Stock Code: 2433

# Huxen Corporation

2023

# Annual Report (Translation)

April 20, 2024

The website for inquiry about this annual report:

http://mops.twse.com.tw/

http://www.eosasc.com.tw

I. Spokesperson

Name: Hsieh, Shu-Hui
Title: Comptroller
Tel: (02) 2345-8009 ext. 6530
E-mail:account01@eosasc.com.tw

Deputy Spokesperson
Name: Lin, Yu-Chuan
Title: Deputy Comptroller
Tel: (02) 2345-8009 ext. 6536
E-mail:account01@eosasc.com.tw

II. Contact Information of Headquarters and Branches

| Name | Address | Telephone |
|---|---|---|
| Headquarters | 7F, No. 2, Section 5, Xinyi Road, Taipei City | (02) 2345-8009 |
| Branches | Branches are located in various counties and cities of Taiwan (please refer to page 5-6) | (please refer to page 5-6) |

III. Stock Transfer Agency

Name: Department of Shareholder Services Agency, Yuanta Securities Co., Ltd.
Address: B1, No. 210, Sec. 3, Chengde Rd., Taipei City
Website: http://www.yuanta.com.tw
Telephone: (02) 2586-5859

IV. Independent Auditors for the Annual Financial Report of the Most Recent Year

Name of CPAs: Huang Hai-Yue, Chi Rui-Chuan
Name of Accounting Firm: Deloitte & Touche
Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City
Website: http://www.deloitte.com.tw
Telephone: (02) 2725-9988

V. Overseas Exchange for Trading of Company Securities: None

VI. Company website: http://www.eosasc.com.tw

# Contents

# One. Report to Shareholders

Dear Shareholders:

The Company focuses on the development of its own business, maintains its core competitiveness, and strengthens its R&D capabilities and innovation in order to strengthen its business growth and profitability. The following is the summary of the Company's results of operations for 2023 and its business plans for 2024:

## I. 2023 Operating Results

(I) Actual operating results:

1. In 2023, the consolidated operating revenue was NT$2,893,725 thousand, the net profit after tax was NT$490,289 thousand, and the earnings per share after tax was NT$3.39. The income statement is compared as follows:

Unit: NTD in Thousand

| Item / Year | | 2023 | 2022 | Increase (decrease) |
|---|---|---|---|---|
| Operating revenue | Consolidated | 2,893,725 | 3,193,629 | (299,904) |
| | Parent Company Only | 1,429,198 | 1,415,637 | 13,561 |
| Net Income (attributable to parent company) | | 490,289 | 561,175 | (70,886) |
| Earnings per share, net (NT$) | | 3.39 | 3.88 | (0.49) |

2. In terms of consolidated financial structure, the current ratio is 239%, and the debt (to assets) ratio is 41%, both of which are sound.

(II) Review of operating performance:

In keeping with our operating strategy of focusing on our core business, the Company's after-tax earnings per share in 2023 decreased by $0.49 compared to the previous year. The parent company only revenue increased by 1% compared to last year, and the consolidated revenue decreased by 9%.

## II. Summary of 2024 Business Plan and Future Development Strategy

(I) Impacts from geopolitics, global economic trends, and the overall business environment:

The global economic downturn and continuing geopolitical disruption are not favorable for the expansion of trade. However, due to the low base period, the growth trend of export-oriented countries is better than that of domestic demand-oriented countries. Chung-Hua Institution for Economic Research forecasts that Taiwan's economic growth will be 3.10% in 2024. The growth trend will slow down each quarter due to factors of the base period. The growth rate will slow down from 5.60% in the first quarter to 1.41% in the fourth quarter. The support for economic growth has shifted from relying solely on private consumption last year to investment and net foreign demand this year, and the growth pattern has become passable both domestically and externally.

Evaluating the environment of the multi-function printer, core product, industry, the print volume is decreasing year by year due to the impact of the digital transformation of enterprises and the increase of mobile applications, and the price has become an important consideration when making purchasing decisions. In contrast, the demand for information services and information security from enterprises is gradually increasing. The office integration solutions that the Company has been proactively developing in recent years can satisfy the different needs of large, medium, and small enterprises in terms of installation, which will become a differentiation advantage in the pursuit of growth in the short to medium term.

As the domestic legal environment continues to change, ESG (environmental protection, social responsibility and corporate governance) is becoming a mandatory part of corporate operations. In order to do so, the Company simultaneously requires suppliers to comply with and introduce energy-saving and carbon reduction software and hardware products, and continues to build the best partnership and investment platform for customers, partners, shareholders, and society as a whole.

Looking forward to 2024, the Company will be more prudent when facing environmental variables, grasp the business opportunities brought by new office models and ESG development, and continue to satisfy customers through value-added integration platforms in order to extend the needs of existing patronizing customers and enlarge the development of new customers.

(II) Business development strategies are as follows:

1. Grasp the market trend and follow the trend to meet the demand

   In addition to the growing demand for digital transformation, in the wave of ESG, every enterprise must comply with the norms of the supply chain and laws and regulations. In order to assist enterprises in the promotion of ESG, the Company continues to introduce more energy-efficient office equipment to provide a 360-degree one-stop service platform for the needs of enterprises in digital transformation and the promotion of ESG, which consists of seven major solutions:

   ■ Access control and attendance management
   ■ Weak current engineering
   ■ Office cloud service
   ■ Smart video conferencing
   ■ Document output and digital application
   ■ Information security and IT service
   ■ Office energy conservation

   We rigorously select office equipment with domestic and international environmental certification for our customers. We are also committed to improving the integration of software and hardware. We provide professional consulting services before, during, and after sales to solve the cumbersome needs of corporate customers when purchasing office products and services. Consequently, customers are able to focus on the development of their core business, thereby creating a win-win situation together. By doing so, the Company expects to stabilize the sales volume of its digital multi-function products and extend the revenue growth from the integrated business.

2. Digital intelligent services and increasing customer stickiness

   Exquisite service and customer satisfaction are the Company's primary business objectives. We continue to enhance the exquisite service from pre-sales, sales to after-sales, and construct a diverse platform of digitalization and intelligence through the Internet of Things to provide customers with the best service experience proactively

   - Intelligent customer service: Through the complete customer usage record data and AIOT application, "Intelligent Prediction" allows us to proactively grasp the replacement cycle of parts and accessories of the customer's equipment. The "Remote Repair" can complete the online real-time maintenance, and the "Customer Service APP" allows the customer to have the fastest communication and grasp the relevant service information.
   - Digital marketing: We will increase our investment in digital advertisements, and use big data to carry out precise EDM marketing, member marketing, fan marketing and other diversified online operations. This will allow us to quickly and massively expose our brand and communicate with consumers, creating a greater source of revenue from new customers.
   - Virtual showroom: In response to the heat of the meta-universe topic, the Company, in order to provide consumers with a simulated reality and interactive experience, has created the industry-leading "360 Degree Office LOHAS" virtual showroom. Combined with the services of a professional offline consulting marketing team, the Company is able to provide an O2O immersive experience that goes beyond the customer's experience.

## III. Conclusion

Looking ahead to 2024, Huxen, with 40 years of experience and expertise in the office equipment market, will not only provide customers with office-related solutions, but also proactively promote green and sustainable solutions based on the core concept of "dual-axis integration" to help customers easily introduce "Green and Digital synergy" services, assist enterprises to move toward an intelligent and sustainable future, and realize the vision of efficient and low-carbon offices, with the aim of becoming the "best provider of digital office integration services" to expand the market share. The Company is confident that it will once again achieve excellent results and create higher performance for all shareholders in return for their love and support.

Chairperson:

# Two. Company Profile

## I. Date of Establishment:

The Company was founded in August 1984. Currently, the Company is mainly engaged in the sales, import and export, maintenance and rental of office multi-function products, including photocopiers, digital presses, high-speed printers, printers, communication products and software for business operation and management.

The Company is an integrated professional marketing company that optimizes the establishment of office hardware equipment, software and workflow for corporate users. With the concept of customer satisfaction and giving back to society, the Company meets the needs of customers for services and creates a win-win situation with customers.

## II. Company History

The following is a brief description of the Company’s business development highlights and history:

| | |
|---|---|
| 1984 | Huxen Corporation was founded. |
| 1986 | The Company acquired exclusive sales rights for RICOH photocopiers in Taiwan. |
| 1992 | The shares of the Company became public offering. |
| 1995 | · The Company was honored with the “Excellent Merchant Award” by the General Chamber of Commerce of the Republic of China.<br>· The Company received the “National Golden Trademark Award” and “Outstanding Brand Award.” |
| 1998 | · The Company received the “Excellent Quality Practice Award” in the National Quality Month.<br>· The Company received the “Golden Trademark Award” for four consecutive years. |
| 1999 | The Company’s shares were listed on TPEx. |
| 2000 | The Company’s shares started to be listed on TWSE from TPEx. |
| 2003 | The Company invested in Aurora Leasing Corporation |
| 2013 | · The Company started to invest in Mainland China and established Huxen (China) Co., Ltd.<br>· Received the ‘GSP (Good Service Practice) Excellent Service Practice Certification’ and the ‘Customer Satisfaction Gold Award.’ |
| 2014 | Introducing the concept of “Joyful Office and LOHAS,” the Company started to promote a turnkey equipment integration service to help enterprises improve their work efficiency and reduce costs. |
| 2015 | The Company was awarded the Excellent Business Enterprise Award from the National Taxation Bureau. |
| 2016 | The Company introduced the “ERP and cloud-based personnel attendance system” to assist enterprises customers to simplify their workflow and facilitate their digital transformation. |

| | | |
|---|---|---|
| 2017 | · | Working together with HP, the Company became the agent of the industrial grade large-scale 3D printer (HP Jet Fusion 3D Printer). |
| | · | The Company won the "Business Enterprise E-invoice Introduction Award." |
| | · | The Company set up a "Smart Office Exhibition Center" for customers to experience software + hardware solutions. |
| 2018 | · | Office lighting and corporate energy saving services were introduced. |
| 2019 | · | Huxen mobile customer service App was launched to provide intelligent and efficient services and create value for customers |
| | · | The Company introduced MyQ document flow solutions to provide software + hardware integration services. |
| 2020 | | Anti-epidemic products: intelligent meeting rooms, temperature control systems, air purification products, etc., were introduced to provide customers with pandemic-free office environments. |
| 2021 | | Introducing professional output equipment: high-speed printers, post-print products. |
| 2022 | | Introduce energy-saving products: heat-free print output devices, photocopier environmental protection and energy-saving reporting systems, ergonomic lighting systems, etc., to help customers introduce ESG business promotion. |
| 2023 | · | Establish an online virtual exhibition hall to provide customers with zero-touch service and immersive show room technology applications |
| | · | Relocation of the Head Office: In order to reduce the office space with low utilization rate, reduce greenhouse gas emissions, and achieve the effects of energy saving and carbon reduction |

