balance at December 31, 2023	$	**10,239**	**33,273**	**9,523**	**46,766**	**30,715**	**130,516**
Balance at January 1, 2022	$	20,833	42,646	15,257	88,957	29,028	196,721
Recognized in profit or loss		(452)	(5,454)	(2,003)	(46,421)	1,189	(53,141)
Recognized in other comprehensive income		-	-	(3,043)	-	-	(3,043)
Effect on changes in foreign exchange rate		203	436	-	303	299	1,241
Balance at December 31, 2022	$	**20,584**	**37,628**	**10,211**	**42,839**	**30,516**	**141,778**

		Unrealized gains on equity method investments	Others	Total
Deferred income tax liabilities:				
Balance at January 1, 2023	$	73,520	1,670	75,190
Recognized in profit or loss		39,386	131	39,517
Effect on changes in foreign exchange rate		-	(25)	(25)
Balance at December 31, 2023	$	**112,906**	**1,776**	**114,682**
Balance at January 1, 2022	$	94,553	8,808	103,361
Recognized in profit or loss		(21,033)	(7,167)	(28,200)
Effect on changes in foreign exchange rate		-	29	29
Balance at December 31, 2022	$	**73,520**	**1,670**	**75,190**

The Company’s tax returns through 2021 were assessed and approved by the Tax Authority.

(Continued)

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 thousands 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 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 share 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**

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.

(Continued)

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.

(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.

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(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 attributable to owners of parent	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Non-controlling interests	Total
Balance at January 1, 2023	$ 32,567	(12,192)	(1,315)	19,060
Exchange differences arising from translation of foreign operations	(15,020)	-	2,418	(12,602)
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	-	1,103	18,650
Balance at January 1, 2022	$ (52,620)	(11,053)	(1,167)	(64,840)
Exchange differences arising from translation of foreign operations	85,187	-	(148)	85,039
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)	(1,315)	19,060

(q) Earnings per share

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

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	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 loss 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	$	3,677,660	4,478,058
America		460,498	353,672
Europe		-	3,207
	$	4,138,158	4,834,937
Major products lines:			
Plastic injection	$	3,687,250	4,453,129
Tools		165,614	257,699
Product development services		85,108	26,157
Medical product		98,668	65,752
Laser Optics		85,290	27,740
Others		16,228	4,460
	$	4,138,158	4,834,937

(ii) Contract balances

		December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable (including related parties)	$	1,282,918	1,389,002	1,643,684
Less: loss allowance		(206)	(1,961)	(618)
Total	$	1,282,712	1,387,041	1,643,066
Contract liabilities-plastic injection	$	258	2,310	1,072
Contract liabilities-tools		17,800	26,663	50,272
Contract liabilities-laser Optics		17,439	43	48
Contract liabilities-product development services		12,194	17,320	8,203
Contract liabilities-medical product		6,260	12,785	3,317
Contract liabilities-Others		125	108	-
Total	$	54,076	59,229	62,912

(Continued)

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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 $55,284 and $53,897, 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.

(t) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	2023	2022
Interest income from bank deposits	$ 29,046	17,686
Other interest income	1	-
	$ 29,047	17,686

(ii) Other gains and losses

	2023	2022
Gains on disposal of property, plant and equipment	$ 5,158	915
Foreign exchange gains	8,323	23,193
Gains on financial assets (liabilities) at fair value through profit or loss	3,792	5,110
Impairment loss on non-financial assets	(25,495)	-
Gain on advance receipts	2,193	13,832
Government grants income	13,801	11,752
Revenues from the sale of scrap	18,341	16,241
Others	11,947	9,239
Income tax expenses	$ 38,060	80,282

(Continued)

(iii) Finance costs

The details of finance costs were as follows:

		2023	2022
Interest expense from bank loans	$	24,923	24,069
Interest expenses on lease liabilities		2,733	3,305
Interest expense and indemnity from bonds payable		373	563
	$	28,029	27,937

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fail to meet its contractual obligations. The carrying amount of the Group's financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

To minimize credit risk, the Group 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, 62.79% and 65.34% of the Group's accounts receivable were concentrated on 3 and 2 specific customers, respectively. Therefore, credit risk is significantly centralized.

3) Receivables

For credit risk exposure of notes and accounts receivable, please refer to note (6)(c).

For other financial assets at amortized cost includes other receivables, please refer to note (6)(d).

(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	1-2 years	2-5 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	-	-	-	-
Long term debt (including current portion)	505,000	545,317	24,431	29,522	157,767	187,940	145,657
Lease liabilities (including current portion)	112,784	115,992	26,284	20,193	40,598	26,808	2,109
Account and other payables	1,007,651	1,007,651	1,007,651	-	-	-	-
Total	$ 2,415,435	2,460,603	1,850,009	49,715	198,365	214,748	147,766

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December 31, 2022	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Non-derivative financial liabilities							
Short-term borrowings	$ 1,020,000	1,024,627	1,024,627	-	-	-	-
Long term debt (including current portion)	478,000	515,434	40,063	82,807	49,467	197,965	145,132
Lease liabilities (including current portion)	159,856	165,655	31,185	23,856	40,490	65,302	4,822
Account and other payables	989,273	989,273	989,273	-	-	-	-
Bonds payable	28,907	30,452	-	30,452	-	-	-
Total	$ 2,676,036	2,725,441	2,085,148	137,115	89,957	263,267	149,954

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

(iii) Market risk

1) Foreign currency risk

The Group'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	$ 37,852	30.735	1,163,381	35,145	30.708	1,079,233
RMB	55,890	4.3394	242,529	66,205	4.3999	291,295
JPY	25,618	0.2172	5,564	20,038	0.2324	4,657
Financial liabilities						
Monetary items						
USD	23,007	30.735	707,120	23,083	30.708	708,833
JPY	450	0.2172	98	-	-	-

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables; and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) of 1% of the NTD against the USD, RMB, and JPY as of December 31, 2023 and 2022, would have increased or (decreased) the net profits before taxes by $7,043 and $6,663, respectively. The analysis is performed on the same basis for both periods.

As the Group has a variety of functional currencies, gains and losses including realiezed and unrelized on foreign exchange were summarized and disclosed in note (6)(t) for the years ended December 31, 2023 and 2022.

2) Interest rate analysis

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 Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, with all other variable factors remaining constant, the Group's profit before tax would have decreased or increased by $2,988 and $3,745 for the years ended December 31, 2023 and 2022 respectively, which was mainly resulted from the borrowings with floating interest rate.

3) 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)	-	-

(iv) Fair value information

1) Financial instruments not measured at fair value

The Group'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 Group's accounting policies and disclosures include measuring financial and non financial assets and liabilities at fair value through profit or loss. The Group'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:

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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).

	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	2,133,533	-	-	-	-
Notes and accounts receivable (including related parties), net	1,282,712	-	-	-	-
Other financial assets–current	235,208	-	-	-	-
Other financial assets–non-current	15,562	-	-	-	-
Subtotal	3,667,015	-	-	-	-
Total	**$ 3,689,073**	**598**	**-**	**21,460**	**22,058**
Financial liabilities at amortized cost					
Short-term notes and bills payable	$ 100,000	-	-	-	-
Bank loans	1,195,000	-	-	-	-
Notes and accounts payable (including related parties)	526,261	-	-	-	-
Other payables (including related parties)	481,390	-	-	-	-
Lease liabilities	112,784	-	-	-	-
Total	**$ 2,415,435**	**-**	**-**	**-**	**-**

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	December 31, 2022				
		Fair value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
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	1,756,579	-	-	-	-
Notes and accounts receivable (including related parties), net	1,387,041	-	-	-	-
Other financial assets–current	4,868	-	-	-	-
Other financial assets–non-current	16,955	-	-	-	-
Subtotal	3,165,443	-	-	-	-
Total	**$ 3,186,903**	**-**	**-**	**21,460**	**21,460**
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	450,232	-	-	-	-
Other payables (including related parties)	539,041	-	-	-	-
Lease liabilities	159,856	-	-	-	-
Bonds payable	28,907	-	-	-	-
Subtotal	2,676,036	-	-	-	-
Total	**$ 2,676,321**	**-**	**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 Group 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 Group 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.