## III. Addresses and Telephone Numbers of the Branches

| Name | Address | Telephone |
|---|---|---|
| District 2, South Taipei | 2F., No. 163, Sec. 2, Heping E. Rd., Da'an Dist., Taipei City | (02)2707-0007 |
| District 1, North Taipei | 5F., No. 336, Juguang Rd., Wanhua Dist., Taipei City | (02)2302-6616 |
| District 2, North Taipei | 2F., No. 178, Sec. 4, Chengde Rd., Shilin Dist., Taipei City | (02)2882-1125 |
| District 2, East Taipei | No. 21, Ln. 13, Guangfu S. Rd., Songshan Dist., Taipei City | (02)2765-1899 |
| Taipei | 5F, No. 530, Songjiang Road, Zhongshan District, Taipei City | (02)2567-1186 |
| Special Account Branch | 1F., No. 18, Ln. 13, Guangfu S. Rd., Songshan Dist., Taipei City | (02)2742-0688 |
| North District | 12F., No. 2, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City | (02)2345-5818 |
| Gongguan | 3F., No. 609, Linsen N. Rd., Zhongshan Dist., Taipei City | (02)2586-8731 |
| Jianguo | 1F., No. 9, Aly. 13, Ln. 512, Minzu E. Rd., Zhongshan Dist., Taipei City | (02)2516-5009 |

| | | |
|---|---|---|
| Zhongshan | 5F., No. 22-5, Siping St., Zhongshan Dist., Taipei City | (02)2562-2155 |
| Dunnan | 7F.-1, No. 461, Sec. 6, Nanjing E. Rd., Neihu Dist., Taipei City | (02)2791-2106 |
| Chongxin | B1., No. 2, Ln. 609, Sec. 5, Chongxin Rd., Sanchong Dist., New Taipei City | (02)2999-8040 |
| Shuangho | 7F.-3, No. 150, Jian 1st Rd., Zhonghe Dist., New Taipei City | (02)2226-0239 |
| Keelung | 1F., No. 65, Fu 6th St., Qidu Dist., Keelung City | (02)2451-6996 |
| Taoyuan | 3F., No. 191, Yong'an Rd., Taoyuan Dist., Taoyuan City | (03)339-8800 |
| Zhongli | 12F., No. 772--2, Huanzhong E. Rd., Zhongli Dist., Taoyuan City | (03)437-1268 |
| North Taoyuan | 3F., No. 191, Yong'an Rd., Taoyuan Dist., Taoyuan City | (03)339-8800 |
| Hsinchu | No. 16, Shijie St., East Dist., Hsinchu City | (03)532-9682 |
| Hsinchu Science Park | 1F., No. 16, 18, and 18-1 Shijie St., East Dist., Hsinchu City | (03)535-2558 |
| Miaoli | 1F., No. 429, Weixin Rd., Zhunan Township, Miaoli County | (037)634-386 |
| North Taichung | 11F., No. 581, Jianxing Rd., North Dist., Taichung City | (04)2207-2581 |
| Fengyuan | 4F., No. 255, Xiangyang Rd., Fengyuan Dist., Taichung City | (04)2522-4599 |
| Taichung Port | No. 206, Zhonghua Rd., Qingshui Dist., Taichung City | (04)2623-5788 |
| Changhua | No. 19, Xiangyang St., Changhua City, Changhua County | (04)751-0020 |
| Yuanlin | 4F, No. 697-1, Juguang Road, Yuanlin City, Changhua County | (04)833-2118 |
| Nantou | No. 393, Sec. 1, Taiping Rd., Caotun Township, Nantou County | (049)237-1778 |
| Yunlin | 1F., No. 96, Guangfu Rd., Huwei Township, Yunlin County | (05)632-6966 |
| Chiayi | 5F.-1, No. 237, You'ai Rd., West Dist., Chiayi City | (05)231-2098 |
| Kaohsiung | 3F., No. 532, Jiuru 2nd Rd., Sanmin Dist., Kaohsiung City | (07)311-6000 |
| Tainan | 7F., No. 420, Zhongshan S. Rd., Yongkang Dist., Tainan City | (06)302-9089 |
| Pingtung | 1F., No. 16, Wu'an St., Pingtung City, Pingtung County | (08)756-1673 |
| Yilan | 1F., No. 62, Zhongshan W. St., Luodong Township, Yilan County | (03)956-1210 |
| Hualien | 1F., No. 218, Guolian 5th Rd., Hualien City, Hualien County | (03)833-6043 |
| Taitung | 1 & 2F., No. 349, Xinsheng Rd., Taitung City, Taitung County | (089)318-711 |

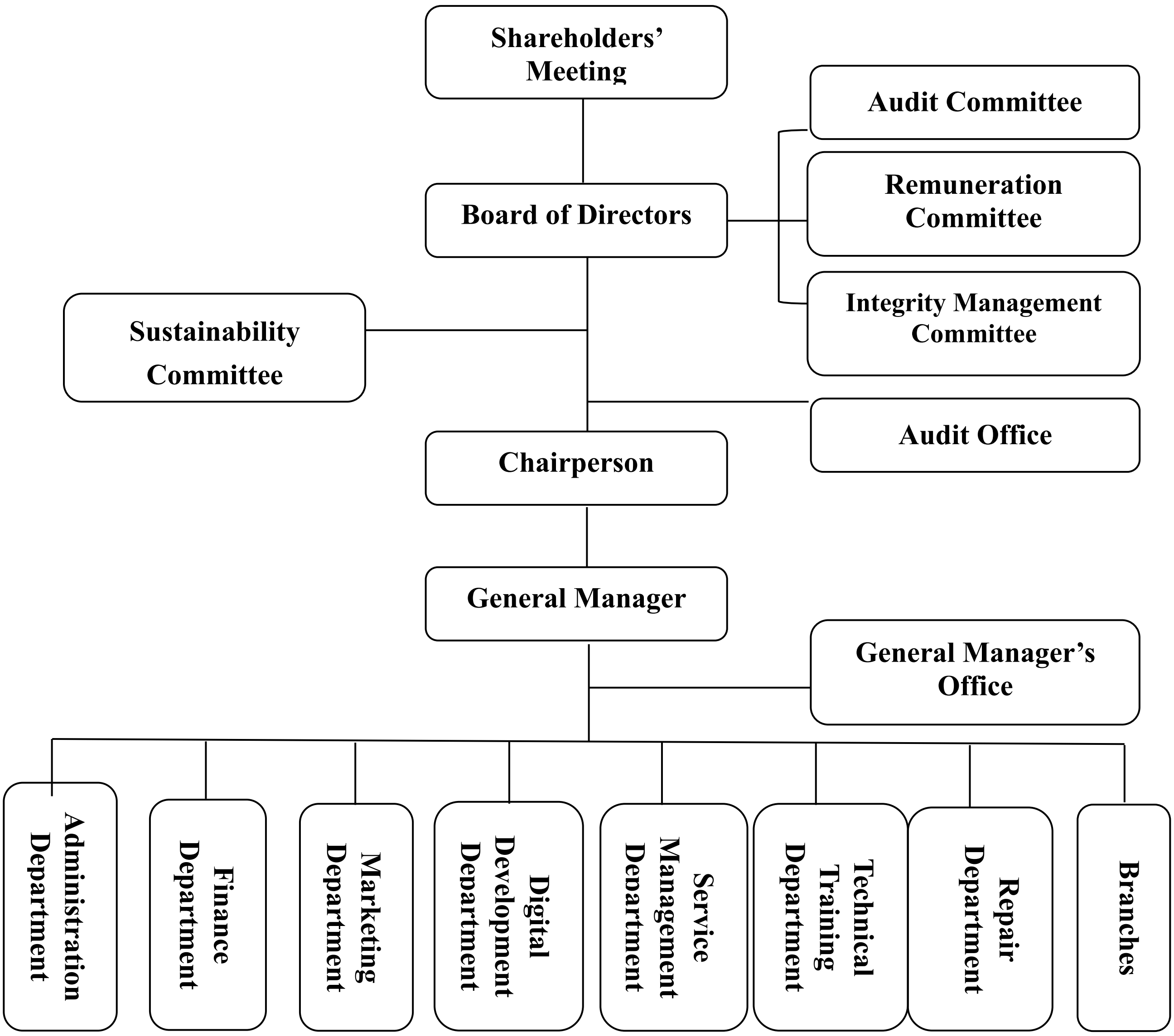
# Three. Corporate Governance Report

## I. Organizational System:

# Organizational System of Huxen Corporation

### (I) Organizational Structure

Effective date: January 1, 2024



## (II) Operations of each major department

| Department | Main Duties |
|---|---|
| Audit Office | · The Audit Office is responsible for the implementation of the internal audit system. |
| General Manager’s Office | · The General Manager’s Office executes resolutions passed by the shareholders’ meeting and the Board of Directors<br>· The General Manager’s Office sets the company’s operational strategy and oversees the overall management of the Company. |
| Administration Department | · The Administration Department is responsible for human resources, general affairs and administrative management. |
| Finance Department | · The Finance Department is responsible for the establishment and control of financial accounting system, finance and taxation procedures, operation analysis, stock affairs, and capital management. |
| Marketing Department | · The Marketing Department is responsible for the Company’s overall image and the development and execution of sales plans. |
| Digital Development Department | · The Digital Development Department is responsible for building new business models in the market and enhancing internal digital capabilities. |
| Service Management Department | · The Service Management Department is responsible for making the company’s service policy and managing customer after-sales service. |
| Technical Training Department | · Responsible for product testing and inspection, personnel technical training and certification, and multi-functional photocopiers renovation and reuse management. |
| Repair Department | · The Repair Department is responsible for the repair and re-use management of multi-function printers. |
| Branches | · The branches are responsible for sales, leasing, after-sales service and maintenance of customer relations. |