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
Disposals	(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**

(Continued)

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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)

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

The Group'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 Group 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 Group'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, 2023		December 31, 2022	
	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)

(Continued)

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.

As for financial assets at fair value through profit or loss, the Group'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 Group'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 Group have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Group'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 Group equips its employees with the ability to perform risk management tasks, and makes them aware of their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group 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 Group if a counterparty fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

1) Accounts and other receivables

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

(Continued)

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 Group 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 Group's finance department. The Group only deals with banks and corporate organizations with good credit rating. The Group 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 Group has not provided any endorsement and guarantees for other than subsidiaries wherein the Group held more than 50% equity interests.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group's financial department monitors cash flow requirements and optimizing its cash return on investments. The Group 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 Group's unused credit line were amounted to $563,394 and $675,999, 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 Group'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 Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Company and its subsidiaries. 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. The Group's main functional currencies are NTD and RMB.

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(w) Capital management

In consideration of industry dynamics and future developments, as well as external environment factors, the Group 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 Group'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	$ 3,252,967	2,905,858
Less: cash and cash equivalents	2,133,533	1,756,579
Net debts	**$ 1,119,434**	**1,149,279**
Total equity	**$ 2,107,121**	**2,249,418**
Debt-to-equity ratio	53.13%	51.09%

(x) Investing and financing activities not affecting current cash flow

The Group'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)(g).

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

			Non-cash changes			
	January 1, 2023	Cash flows	Additions	Interest expense arising from lease liabilities	Foreign exchange movements and others	December 31, 2023
Long-term debt	$ 478,000	27,000	-	-	-	505,000
Short-term notes and bills payable	-	100,000	-	-	-	100,000
Short-term borrowings	1,020,000	(330,000)				690,000
Lease liabilities	159,856	(59,447)	16,640	2,733	(6,998)	112,784
Bonds payable	28,907	(30,000)	-	-	1,093	-
Total liabilities arising from financing activities	$ 1,686,763	(292,447)	16,640	2,733	(5,905)	1,407,784

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	January 1, 2022	Cash flows	Non-cash changes: Additions	Non-cash changes: Interest expense arising from lease liabilities	Non-cash changes: Foreign exchange movements and others	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	156,793	(78,715)	66,473	3,305	12,000	159,856
Bonds payable	28,495	-	-	-	412	28,907
Total liabilities arising from financing activities	$ 1,924,859	(320,286)	66,473	3,305	12,412	1,686,763

(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 consolidated financial statements.

Name of related party	Relationship with the Group
Blueoptech Co., Ltd. (Blueoptech)	Other related parties
Liefco Optical Inc. (Liefco)	The Company represented as a director of Liefco
CEREC Asia Inc. (CEREC)	The Company represented as a director of CEREC(Note)
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.

(b) Significant transactions with related parties

(i) Sales

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

	2023	2022
Other related parties	$ 1,093	2,196

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 30~45 days.

(ii) Purchases

The amounts of purchases by the Group from related parties were as follows:

	2023	2022
Other related parties	$ 95	-

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The purchase prices and payment terms for the purchases from related parties above are not significantly different from those of third-party venders.

(iii) Other income

	2023	2022
Other related parties:		
Sale of samples (Note)	$ -	4
Assignment revenue of EasyPrep patent	200	-
	$ 200	4

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

(iv) Operating costs and expenses

	2023	2022
Other related parties:		
Processing fee	$ 170	679
R&D expenses	3,628	2,871
Rent expenses/Repair and maintenance/Telecom and internet fees	854	838
	$ 4,652	4,388

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

Account	Relationship	December 31, 2023	December 31, 2022
Other payables	Other related parties	$ 224	375

(v) Receivables from related parties

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

Account	Relationship	December 31, 2023	December 31, 2022
Notes and accounts receivable, net	Other related parties	$ 555	209
Other receivable	Other related parties	379	-
		$ 934	209

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Notes to the Consolidated Financial Statements

(c) Key management personnel compensation

Key management personnel compensation comprised:

		2023	2022
Short-term employee benefits	$	43,167	45,165
Post-employment benefits		2,338	2,370
	$	45,505	47,535