## II. Information on Directors, General Manager, Deputy General Managers, Associates, and Heads of Departments and Branches:

### (I) Directors

# Directors' Data (I)

April 20, 2024

| Title | Nationality/ Place of Registration | Name | Gender Age | Date of Election (Appointment) | Term | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shares Held in Others' Names | | Main experience and education background | Concurrent positions in the Company and in other companies | Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | | | Title | Name | Relationship | |
| Chairperson | R.O.C. | Liao, Ching-Chang | Male 51–60 | 2021.07.14 | 3 | 2016.08.10 | 0 | – | 0 | – | – | – | – | – | General Manager of Aurora Telecom Co., Ltd./Master of Business Administration at Taiwan University | Chairperson of Aurora Leasing Corporation | – | – | – | |
| Director | R.O.C. | Aurora Holdings Incorporated (Note1) | – | 2021.07.14 | 3 | 1992.09.26 | 39,359,689 | 27.24 | 39,359,689 | 27.24 | – | – | – | – | – | – | – | – | – | |
| | R.O.C. | Representative: Chuang, Hsiao-Chen (Note2) | Male 71–80 | 2021.07.14 | 3 | 2003.05.29 | 0 | – | 1,875 | 0.00 | – | – | – | – | Independent Director of Hitron Technologies Inc../2-year Physical Education Department of Taipei City Sports Junior College | Independent Director of Formosa Advanced Tech Co., Ltd. Independent Director of Interactive Digital Technologies Inc. Director, Chen Yung-Tai Sustainability Foundation Director, AURORA Foundation | – | – | – | |
| Director | R.O.C. | Aurora Holdings Incorporated (Note1) | – | 2021.07.14 | 3 | 1992.09.26 | 39,359,689 | 27.24 | 39,359,689 | 27.24 | – | – | – | – | – | – | – | – | – | |
| | R.O.C. | Representative: Chen, I-Hsiung | Male 81 above | 2021.07.14 | 3 | 1999.06.17 | 0 | 0.00 | 1,875 | 0.00 | – | – | – | – | General Manager of Lotteria Co., Ltd./Ph.D. in Chinese Literature, Tunghai University | – | – | – | – | |
| Director | R.O.C. | Wu, Tang-Hai (Note3) | Male 71–80 | 2021.07.14 | 3 | 2003.06.18 | 101,001 | 0.07 | 101,001 | 0.07 | – | – | – | – | Director of Huxen Corporation/Department of Marine Engineering at National Su-ao Marine & Fisheries | Director, Chen Yung-Tai Sustainability Foundation | – | – | – | |

| Title | Nationality/ Place of Registration | Name | Gender Age | Date of Election (Appointment) | Term | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shares Held in Others' Names | | Main experience and education background | Concurrent positions in the Company and in other companies | Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | Number of shares | Shareholding ratio (%) | | | Title | Name | Relationship | |
| | | | | | | | | | | | | | | | Vocational High School | Director, AURORA Foundation | | | | |
| Independent Director | R.O.C. | Huang, Chung-Hsing | Male 61–70 | 2021.07.14 | 3 | 2015.06.09 | 0 | – | 0 | – | 3,000 | 0.00 | – | – | Associate Professor of Department and Graduate Institute of Business Administration, Taiwan University/PhD in Business Management, University of Texas at Austin | Independent Director of Medical Imaging Co, Ltd. Independent Director of Chenbro Micom Co., Ltd. Director of Avary Hldg (Shenzhen) Co., Ltd. | – | – | – | |
| Independent Director | R.O.C. | Yang, Hui-Ling | Female 61–70 | 2021.07.14 | 3 | 2015.06.09 | 0 | – | 0 | – | – | – | – | – | Vice CEO of Cultural Enterprise Co., Ltd./Master of adult and continuing education at Taiwan Normal University | – | – | – | – | |
| Independent Director | R.O.C. | Wang, Jen-Kuo | Male 51–60 | 2021.07.14 | 3 | 2021.07.14 | 0 | – | 0 | – | – | – | – | – | Head of Human Resources of Ub Office Systems Co., Ltd/ Mechanical Engineering Department of Tahua Institute of Technology | – | – | – | – | |

Note:
1. The Director, Aurora Holdings Incorporated, ceased its Director position during November 14, 1997–June 3, 1998 and during September 28, 2000–July 3, 2002.
2. The Director, Chuang, Hsiao-Chen, ceased to be the Supervisor during June 15, 2006–June 7, 2018.
3. The Director Wu, Tang-Hai, ceased to be the Director during July 2, 2006–June 21, 2012.
4. On July 22, 2021, the Company established an Audit Committee to replace the Supervisors.

## Table 1: Major Shareholders of Institutional Shareholders

April 20, 2024

| Name of institutional shareholder | Major shareholders of institutional shareholders | Shareholding ratio |
|---|---|---|
| Aurora Holdings Incorporated | Chen, Yung-Tai | 23% |
| | Chen, Yung-Tai Sustainable Management Foundation | 1.8% |
| | Chen, Yung-Tai Cultural and Educational Foundation | 5.2% |
| | Chen, Yung-Tai Charitable Trust | 35% |
| | Yuan, Hui-Hua | 10% |
| | Ni Sheng Investment Co., Ltd. | 20% |
| | Chen, Tu-Chiang Foundation. | 5% |

## Table 2: Major shareholders of the major shareholders who are judicial persons in Table 1

April 20, 2024

| Name of Judicial Person | Major Shareholders of Judicial Person | Shareholding ratio |
|---|---|---|
| Chen, Yung-Tai Sustainable Management Foundation | N/A | N/A |
| Chen, Yung-Tai Cultural and Educational Foundation | N/A | N/A |
| Chen, Yung-Tai Charitable Trust | N/A | N/A |
| Ni Sheng Investment Co., Ltd. | Yuan, Hui-Hua | 99.87% |
| | Yuan, Tzu-Pin | 0.13% |
| Chen, Tu-Chiang Foundation. | N/A | N/A |

## Information on Directors (II)

1. Disclosure of directors' professional qualifications and independence of independent directors:

April 20, 2024

| Criteria / Name | Professional Qualification and Experience | Independence Status | Number of other publicly listed companies where the individual serves as an independent director |
|---|---|---|---|
| Liao, Ching-Chang | ● The Director has more than five years of work experience required for commercial and corporate business.<br>● The Director has not been in or is under any circumstances stated in Article 30 of the Company Act. | | 0 |
| Aurora Holdings Incorporated Representative: Chuang, Hsiao-Chen | ● The Director has more than five years of work experience required for commercial, financial and corporate business.<br>● The Director is a member of the board of the other listed company<br>● The Director has not been in or is under any circumstances stated in Article 30 of the Company Act. | | 2 |
| Aurora Holdings Incorporated Representative: Chen, I-Hsiung | ● The Director has more than five years of work experience required for commercial and corporate business.<br>● The Director has not been in or is under any circumstances stated in Article 30 of the Company Act. | | 0 |
| Wu, Tang-Hai | ● The Director has more than five years of work experience required for commercial and corporate business.<br>● The Director has not been in or is under any circumstances stated in Article 30 of the Company Act. | | 0 |
| Huang, Chung-Hsing | ● The Director has more than five years of work experience required for commercial, financial and corporate business.<br>● The Director is a retired Associate Professor from the Department and Graduate Institute of Business Administration at Taiwan | ● None of the Independent Director, his spouse, and his relatives within the second degree of kinship, is a director, supervisor or employee of the Company or its affiliates, and none of them is under any circumstances | 2 |

| | | | |
|---|---|---|---|
| | University, and he is currently a Visiting Professor at the College of Management at Chang Gung University.<br>● The Director is a member of the board of the other listed company<br>● The Director has not been in or is under any circumstances stated in Article 30 of the Company Act. | stated in Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Therefore, independence is met.<br>● Number of the Company's shares held by the Independent Director, his spouse and minor children: 3,000 shares. | |
| Yang, Hui-Ling | ● The Director has more than five years of work experience required for commercial and corporate business.<br>● The Director has not been in or is under any circumstances stated in Article 30 of the Company Act. | ● None of the Independent Director, his spouse, and his relatives within the second degree of kinship, is a director, supervisor or employee of the Company or its affiliates, and none of them is under any circumstances stated in Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Therefore, independence is met.<br>● Number of the Company's shares held by the Independent Director, his spouse and minor children: 0 shares. | 0 |
| Wang, Jen-Kuo | ● The Director has more than five years of work experience required for commercial and corporate business.<br>● The Director has not been in or is under any circumstances stated in Article 30 of the Company Act. | ● None of the Independent Director, his spouse, and his relatives within the second degree of kinship, is a director, supervisor or employee of the Company or its affiliates, and none of them is under any circumstances stated in Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Therefore, independence is met.<br>● Number of the Company's shares held by the Independent Director, his spouse and minor children: 0 shares. | 0 |

## 2. Diversification and independence of Board of Directors:

- Diversification of Board of Directors:

  (1) The directors of the Company have different expertise in various fields, which are helpful to the development and operation of the Company. Please refer to the Implementation of Diversity of the Board of Directors in this annual report (Table 1, Page38).

  (2) The Company's current Board of Directors consists of seven directors, including four directors and three independent directors. Female directors account for approximately 14% of all directors, and independent directors account for approximately 43% of all directors. One independent director has a term of less than 3 years; two have terms between 3 and 9 years. Two directors are aged 60 or below, two are between 61 and 70 years old, two are between 71 and 80 years old, and one is over 81 years old. The Company emphasizes gender equality in the composition of the Board of Directors, with a target of having over 25% female director representation. It is expected that one more female director will be added to the Board in the future to achieve this goal.