(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:

(a) The Group’s unrecognized contractual commitments are as follows:

		December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	$	11,151	17,163

(b) The Group’s outstanding standby letter of credit are as follows:

		December 31, 2023	December 31, 2022
Outstanding standby letter of credit	$	2,656	5,325

(c) Compensation agreement of policy-driven relocation:

For urban planning of Shanghai Qinqpu District in China, the Board of Directors approved the relocation project for factories owned by subsidiaries of the Company, namely Shanghai Yingji, Shanghai AB, and Shanghai Shanghua, in Shanghai's Qingpu District, China, on September 26, 2023. They also authorized the chairman to sign an agreement with the Xianghuaqiao Street Office of the Shanghai Qingpu District People’s Government regarding compensation for the compulsory purchase of national land for non-residential purposes. The compensation and award for the policy-driven relocation of their right of land use, buildings, constructions, and ancillary assets in Qingpu District amount to a total of RMB 432 million. The relocation will be scheduled to complete in 36 months after signing the land handover confirmation form of new factories address. As of December 31, 2023, the initial relocation compensation amount of RMB 129,635 (equivalent to about NTD 562,540) had already been received and was recorded under other non-current liabilities. As of the reporting date, the agreement of right of land use for new factories has not been confirmed and signed yet.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

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(12) Other:

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

By function / By item	For the year ended December 31					
	2023			2022		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	1,109,084	324,455	1,433,539	1,402,585	322,481	1,725,066
Labor and health insurance	124,802	31,879	156,681	139,694	29,912	169,606
Pension	122,618	21,753	144,371	139,492	20,309	159,801
Others	70,832	24,468	95,300	83,226	24,657	107,883
Depreciation	207,614	18,836	226,450	227,673	19,154	246,827
Amortization	1,658	2,012	3,670	1,126	2,720	3,846

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(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 Group:

(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		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
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
3	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 AND SUBSIDIARIES
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(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 its 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)

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Notes to the Consolidated 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				Highest shares/unit of ownership	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%	-	2,107	
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%	-	1,099	
The Company	Opus Microsystem Inc.	-	Financial assets at fair value through profit or loss－non-current	1	-	7.27%	-	1	
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	2,232	
The Company	Intech Biopharm Ltd.	-	Financial assets at fair value through profit or loss－current	20	598	0.02%	598	20	

(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

(Continued)

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES
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(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)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms (Note)	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
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 1: The above-mentioned transactions have been eliminated in the consolidated financial statements.

Note 2: In consideration of the Group's capital utilization, the Company adjusts timely the credit terms granted to related parties.

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(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	-

Note: The above-mentioned transactions have been written off in the consolidated financial statements.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	MegaforceMY	1	Accounts receivable	2,637	O/A 140 days	0.05%
0	The Company	MegaforceUS	1	Accounts receivable	8,551	O/A 140 days	0.16%
1	Shanghai Yingji	MegaforceMY	3	Accounts receivable	3,172	O/A 140 days	0.06%
1	Shanghai Yingji	The Company	2	Accounts receivable	488	O/A 140 days	0.01%
1	Shanghai Yingji	Suzhou Intentech	3	Accounts receivable	273	O/A 140 days	0.01%
2	Shanghai Shanghua	Shanghai Yingji	3	Accounts receivable	70,308	O/A 140 days	1.31%
3	Shanghai AB	Shanghai Yingji	3	Accounts receivable	33,312	O/A 140 days	0.62%
3	Shanghai AB	Suzhou Intentech	3	Accounts receivable	11,156	O/A 140 days	0.21%
4	Suzhou Intentech	The Company	2	Accounts receivable	267,887	O/A 140 days	5.00%
4	Suzhou Intentech	Shanghai Shanghua	3	Accounts receivable	2,835	O/A 140 days	0.05%
4	Suzhou Intentech	Shanghai Yingji	3	Accounts receivable	511	O/A 140 days	0.01%
5	Dongguan Megaforce	The Company	2	Accounts receivable	69,087	O/A 140 days	1.29%
5	Dongguan Megaforce	MegaforceMX	3	Accounts receivable	9,117	O/A 140 days	0.17%
6	MEGA1	The Company	2	Accounts receivable	1	O/A 140 days	- %