  (3) The Board of Directors has prepared a diversification policy regarding the composition of the Board of Directors, which is disclosed on the Company's website and the Market Observation Post System.

- Independence of Board of Directors:

  (1) The Company's Board of Directors currently consists of seven directors, including four directors and three independent directors. Independent directors account for approximately 43% of the total number of directors.

  (2) Among the members of the Board of Directors, none of them is a spouse or a relative within the second degree of kinship of each other, and, therefore, the independence is met.

## (II) Information on General Manager, Deputy General Managers, Associates, and Heads of Departments and Branches

April 20, 2024

| Title | Nationality | Name | Gender | Date of Election (Appointment) | Shareholding | | Spouse & Minor Shareholding | | Shares Held in Others' Names | | Education and Work Experience | Current Positions at Other Companies | Managerial Officer who Are Spouses or within the Second Degree of Kinship | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares | Shareholding Ratio (%) | Number of shares | Shareholding Ratio (%) | Number of shares | Shareholding Ratio (%) | | | Title | Name | Relationship | |
| General Manager | R.O.C. | Weng, Kuo-Hua | Male | 2013.01.14 | 9,000 | 0.01 | 32,000 | 0.02 | — | — | Huxen Corporation General Manager/EMBA at Taiwan University | — | — | — | — | — |
| Corporate Governance Officer | R.O.C. | Ma Chih-Hsien | Male | 2022.11.09 | — | — | — | — | — | — | Director, AURORA Corporation / EMBA, Fudan University | Director, AURORA Corporation<br>Corporate Governance Office, AURORA Corporation<br>Chairman, KM DEVELOPING SOLUTIONS CO., LTD. | — | — | — | — |
| Comptroller | R.O.C. | Hsieh, Shu-Hui | Female | 2018.03.05 | — | — | — | — | — | — | Huxen Corporation Comptroller/Takming University of Science and Technology | Aurora Leasing Corporation Comptroller | — | — | — | — |

# III. Remuneration to directors, general manager and deputy general manager for the most recent year

## (I) Directors

### Remuneration to Directors and Independent Directors in 2023

Unit: NTD in Thousand

| Title | Name | Remuneration paid to directors | | | | | | | | Total of A, B, C and D as a Percentage of Net Income After Tax | | Remuneration Earned by a Director Who is an Employee | | | | | | | | Total of A, B, C, D, E, F and G as a Percentage of Net Income | | Remuneration Paid to Directors from Non-consolidated Affiliates or Parent Company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Salaries (A) | | Pensions (B) | | Bonus to Directors (C) | | Allowances (D) | | | | Salaries, Bonuses, Allowances, Etc. (E) | | Pension (F) | | Bonus to employees (G) | | | | | | |
| | | The Company | All the companies listed in the consolidated financial report | The Company | All the companies listed in the consolidated financial report | The Company | All the companies listed in the consolidated financial report | The Company | All the companies listed in the consolidated financial report | The Company | All the companies listed in the consolidated financial report | The Company | All the companies listed in the consolidated financial report | The Company | All the companies listed in the consolidated financial report | The Company | | All the companies listed in the consolidated financial report | | The Company | All the companies listed in the consolidated financial report | |
| | | | | | | | | | | | | | | | | Cash Amount (Note 1) | Stock Amount | Cash Amount (Note 1) | Stock Amount | | | |
| Chairperson | Liao, Ching-Chang | 2,430 | 2,430 | 0 | 0 | 0 | 0 | 0 | 0 | 2,430/ 0.50% | 2,430/ 0.50% | 0 | 0 | 0 | 0 | 1,272 | 1,272 | 0 | 0 | 3,702/ 0.76% | 3,702/ 0.76% | 0 |
| Director | Aurora Holdings Incorporated Representative: Chuang, Hsiao-Chen | 0 | 0 | 0 | 0 | 0 | 0 | 1,200 | 1,200 | 1,200/ 0.24% | 1,200/ 0.24% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,200/ 0.24% | 1,200/ 0.24% | 0 |
| Director | Aurora Holdings Incorporated Representative: Chen, I-Hsiung | 0 | 0 | 0 | 0 | 0 | 0 | 650 | 650 | 650/ 0.13% | 650/ 0.13% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 650/ 0.13% | 650/ 0.13% | 0 |
| Director | Wu, Tang-Hai | 0 | 0 | 0 | 0 | 0 | 0 | 600 | 600 | 600/ 0.12% | 600/ 0.12% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 600/ 0.12% | 600/ 0.12% | 0 |
| Independent Director | Huang, Chung-Hsing | 0 | 0 | 0 | 0 | 0 | 0 | 600 | 600 | 600/ 0.12% | 600/ 0.12% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 600/ 0.12% | 600/ 0.12% | 0 |
| Independent Director | Yang, Hui-Ling | 0 | 0 | 0 | 0 | 0 | 0 | 600 | 600 | 600/ 0.12% | 600/ 0.12% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 600/ 0.12% | 600/ 0.12% | 0 |
| Independent Director | Wang, Jen-Kuo | 0 | 0 | 0 | 0 | 0 | 0 | 600 | 600 | 600/ 0.12% | 600/ 0.12% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 600/ 0.12% | 600/ 0.12% | 0 |

1. Please specify the remuneration policy, system, standard, and structure for independent directors, as well as the linkage between remuneration and their responsibilities, risk and invested time:
   According to the Articles of Incorporation of the Company, remuneration paid to the Company's Chairperson and Directors shall be determined by the Board of Directors based on the degree of their participation in and contributions to the business operations of the Company, as well as industry standards at home and abroad
2. In addition to aforementioned information, collection of remuneration by directors for provision of services to any of the companies in the financial statement in the recent year (i.e. acting as a nonemployee consultant for the parent company/all the companies in the financial report/investee companies, etc.), other than those disclosed in the table above: None.

Note: 2023 Employee remuneration is only the proposed amount to be allocated as approved by the Board of Directors.

### Range of Remunerations

| Range of remunerations paid to each Director of the Company | Names of Directors | | | |
|---|---|---|---|---|
| | Summation of the first 4 items (A+B+C+D) | | Summation of the first 7 items (A+B+C+D+E+F+G) | |
| | The Company | All the companies listed in the | The Company | All the companies listed in the |
| Under $1,000,000 | Chen, I-Hsiung, Wu, Tang-Hai, Huang, Chung-Hsing, Yang, Hui-Ling, | Chen, I-Hsiung, Wu, Tang-Hai, Huang, Chung-Hsing, Yang, Hui-Ling, | Chen, I-Hsiung, Wu, Tang-Hai, Huang, Chung-Hsing, Yang, Hui-Ling, | Chen, I-Hsiung, Wu, Tang-Hai, Huang, Chung-Hsing, Yang, Hui-Ling, |
| $1,000,000 (inclusive)–$2,000,000 (exclusive) | Chuang, Hsiao-Chen | Chuang, Hsiao-Chen | Chuang, Hsiao-Chen | Chuang, Hsiao-Chen |
| $2,000,000 (inclusive)–$3,500,000 (exclusive) | Liao, Ching-Chang | Liao, Ching-Chang | — | — |
| $3,500,000 (inclusive)–$5,000,000 (exclusive) | — | — | Liao, Ching-Chang | Liao, Ching-Chang |
| $5,000,000 (inclusive)–$10,000,000 (exclusive) | — | — | — | — |
| $10,000,000 (inclusive)–$15,000,000 (exclusive) | — | — | — | — |
| $15,000,000 (inclusive)–$30,000,000 (exclusive) | — | — | — | — |
| $30,000,000 (inclusive)–$50,000,000 (exclusive) | — | — | — | — |
| $50,000,000 (inclusive)–$100,000,000 (exclusive) | — | — | — | — |
| Over $100,000,000 | — | — | — | — |
| Total | 8 in total | 8 in total | 8 in total | 8 in total |

## (II) General Manager and Deputy General Managers

### Remuneration to General Manager and Deputy General Managers in 2023

Unit: NTD in Thousand

| Title | Name | Salary(A) | | Pensions (B) | | Bonus and Special Disbursement (C) | | Bonuses to Employees(D) | | | | Total of A, B, C and D as a Percentage of Net Income After Tax | | Remuneration Paid to Directors from Non-consolidated Affiliates or Parent Company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All the companies listed in the consolidated financial report | The Company | All the companies listed in the consolidated financial report | The Company | All the companies listed in the consolidated financial report | The Company | | All the companies listed in the consolidated financial report | | The Company | All the companies listed in the consolidated financial report | |
| | | | | | | | | Cash Amount (Note) | Stock Amount | Cash Amount (Note) | Stock Amount | | | |
| General Manager | Weng, Kuo-Hua | 2,366 | 2,366 | 0 | 0 | 0 | 0 | 1,362 | 0 | 1,362 | 0 | 3,728/ 0.76% | 3,728/ 0.76% | None |

Note: 2023 Employee remuneration is only the proposed amount to be allocated as approved by the Board of Directors.

### Range of Remunerations

| Range of remunerations paid to each General Manager and Deputy General Manager of the Company | Names of General Manager and Deputy General Managers | |
|---|---|---|
| | The Company | All the companies listed in the |
| Under $1,000,000 | – | – |
| $1,000,000 (inclusive)–$2,000,000 (exclusive) | – | – |
| $2,000,000 (inclusive)–$3,500,000 (exclusive) | – | – |
| $3,500,000 (inclusive)–$5,000,000 (exclusive) | Weng, Kuo-Hua | Weng, Kuo-Hua |
| $5,000,000 (inclusive)–$10,000,000 (exclusive) | – | – |
| $10,000,000 (inclusive)–$15,000,000 (exclusive) | – | – |
| $15,000,000 (inclusive)–$30,000,000 (exclusive) | – | – |
| $30,000,000 (inclusive)–$50,000,000 (exclusive) | – | – |
| $50,000,000 (inclusive)–$100,000,000 (exclusive) | – | – |
| Over $100,000,000 | – | – |
| Total | 1 in total | 1 in total |

## (III) Remuneration Paid to Managers, Names thereof and the distribution

December 31, 2023
Unit: NTD in Thousand

<table>
<tr><th></th><th>Title</th><th>Name</th><th>Stock Amount</th><th>Cash Amount</th><th>Total</th><th>Total Amount as a Percentage of Net Income After Tax</th></tr>
<tr><td>Director</td><td>Chairperson</td><td>Liao, Ching-Chang</td><td rowspan="4">–</td><td rowspan="4">2,679</td><td rowspan="4">2,679</td><td rowspan="4">0.55</td></tr>
<tr><td rowspan="3">Managers</td><td>General Manager</td><td>Weng, Kuo-Hua</td></tr>
<tr><td>Corporate Governance Officer</td><td>Ma Chih-Hsien</td></tr>
<tr><td>Comptroller</td><td>Hsieh, Shu-Hui</td></tr>
</table>

Note: 2023 Employee remuneration is only the proposed amount to be allocated as approved by the Board of Directors.

### (IV) Analysis of the ratio of the total remuneration paid to Directors and General Managers of the Company in the last two years to the net income after tax of the parent company only financial statements of the Company and all companies in the consolidated statements, and explanation of the policies, standards and combinations for the payment of remuneration, the procedures for determining remuneration, and the correlation with operating results and future risks:

1. Analysis of the proportion of the total remuneration paid to the Directors, Supervisors, General Manager and Deputy General Managers of the company in the last two years to the net profit after tax of the parent company only financial report:

| Year | Total directors' remuneration and its ratio to net income after tax | | Total remuneration to president and vice presidents, and its ratio to net income after tax | |
|---|---|---|---|---|
| | The Company | All the companies listed in the consolidated financial report | The Company | All the companies listed in the consolidated financial report |
| 2022 | 1.36% | 1.36% | 0.66% | 0.66% |
| 2023 | 1.62% | 1.62% | 0.76% | 0.76% |

2. The Company's Remuneration Policy:
The remuneration paid to the Directors of the Company shall be handled in accordance with the relevant provisions of the Articles of Incorporation. The remuneration paid to the General Manager and Deputy General Managers shall be approved in accordance with the principles of fairness and equity and the performance of each employee.

3. The standard and combination for the Company's remuneration payment:
The remuneration's payment standards and portfolios to the directors and General Manager of the Company are divided into fixed and variable parts. The fixed remuneration is approved according to the scope of authority and responsibility of the position and the operational objectives of the Company. The variable

remuneration is based on the operational performance and contribution achieved, thus sharing operating results.

4. Procedures for determining the Company’s remuneration.
   The procedures to determine the remuneration of the Company: The Company’s remuneration shall be reasonably paid based on the Company’s overall operating performance, and the contribution and achievement of each employee, and shall be submitted to and approved by the Company’s internal authorities.

5. The correlation between the Company’s remuneration and operating performance.
   The variable remuneration to the Company’s Directors, General Manager and Deputy General Managers are commensurate with their operational achievements. By sharing the result of operation, the performance of individuals and teams can be fully integrated.

# IV. Implementation of Corporate Governance

## (I) Operations of the Board of Directors

### (1) Operations of the Board of Directors

The Board of Directors held four meetings in the most recent year (2023). The attendance of directors is as follows:

| Title | Name | Actual attendance rate (%) | Total number of entrusted attendance | Actual attendance rate (%) | Remark |
|---|---|---|---|---|---|
| Chairperson | Liao, Ching-Chang | 4 | 0 | 100% | |
| Director | Aurora Holdings Incorporated Representative: Chen, I-Hsiung | 4 | 0 | 100% | |
| Director | Aurora Holdings Incorporated Representative: Chuang, Hsiao-Chen | 4 | 0 | 100% | |
| Director | Wu, Tang-Hai | 3 | 0 | 75% | |
| Independent Director | Huang, Chung-Hsing | 3 | 1 | 75% | |
| Independent Director | Yang, Hui-Ling | 4 | 0 | 100% | |
| Independent Director | Wang, Jen-Kuo | 4 | 0 | 100% | |

Other mentionable items:

1. In case there occurs one of the following situations during the operation of the Board of Directors, related information should be specified, including date of the board meeting, term of the board of directors, contents of motions, opinions of all the independent directors, and follow-up handlings of the opinions by the company:
   (1) Matters listed in Article 14-3 of the Securities and Exchange Act:

<table>
<tr><th>Board of Directors</th><th>Contents of Motions and follow-ups</th><th>Matters Listed in Article 14-3 of the Securities and Exchange Act</th><th>Independent directors expressed a contrary or qualified opinion</th></tr>
<tr><td rowspan="4">9th meeting of 11th term 2023.03.10</td><td>Appointment of the Company’s 2023 CPAs and the CPAs’ Independence Evaluation.</td><td>✓</td><td>None</td></tr>
<tr><td colspan="3">Independent Directors’ opinions: None.</td></tr>
<tr><td colspan="3">Handlings of the opinions by the Company: None.</td></tr>
<tr><td colspan="3">Resolution: All the directors present agreed to pass these motions.</td></tr>
</table>

| | | | | |
|---|---|---|---|---|
| | 12th meeting of 11th term 2023.11.09 | Amendments to the Company's "Internal Control System". | ✓ | None |
| | | Independent Directors' opinions: None. | | |
| | | Handlings of the opinions by the Company: None. | | |
| | | Resolution: All the directors present agreed to pass these motions. | | |
| | 13th meeting of 11th term 2024.03.10 | Appointment of the Company's 2024 CPAs and the CPAs' Independence Evaluation. | ✓ | None |
| | | Independent Directors' opinions: None. | | |
| | | Handlings of the opinions by the Company: None. | | |
| | | Resolution: All the directors present agreed to pass these motions. | | |

(2) Except the aforementioned items, resolutions of the board of directors with Contrary or qualified opinions, by any independent director on record or in written form: None.

2. Recusal of cases by directors due to involvement of related interests: None.
3. Board of Directors' self (or peer) evaluation: The Company formulated the "Board of Directors Performance Evaluation Measures" and its evaluation methods on November 8, 2019, and conducted the performance evaluation for that year at the end of the year.
4. Objectives for strengthening the functions of the Board of Directors in the current and most recent year (e.g. establishing an Audit Committee, enhancing information transparency) and implementation evaluation: To strengthen the independence and functions of directors, enhance the operational efficiency of the Board of Directors, and implement the responsibilities of professionals and operators, the Company has established a "Remuneration Committee" on December 29, 2011, an "Audit Committee" on July 22, 2021, an "Ethical Management Committee" on November 9, 2022, and appointed a "Corporate Governance Officer" on November 9, 2022, to supervise and implement corporate governance operations. Functional committee meetings are also convened regularly.

**(2) Implementation of the evaluation of the Board of Directors**

| Evaluation Cycle (Note 1) | Evaluation Period (Note 2) | Evaluation Scope (Note 3) | Evaluation Method (Note 4) | Evaluation Contents (Note 5) | Evaluation Results |
|---|---|---|---|---|---|
| Once a year | January 1, 2023–December 31, 2023 | Board of Directors | Internal self-evaluation by the Board of Directors | The evaluation includes participation in the operation of the company, the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors and internal control | The overall operation of the Board of Directors is in a good condition, and the Company regularly invites external experts to provide group training courses for its directors, which is in compliance with the applicable rules and regulations of corporate governance. |

| | | | | | |
|---|---|---|---|---|---|
| | | Individual board member | Self-evaluation by Board Members | Alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education and internal control. | The performance evaluation of the directors as a whole meets the criteria, and the directors have fully expressed their opinions and suggestions on various motions of the Company. Hence, the overall operation is fairly sound. |
| | | Functional Committee | Internal self-evaluation by the Board of Directors | Participation in the operation of the company, awareness of the duties of the functional committee, improvement of quality of decisions made by the functional committee, makeup of the functional committee, the election of its members, the internal control | 1. The Company has established the Audit Committee, which exercises its functions and powers independently and operates in good overall condition.<br>2. The Company has established the Remuneration Committee, which exercises its functions and powers independently and operates in good overall condition.<br>3. The Company has established the Ethical Corporate Management Committee, which exercises its functions and powers independently and operates in good overall condition. |

Note 1: The execution frequency of the board evaluation shall be specified, e.g. once a year.

Note 2: The period covered by the Board evaluation shall be specified, e.g. evaluating board performance from January 1, 2023, to December 31, 2023.

Note 3: Evaluation scope includes the performance evaluations of Board of Directors, individual Board members, and functional committees.

Note 4: Evaluation method includes internal board self-evaluation, evaluation of individual directors, peer-evaluation, evaluation by external professional organizations, experts, and other appropriate methods.

Note 5: The evaluation content includes, at minimum, the following items:

(1) Board of Directors performance evaluation: The evaluation shall include, at minimum, participation in the operation of the company, the quality of the board of directors' decision making, composition and structure of the board of directors, election and continuing education of the directors and internal control.

(2) Individual board member of performance evaluation: The evaluation shall include, at minimum, alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication, the director's professionalism and continuing education, internal control etc.

(3) Functional committee performance evaluation: participation in the operation of the Company, awareness of the duties of the functional committee, quality of decisions made by the functional committee, makeup of the functional committee, election of its members and the internal control.

Note 6: The results of the Board of Directors' performance evaluation were reported to the Board of Directors on March 13, 2024.

## (II) State of Operations of Audit Committee or State of Participation in Board Meetings by Supervisors:

### 1. The operation of the Audit Committee:

The Audit Committee convened four meetings (A) in the most recent year (2023).