(Continued)

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

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No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
7	Barintec	MEGA1	3	Accounts receivable	98	O/A 140 days	- %
0	The Company	Shanghai Yingji	1	Other receivables	9,691	O/A 140 days	0.18%
0	The Company	Shanghai Shanghua	1	Other receivables	848	O/A 140 days	0.02%
0	The Company	Shanghai AB	1	Other receivables	774	O/A 140 days	0.01%
0	The Company	Suzhou Intentech	1	Other receivables	3,123	O/A 140 days	0.06%
0	The Company	MEGA1	1	Other receivables	20,078	O/A 140 days	0.37%
0	The Company	MegaforceUS	1	Other receivables	746	O/A 140 days	0.01%
0	The Company	MegaforceMX	1	Other receivables	375	O/A 140 days	0.01%
1	Shanghai Yingji	Suzhou Intentech	3	Other receivables	857	O/A 140 days	0.02%
1	Shanghai Yingji	MegaforceMY	3	Other receivables	2,372	O/A 140 days	0.04%
2	Shanghai Shanghua	Dongguan Megaforce	3	Other receivables	43,394	O/A 140 days	0.81%
3	Shanghai AB	The Company	2	Other receivables	454	O/A 140 days	0.01%
4	Suzhou Intentech	The Company	2	Other receivables	726	O/A 140 days	0.01%
5	Dongguan Megaforce	The Company	2	Other receivables	661	O/A 140 days	0.01%
6	MEGA1	The Company	2	Other receivables	10,283	O/A 140 days	0.19%
6	MEGA1	Barintec	3	Other receivables	586	O/A 140 days	0.01%
6	MEGA1	The Company	2	Finance lease receivables	18,594	O/A 140 days	0.35%
0	The Company	MegaforceUS	1	Sales revenue	69,369	O/A 140 days	1.68%
0	The Company	MEGA1	1	Sales revenue	354	O/A 140 days	0.01%
0	The Company	Dongguan Megaforce	1	Sales revenue	29	O/A 140 days	- %
0	The Company	MegaforceMY	1	Sales revenue	2,661	O/A 140 days	0.06%
1	Shanghai Yingji	MegaforceMY	3	Sales revenue	3,864	O/A 140 days	0.09%
1	Shanghai Yingji	The Company	2	Sales revenue	508	O/A 140 days	0.01%
1	Shanghai Yingji	Suzhou Intentech	3	Sales revenue	245	O/A 140 days	0.01%
2	Shanghai Shanghua	Shanghai Yingji	3	Sales revenue	143,594	O/A 140 days	3.47%
3	Shanghai AB	Shanghai Yingji	3	Sales revenue	52,705	O/A 140 days	1.27%
3	Shanghai AB	Suzhou Intentech	3	Sales revenue	19,966	O/A 140 days	0.48%
3	Shanghai AB	Dongguan Megaforce	3	Sales revenue	2,210	O/A 140 days	0.05%

(Continued)

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
4	Suzhou Intentech	The Company	2	Sales revenue	355,977	O/A 140 days	8.60%
4	Suzhou Intentech	Shanghai Yingji	3	Sales revenue	15,818	O/A 140 days	0.38%
4	Suzhou Intentech	Shanghai Shanghua	3	Sales revenue	28,385	O/A 140 days	0.69%
5	Dongguan Megaforce	The Company	2	Sales revenue	203,980	O/A 140 days	4.93%
5	Dongguan Megaforce	MegaforceMX	3	Sales revenue	11,598	O/A 140 days	0.28%
6	MEGA1	Barintec	3	Sales revenue	483	O/A 140 days	0.01%
6	MEGA1	The Company	2	Sales revenue	20,945	O/A 140 days	0.51%
7	Barintec	MEGA1	3	Sales revenue	98	O/A 140 days	- %
0	The Company	Shanghai Yingji	1	Service income	37,248	O/A 140 days	0.90%
0	The Company	Shanghai Shanghua	1	Service income	1,660	O/A 140 days	0.04%
0	The Company	Shanghai AB	1	Service income	1,481	O/A 140 days	0.04%
0	The Company	Suzhou Intentech	1	Service income	13,665	O/A 140 days	0.33%

Note 1: Numbers are filled in as follows:

1. “0” represents the parent entity.
2. Subsidiaries are numbered starting from “1”.