The Independent Director's attendance is stated as follows:

| Title | Name | Attendance in Person (B) | Attendance by Proxy | Attendance Rate in Person (%) (B/A) | Remark |
|---|---|---|---|---|---|
| Convener | Huang, Chung-Hsing | 3 | 1 | 75% | |
| Member | Yang, Hui-Ling | 4 | 0 | 100% | |
| Member | Wang, Jen-Kuo | 4 | 0 | 100% | |
| Note: On July 22, 2021, the Company established its Audit Committee to replace the Supervisor system.<br>Other mentionable items:<br>1. In case there occurs one of the following situations during the operation of the Audit Committee, date and term of meeting of the auditing committee, contents of motions, contrary opinions, reserved opinions, and major suggestions of independent directors, resolutions of the auditing committee, and handling of the auditing committee's opinions by the company shall be specified. | | | | | |

(1) Matters listed in Article 14-5 of the Securities and Exchange Act:

| Audit Committee | Contents of Motions and follow-ups | Matters Listed in Article 14-5 of the Securities and Exchange Act | Independent directors expressed a contrary or qualified opinion |
|---|---|---|---|
| 7th meeting of 1st term 2023.03.10 | 1. Preparation of the Company's 2022 Business Report and Financial Report. | ✓ | None |
| | 2. The Company's 2022 internal control system self-evaluation report and the issuance of the "Statement on Internal Control System." | ✓ | None |
| | 3. The appointment of the Company's independent auditors for 2023 and the assessment of their independence. | ✓ | None |
| | Resolution: All members present agreed to pass these motions. | | |
| | Handling of the auditing committee's opinions by the Company: None | | |
| 9th meeting of 1st term 2023.08.09 | Preparation of the Company's Q2 2023 consolidated financial statements. | ✓ | None |
| | Resolution: All members present agreed to pass these motions. | | |
| | Handling of the auditing committee's opinions by the Company: None | | |
| 10th meeting of 1st term 2023.11.09 | 1. Amendments to the Company's "Internal Control System." | ✓ | None |
| | 2. Established the Company's 2024 audit plan. | ✓ | None |
| | Resolution: All members present agreed to pass these motions. | | |
| | Handling of the auditing committee's opinions by the Company: None | | |
| 11th meeting of 1st term 2024.03.13 | 1. Preparation of the Company's 2023 Business Report and Financial Report. | ✓ | None |
| | 2. The Company's 2023 internal control system self-evaluation report and the issuance of the "Statement on Internal Control System." | ✓ | None |
| | 3. The appointment of the Company's independent auditors for 2024 and the assessment of their independence. | ✓ | None |
| | Resolution: All members present agreed to pass these motions. | | |
| | Handling of the auditing committee's opinions by the Company: None | | |

(2) Other than the foregoing, motions approved by over two thirds of all the directors without passage by the auditing committee: None.

2. Recusal by independent directors due to conflict of interest and specific names of independent directors involved, contents of agenda, reasons for recusal, and status of voting: None.

3. Communication between independent directors, CPAs and Internal Auditing Officer (major corporate affairs, such as finance and business status, as well as communications method and results shall be included).

(1) Communication between Independent Directors and Internal Audit Officer: The Independent Directors hold audit committee meetings every quarter, and the minutes of the audit committee meetings were prepared after the meetings. Important discussions and resolutions are notified to the Directors and the Company's top Managers. In 2023 and the most recent year, five meetings were held. At each meeting, the Internal Audit Officer presented a report on the implementation of audit and significant matters related to internal control and internal audit. Moreover, the execution, reports and follow-up of matters assigned by each Independent Director were completed.

(2) Communication between independent directors and accountants: In 2023 and the most recent year, a total of five relevant meetings were convened, in which the accountants reported the audit results to the independent directors at the 7th, 8th, 9th, 10th, and 11th meetings of the 1st Audit Committee, respectively.

**(III) The operation of corporate governance and its differences from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor:**

| Assessment Item | Implementation Status | | | Difference from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| I. Does the Company set and disclose its Corporate Governance Best-Practice Principles according to the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies? | ✓ | | The Company has developed its Corporate Governance Best-Practice Principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and has disclosed them at the Market Observation Post System and on the Company's website. | None. |
| II. The Company's shareholding structure & shareholders' rights | | | | |
| (I) Does the Company establish internal operating procedures for dealing with shareholder advice, doubts, disputes and litigation matters, and implement them in accordance with the procedures? | ✓ | | (I) The company has spokespersons, deputy spokespersons and dedicated stock affairs personnel to properly handle shareholders' suggestions, doubts, disputes and litigation matters. | (I) None. |
| (II) Does the Company have a list of those who ultimately control the major shareholders of the Company? | ✓ | | (II) The Company report the changes in the shareholding of the insiders on a monthly basis, obtain the shareholder register during the suspension period, and keep a list of the Company's major shareholders and the ultimate controllers of the major shareholders. | (II) None. |
| (III) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates? | ✓ | | (III) The Company has established the internal control system, internal audit implementation rules, regulations for supervision and control over subsidiaries and other related operations and measures to implement an effective risk control, and has established the "Procedure for Lending Funds to Other Parties," the "Procedures for Endorsement and Guarantee" and other specifications for business and financial transactions with affiliates to properly manage the risks between the Company and | (III) None. |

| Assessment Item | Implementation Status | | | Difference from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| (IV) Has the Company set internal standards to prohibit the use of undisclosed insider information to trade securities on the market? | ✓ | | related enterprises.<br>(IV) The Company has established the "Internal Significant Information Office and Preventive Insider Trading Management Procedures" to regulate insiders and insider trading targets and prevent insider trading. | (IV) None. |
| III. Composition and responsibilities of the Board Of Directors<br>(I) Has the Board of Directors established a diversification policy, set goals, and implemented them accordingly? | ✓ | | (I) 1. The Company formulated the "Corporate Governance Best-Practice Principles" on December 30, 2014, and formulated a diversification policy in Chapter 3 "Strengthening the Functions of the Board of Directors." Adopting a candidate nomination system, the nomination and selection of the members of the Board of Directors of the Company are in compliance with the articles of incorporation. In addition to assessing the education and experience Criteria of each candidate with reference to the opinions of the stakeholders, the "Rules governing the election of directors" and the "Corporate governance best-practice principles" are also adhered to ensure the diversity and independence of the board members.<br>2. The directors of the Company have different expertise in various fields, which are helpful to the development and operation of the Company. The Board of Directors focuses on operation judgment, operation management, and crisis management. Please refer to the Implementation of Diversity of the Board of Directors in this annual report (Table 1, Page38). | (I) None. |

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Difference from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>3. The Company's current Board of Directors consists of seven directors, including four directors and three independent directors. Female directors account for approximately 14% of all directors, and independent directors account for approximately 43% of all directors. One independent director has a term of less than 3 years; two have terms between 3 and 9 years. Two directors are aged 60 or below, two are between 61 and 70 years old, two are between 71 and 80 years old, and one is over 81 years old. The Company emphasizes gender equality in the composition of the Board of Directors, with a target of having over 25% female director representation. It is expected that one more female director will be added to the Board in the future to achieve this goal.<br>4. The Board of Directors has formulated policy on diversity of the Board members, which is disclosed on the Company's website and the Market Observation Post System.</td><td></td></tr>
<tr><td>(II) Besides the Remuneration Committee and the Audit Committee which are required by law, does the Company plan to set up other functional committees?</td><td>✓</td><td></td><td>(II) The Company has not only established the Remuneration Committee and Audit Committee as required by law, but also established the Integrity Management Committee on November 9, 2022 to implement the ethical management of the Company and strengthen the functions of the Board of Directors.</td><td>(II) None.</td></tr>
<tr><td>(III) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?</td><td>✓</td><td></td><td>(III) 1. On November 8, 2019, the Company established a "board of directors' performance evaluation procedures" and its evaluation method. The internal board performance evaluation is conducted annually, while the external board performance evaluation is conducted at least once every three years when needed by an independent external professional</td><td>(III) None.</td></tr>
</table>

| Assessment Item | Implementation Status | | | Difference from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| (IV) Does the Company regularly evaluate its attesting auditors' independence? | ✓ | | organization or a team of external experts and scholars. In addition, a performance evaluation for the current year is conducted at the end of the year.<br>2. Outcome of the performance evaluation of the Board of Directors: The result of the performance evaluation of the Company's internal Board of Directors for 2023 is "Good," which has been reported to the Board of Directors on March 13, 2024, and is sufficient to demonstrate the Company's results in strengthening the effectiveness of the Board of Directors (please refer to Page21-22).<br>3. On December 29, 2011, the Company established a Remuneration Committee, and its main duties are as follows:<br>(1) Setting and periodically reviewing the policies, systems, standards and structures of performance objectives and remuneration for directors and managers of the Company.<br>(2) Evaluating the performance and setting remuneration for the directors and managers of the Company periodically.<br>(IV) The Company has developed an independence assessment form for auditors with reference to the Certified Public Accountants' Code of Ethics Standard No. 10 of R.O.C. "Integrity, Fairness, Objectivity and Independence" and has received a statement of independence issued by the CPA firm. Further, the Board of Directors annually assessing the independence of attesting auditors. The 2024 independence assessment was completed and approved by the Board of Directors at its meeting on, March 13, 2024. | (IV) None. |

| Assessment Item | Implementation Status | | | Difference from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | (see nested table below) | |

| | Assessment Item | Evaluation Results | Compliance with Independence |
|---|---|---|---|
| 1 | The CPA has no direct or indirect material financial interests with the Company. | No | Yes |
| 2 | The CPA does not conduct financing or guarantee activities with the Company or any Directors of the Company. | No | Yes |
| 3 | The CPA have no intimate business relationships and potential employment relationships with the Company. | No | Yes |
| 4 | Do the CPA and auditing members currently have positions in the Company for the past two years as a Director, a Manager or a position with significant influence on the auditing activities? | No | Yes |
| 5 | The CPA does not provide non-auditing services for the Company which may directly influence the auditing activities. | No | Yes |
| 6 | The CPA does not serve as an intermediary of the shares or other securities issued by the Company | No | Yes |
| 7 | The Accountant does not serve as a defense attorney for the Company or have coordinated the Company's conflicts with any other third parties on behalf of the Company. | No | Yes |
| 8 | The CPA has no kinship with any Directors or Managers of the Company, or those who have significant influence on the auditing activities | No | Yes |