Note 2: Relationships with transaction counterparties are categorized as follows:

1. The transactions from parent company to subsidiary.
2. The transactions from subsidiary to parent company.
3. The transactions between subsidiaries.

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

(Continued)

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

(In Thousands of USD/NTD/JPY)

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

Note 1: The above-mentioned transactions have been eliminated in the consolidated financial statements.

Note 2: To prevent confusion, profits (losses) of investees, which have already been included in those of the investor, are not presented separately herein.

(Continued)

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES
Notes to the Consolidated 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	Highest 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%	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%	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%	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%	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%	100.00%	(11,239)	243,709	-

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

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MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES
Notes to the Consolidated 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 renutted by Dong Guan Shi Jian Light Electron Technology Co., Ltd.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Major shareholders:

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

(14) Segment information:

(a) General information

The Group's reportable segments comprise the electronics component segment, the opto-mechatronics segment, the biomedical and system integration segment, and the AI application development segment, all of which are the Group's strategic business units (SBUs) that provide different products and services such as design, manufacture, and sale of plastic components, medical devices, opto-mechatronics products and AI application products. The Group's chief operating decision maker reviews the internal management reports submitted by each SBU on a quarterly basis.

(b) Information about reportable segments and their measurement and reconciliations

There was no material inconsistency between the accounting policies adopted for operating segments and the significant accounting policies described in note 4. The Group uses post-tax profits (losses) as the measurement of segment profits (losses) and the basis of both resource allocation and performance assessment.

The Group's operating segment information and reconciliation are as follows:

	2023					
	Electronics components segment	**Opto-mechatronics segment**	**Biomedical and system integration segment**	**AI application development segment**	**Reconciliation and eliminations**	**Total**
Revenue						
Revenue from external customers	$ 3,849,448	2,557	128,857	157,296	-	4,138,158
Inter-group revenue	5,521	20,945	1,157	-	(27,623)	-
Total revenue	$ 3,854,969	23,502	130,014	157,296	(27,623)	4,138,158
Segment profits (losses)	$ 15,115	(94,494)	(33,537)	(20,120)	-	(133,036)

	2022					
	Electronics components segment	**Opto-mechatronics segment**	**Biomedical and system integration segment**	**AI application development segment**	**Reconciliation and eliminations**	**Total**
Revenue						
Revenue from external customers	$ 4,691,580	4,679	103,170	35,508	-	4,834,937
Inter-group revenue	1,194	6,217	-	-	(7,411)	-
Total revenue	$ 4,692,774	10,896	103,170	35,508	(7,411)	4,834,937
Segment profits (losses)	$ (58,682)	(59,861)	(30,302)	(12,963)	-	(161,808)

Information about segment profits (losses), assets and liabilities was consistent with that disclosed in the financial statements; please refer to the consolidated balance sheet and statement of comprehensive income for details.

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MEGAFORCE COMPANY LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Product information

Revenue from external customers of the Group was as follows:

Product	2023	2022
Plastic injection	$ 3,687,250	4,453,129
Tools	165,614	257,699
Product development services	85,108	26,157
Medical product	98,668	65,752
Laser Optics	85,290	27,740
Others	16,228	4,460
	$ 4,138,158	4,834,937

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Revenue from external customers:

Geographic information	2023	2022
Asia	$ 3,677,660	4,478,058
America	460,498	353,672
Europe	-	3,207
	$ 4,138,158	4,834,937

Non-current assets:

Geographic information	December 31, 2023	December 31, 2022
Taiwan	$ 513,354	563,730
Mainland China	405,820	518,883
Malaysia	31,663	41,025
North America	122,266	138,204
Japan	1,526	1,627
Total	$ 1,074,629	1,263,469

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

(e) Major customer

	2023		2022	
	Amount	Share of operating revenues (%)	Amount	Share of operating revenues (%)
Customer A	$ 1,985,971	47.99	2,692,732	55.69