| Assessment Item | Implementation Status | | | Difference from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| IV. Does the listed company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors' and supervisors' compliance of applicable law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)? | ✓ | | The Company's Board of Directors resolved on November 9, 2022 to appoint Mr. Ma Chih-Hsien as "Corporate Governance Officer." He has more than three years of experience as a financial officer of public companies, and has completed 12 hours of professional training as required by law. The implementation of Corporate Governance related matters was followed:<br>(I) Furnishing information required for business execution by directors and supervisors, and assisting directors and supervisors with legal compliance.<br>(II) Assisting in the meeting procedures, meeting minutes and legal compliance with resolutions for Board of Directors, Audit Committee, Compensation Committee, Ethical Management Committee and Shareholders' Meeting.<br>(III) Assisting in onboarding and continuous development of directors<br>(IV) Assisting in the governance structure of the promotion of sustainable development. | None. |
| V. Has the Company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and created a stakeholders section on its company website? Does the Company respond to stakeholders' concerned questions on corporate responsibilities? | ✓ | | (I) In addition to a stakeholder section on the Company's website, the Company has a spokesperson and each department's contact information set up to maintain unimpeded communication with shareholders, employees, customers, suppliers, and other stakeholders and respond to their concerned material corporate social responsibility questions in a proper manner.<br>(II) Stakeholder section on the Company's website: https://www.eosasc.com.tw/contacts | None. |
| VI. Has the Company appointed a professional shareholder services agent to handle | ✓ | | The Company appoints a professional shareholder services agent, Yuanta Securities Co., Ltd., to act on behalf of the Company in | None. |

| Assessment Item | Implementation Status | | | Difference from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| shareholders' meeting matters? | | | various share affairs. | |
| VII. Information Disclosure<br>(I) Does the Company have a corporate website to disclose information regarding its financials, business and corporate governance? | ✓ | | (I) The Company has established an investor section at its corporate website to disclose information regarding its financials, business and corporate governance for its investors. The Company's website: https://www.eosasc.com.tw | (I) None. |
| (II) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating dedicated personnel to handle information collection and disclosure, appointing spokespersons, uploading the progress of investors' conference to website)? | ✓ | | (II) Other information disclosure channels of the Company<br>1. The Company has appointed personnel in charge of the collection and disclosure of corporate information, and has appointed a spokesperson and an acting spokesperson to handle external inquiries about the Company's operating and financial information at any time.<br>The Company hosted an online corporate presentation, and the presentation materials were posted on the Company's website. The Company's website: https://www.eosasc.com.tw | (II) None. |
| (III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline? | | ✓ | (III) The Company announces and reports its annual financial statements as well as the first, second, and third quarter financial statements and monthly operating conditions pursuant to applicable law. Please refer to the Market Observation Post System for the above information. | (III) Excepting reporting the annual financial statements within two months after the end of the fiscal year, the Company announces and |

| Assessment Item | Implementation Status | | | Difference from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | | reports its financial statements within all other prescribed period. |
| VIII. Has the Company disclosed other important information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of stakeholders, Directors' and Supervisors' training status, the implementation of risk management policies and risk evaluation measures, the implementation of customer policies, and purchasing liability insurance for Directors and Supervisors)? | ✓ | | (I) Employee rights and employee care<br>The Company has always safeguarded the rights and interests of its colleagues. In addition to statutory safeguards, the Company also has good welfare measures, smooth communication channels and various ways to file grievances.<br>1. Insurance: Group business insurance.<br>2. Compensation: bonus, performance bonus, year-end bonus, and domestic and overseas travel incentives.<br>3. Welfare: subsidies for weddings and funerals, educational scholarships for children, travel subsidies, health examination subsidies, hospitalization, medical subsidies, year-end activities and group uniforms.<br>4. Health checkup benefits: The Company provides subsidies for regular health checkups and options for selecting excellent medical institutions, promotes on-site health services, arranges on-site medical consultations with nurse and physicians, and provides regular health information in order to care for employees.<br>5. Travel subsidies: The Company regularly provides subsidies to employees for travel at home and abroad and gives annual overseas travel incentives to employees with good | None. |

| Assessment Item | Implementation Status | | | Difference from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | performance.<br>6. Education and Training: A comprehensive education and training system (group training, business unit training, professional certification training), an E-learning online learning platform, RA-knowledge, an intranet training platform, irregularly held professional skills training courses, reimbursement for external education and training expenses, and encouragement for employees to pursue further education while employed.<br>(II) Investor relations:<br>In accordance with applicable laws and regulations, the Company's financial information, business information and operational conditions are fully disclosed on the Market Observation Post System and the Company's website. In addition, a spokesperson and a point of contact for each relevant business department are set up to protect the rights of investors.<br>(III) Supplier relations:<br>In order to achieve sustainable supply chain management, the Company follows the "Supplier Management Regulations" to establish partnerships with suppliers for long-term development and mutual benefit.<br>(IV) Rights of stakeholders:<br>1. In terms of responsibility to customers:<br>The Company pays close attention to customer opinions and after-sales services. For customer complaints, the Company takes immediate measures to meet the needs of customers.<br>2. In terms of responsibility to shareholders: | |

| Assessment Item | Implementation Status | | | Difference from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | Protecting the rights and interests of shareholders is the goal that the Company strives for.<br>3. The Company has set up a stakeholder section and its points of contact to protect the rights of stakeholders.<br>(V) Directors' training status:<br>Please refer to "2023 Directors' Continuing Education" of this annual report (Table 2, Page39).<br>(VI) Implementation of risk management policies and risk evaluation measures:<br>The Company has "Risk Management Procedures" and measures and has been properly implementing them. Please refer to the description under Chapter 5, "VI. Cyber Security Management" and Chapter 7, "VI. Risk Analysis and Assessment for the Most Recent Year and as of the Publication Date of the Annual Report" of this annual report.<br>(VII) Implementation of customer policies:<br>1. The Company keeps strict compliance with the contracts and related agreements signed with customers to safeguard the rights and interests of customers.<br>2. In addition to providing branch services throughout Taiwan, the Company has set up a customer service center and a service hotline to protect the rights of consumers.<br>(VIII) Purchasing liability insurance for Directors:<br>The Company has purchased liability insurance for directors and supervisors since December 1, 2009. From December 1, 2023 to December 1, 2024, the "Directors, Supervisors and Managers Liability Insurance" was purchased from Fubon | |

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Difference from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>Insurance Co., Ltd. for US$3 million.</td><td></td></tr>
<tr><td colspan="5">IX. As for the result of the latest corporate governance evaluation by the corporate governance center of Taiwan Stock Exchange Corporation, please explain completed improvements and priority improvement<br>and measures for unimproved items:<br>The Company has made improvements in response to the results of the 10th evaluation. It is expected to establish a cross-department task force and continue to track the improvement plans of each relevant business department in order to improve the standard of corporate governance.</td></tr>
</table>

**Attached table 1: Implementation of diversity among board members**

| Names of directors with diversified core projects | Nationality | Gender | Doubling as the Company's Employee | Age | | | | Term of Office of Independent Director | | Business Administration | Leadership & Decision-Making | Industry knowledge | Finance and Accounting |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 51–60 | 61–70 | 71–80 | 81 above | Less than 3 years | 3 years–9 years | | | | |
| Liao, Ching-Chang | R.O.C. | Male | ✓ | ✓ | | | | | | ✓ | ✓ | ✓ | |
| Chuang, Hsiao-Chen | R.O.C. | Male | | | | ✓ | | | | ✓ | ✓ | ✓ | ✓ |
| Wu, Tang-Hai | R.O.C. | Male | | | | ✓ | | | | | ✓ | ✓ | |
| Chen, I-Hsiung | R.O.C. | Male | | | | | ✓ | | | ✓ | ✓ | ✓ | |
| Huang, Chung-Hsing | R.O.C. | Male | | | ✓ | | | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Yang, Hui-Ling | R.O.C. | Female | | | ✓ | | | | ✓ | ✓ | ✓ | ✓ | |
| Wang, Jen-Kuo | R.O.C. | Male | | ✓ | | | | ✓ | | ✓ | ✓ | ✓ | |

**Attached table 2: Directors' continuing education in 2023**

| Title | Name | Training Date | Course Organizer | Course Name | Training Hours |
|---|---|---|---|---|---|
| Chairperson | Liao, Ching-Chang | September 18 | Taiwan Digital Governance | The application of ChatGPT in B2B | 3 |
| | | November 29 | Taiwan Digital Governance | 2024 Global and Taiwan Economic Trends and Outlook | 3 |
| Director | Chuang, Hsiao-Chen | September 18 | Taiwan Digital Governance | The application of ChatGPT in B2B | 3 |
| | | November 29 | Taiwan Digital Governance | 2024 Global and Taiwan Economic Trends and Outlook | 3 |
| Director | Chen, I-Hsiung | September 18 | Taiwan Digital Governance | The application of ChatGPT in B2B | 3 |
| | | November 29 | Taiwan Digital Governance | 2024 Global and Taiwan Economic Trends and Outlook | 3 |
| Director | Wu, Tang-Hai | September 18 | Taiwan Digital Governance | The application of ChatGPT in B2B | 3 |
| | | November 29 | Taiwan Digital Governance | 2024 Global and Taiwan Economic Trends and Outlook | 3 |
| Independent Director | Huang, Chung-Hsing | March 15 | Taiwan Corporate | How do the directors review the financial statements | 3 |
| | | March 15 | Taiwan Corporate | Corporate Governance and Securities Laws and | 3 |
| Independent Director | Yang, Hui-Ling | September 18 | Taiwan Digital Governance | The application of ChatGPT in B2B | 3 |
| | | November 29 | Taiwan Digital Governance | 2024 Global and Taiwan Economic Trends and Outlook | 3 |
| Independent Director | Wang, Jen-Kuo | September 18 | Taiwan Digital Governance | The application of ChatGPT in B2B | 3 |
| | | November 29 | Taiwan Digital Governance | 2024 Global and Taiwan Economic Trends and Outlook | 3 |

## (IV) Remuneration Committee

### (1) Information on Members of Remuneration Committee

| Position (Criteria / Name) | Name | Professional Qualification and Experience | Independence Status | Number of other public companies where the member is also a member of their remuneration committees |
|---|---|---|---|---|
| Independent Director (Convener) | Yang, Hui-Ling | ● The Director has more than five years of work experience required for commercial and corporate business.<br>● The Director has not been in or is under any circumstances stated in Article 30 of the Company Act. | ● None of the independent director, her spouse, and her relatives within the second degree of kinship is a director, supervisor, or employee of the Company or its affiliates or companies with which the Company has a specific relationship. Hence the independence is satisfied.<br>● The member has not been compensated for providing commercial, legal, financial or accounting services to the Company or its affiliates in the last two years.<br>● Number of the Company's shares held by the Independent Director, his spouse and minor children: 0 shares. | 0 |
| Independent Director | Huang, Chung-Hsing | ● The Director has more than five years of work experience required for commercial, financial and corporate business.<br>● The Director is a retired Associate Professor from the Department and Graduate Institute of Business Administration at Taiwan University, and he is currently a Visiting Professor at the College of Management at Chang Gung University. | ● None of the independent director, her spouse, and her relatives within the second degree of kinship is a director, supervisor, or employee of the Company or its affiliates or companies with which the Company has a specific relationship. Hence the independence is satisfied.<br>●The member has not been compensated for providing commercial, | 0 |

| | | | | |
|---|---|---|---|---|
| | | ● The Director is a member of the board of the other listed company<br>● The Director has not been in or is under any circumstances stated in Article 30 of the Company Act. | legal, financial or accounting services to the Company or its affiliates in the last two years.<br>● Number of the Company's shares held by the Independent Director, his spouse and minor children: 3,000 shares. | |
| Independent Director | Wang, Jen-Kuo | ● The Director has more than five years of work experience required for commercial and corporate business.<br>● The Director has not been in or is under any circumstances stated in Article 30 of the Company Act. | ● None of the independent director, her spouse, and her relatives within the second degree of kinship is a director, supervisor, or employee of the Company or its affiliates or companies with which the Company has a specific relationship. Hence the independence is satisfied.<br>● The member has not been compensated for providing commercial, legal, financial or accounting services to the Company or its affiliates in the last two years.<br>● Number of the Company's shares held by the Independent Director, his spouse and minor children: 0 shares. | 0 |

## (2) Information on operations of the Remuneration Committee

**I. The Remuneration Committee of the Company consists of three members.**

**II. Term of office of the current Committee: July 22, 2021–July 13, 2024. In the most recent year (2023) the Remuneration Committee met two times (A), and the Criteria and attendance of the members were as follows:**

| Title | Name | Attendance in Person (B) | Attendance by Proxy | Attendance Rate in Person (%) (B/A) | Remark |
|---|---|---|---|---|---|
| Convener | Yang, Hui-Ling | 2 | 0 | 100% | |
| Member | Huang, Chung-Hsing | 2 | 0 | 100% | |
| Member | Wang, Jen-Kuo | 2 | 0 | 100% | |

Other mentionable items:

1. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, the date, period, proposal content, resolution of the board, and the Company's handling of the committee's opinions should be stated (if the remuneration approved by the Board of Directors is better than the recommendation proposed by the Remuneration Committee, the difference and reasons should be stated):

| Remuneration Committee | Contents of Motions and follow-ups | Remuneration Committee Expressed a Contrary or Reserved Opinion |
|---|---|---|
| 4th meeting of 5th term 2023.05.05 | Proposal on matters related to the distribution of 2022 year-end bonuses and performance bonuses for the Company's managers. | None |
| | Resolution: All members present agreed to pass these motions. | |
| | The Company's handling of the committee's opinions: The opinions were proposed to the Board of Directors and approved by all directors present. | |
| 5th meeting of 5th term 2023.11.03 | The Company's "2024 Remuneration Committee Annual Execution Plan." | None |
| | Resolution: All members present agreed to pass these motions. | |
| | The Company's handling of the committee's opinions: The opinions were proposed to the Board of Directors and approved by all directors present. | |

2. In circumstances where resolutions of the Remuneration Committee were objected to by members, or members had a reserved opinion, and were recorded or declared in writing, the dates of meetings, sessions, contents of motions, all member opinions, and responses to member opinions shall be specified:
   None.

3. Responsibilities of the Remuneration Committee: The Committee performs the following duties with the care of a good administrator, and submits its recommendations to the Board of Directors for discussion.
   (1) Formulating and regularly reviewing the policies, systems, standards and structures for the performance evaluation and remuneration of directors and managers.
   (2) Assess and determine the remuneration to directors and managers on a regular basis.

### (V) Implementation of Corporate Sustainable Development and Difference from “Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons.

| Assessment Item | Implementation Status: Yes | No | Description | Difference from “Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons |
|---|---|---|---|---|
| I. Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors? | ✓ | | The Company established a “Sustainability Committee” in 2022, which is the primary decision-making and promotion unit for sustainable development of the Company. The Chairman of the Board serves as the Chair and the Corporate Governance Officer serves as the Executive Secretary of the Committee.<br>The members of this Committee are the heads of the Company’s business divisions and the heads of the headquarters’ executive units, which are responsible for promoting and implementing corporate sustainable development, social welfare, and corporate governance.<br>The Committee shall focus on ensuring the implementation of key corporate sustainability decisions and incorporating corporate sustainability into the Company’s business activities and development, and its duties and responsibilities are described as follows:<br>1. Formulate policies, objectives and management systems for corporate sustainable development.<br>2. Plan, implement and examine the corporate sustainable development related work.<br>3. Follow-up, review and amendment of the implementation effectiveness of the corporate sustainable development initiatives.<br>4. Prepare and publish the Corporate Sustainability Report.<br>5. Report on the committee’s performance results and | None. |

| Assessment Item | Implementation Status | | | Difference from “Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | annual plans to the Board of Directors periodically. (Results of key sustainability tasks for 2023 were reported to the Board on August 9, 2023) | |
| II. Does the Company follow the materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy? | ✓ | | The Company’s highest risk management unit is the Board of Directors, which has established the “Risk Management Operating Procedures” to formulate relevant risk management strategies. Based on the principle of materiality, the Company regularly conducts risk assessments and formulates risk management strategies and plans by considering economic, environmental, and social corporate governance issues that have a significant impact on customers, investors, and other stakeholders. Each unit regularly organizes risk management training or briefing sessions to promote the Company’s risk management policies and operating procedures to enhance risk management awareness and execution.<br>Risk management process: risk identification->risk measurement->risk monitoring and response->risk reporting.<br>Risk issues are assessed and reviewed by each management unit on a regular basis, and material risk issues are summarized to the Audit Committee and reported to the Board of Directors. Prevent and control risks that may occur in the process of operation and management, and formulate relevant early warning measures. (The 2023 risk management execution report was approved by the Audit Committee on November 9, 2023 and reported to the Board of Directors) | None. |

| | | | | |
|---|---|---|---|---|
| III. Environmental Topic<br>(I) Does the Company have an appropriate environmental management system established in accordance with its industrial character? | ✓ | | (I) The Company's main products, RICOH copiers and multi-function printers, are certified with the ISO 14024 environmental label and energy-saving label. Recyclable casing and energy-saving printers with low environmental pollution are designed under the motto of green design. | (I) None. |
| (II) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact? | ✓ | | (II) The outer casings of copiers and office equipment are typically made of plastic products. RICOH recognized the environmental burden caused by plastic manufacturing and devoted efforts to research and develop plastics most suitable for manufacturing output devices. As a result, RICOH's copiers and office equipment meet international standards for fire resistance and corrosion resistance of outer casings, and successfully increased the biodegradable biomaterial content by 40%. RICOH photocopiers have been improved to facilitate recycling of aluminum, copper, steel, and plastics from chassis, components, toner cartridges, wires, circuit boards, panels, and casings. The recycling rate for photocopiers reaches 87%. . | (II) None. |
| (III) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics? | ✓ | | (III) In response to the government's advocacy of a green environment, the Company has purchased energy-saving wealth generating equipment, replaced LED energy-saving lamps, and actively promoted electronic document operations to reduce resource consumption. | (III) None. |
| (IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction and other waste management policies? | ✓ | | (IV) 1. 510 tons of CO2e greenhouse gas emission in 2022 (Scope 1: 254 tons, Scope 2: 256 tons);<br>GHG emissions in 2023: 445 tons CO2e<br>(Scope 1: 229 tons; Scope 2: 216 tons)<br>2. Water consumption in 2022: 2,252 tons; water consumption in 2023: 3,944 tons. | (IV) None. |

| Assessment Item | Implementation Status | | | Difference from “Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | 3. Kg of waste processed in 2022 = 10,767 kg, scrap of 1,025 units, assuming each unit of 70 kg = 71,750 kg, total = 82,517 kg or 82.517 tonnes.<br>In 2023, kilograms of waste treated = 15,851 kilograms, and the number of scrapped 1,017 units is approximately 71,190 kilograms if each unit is 70 kilograms. Total amount = 87,041 kilograms or 87.041 tons.<br>4. Implement the policy of energy saving and carbon reduction. After implementing the energy saving and carbon reduction policy in 2023, the electricity consumption is reduced by 66,234 kWh compared with 2022, and the carbon emission is reduced by 32.8 tons. | |
| IV. Social Topic<br>(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? | ✓ | | (I) To fulfill the corporate social responsibility, the Company safeguards the basic human rights of all its employees, customers and stakeholders. The Company recognizes and supports the “Universal Declaration of Human Rights,” “Global Compact” and “Guiding Principles on Business and Human Rights” of the United Nations, as well as the “Declaration of Fundamental Principles and Rights at Work” of International Labour Organization. The Company respects internationally recognized human rights standards, ensures that basic human rights are not violated, and treats all employees, contracted and temporary staff, and interns with dignity and respect. The Company also strictly obeys the local labor- | (I) None. |

| Assessment Item | Implementation Status | | | Difference from "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | related laws and regulations and has established its "Work Rules." Its labor rights and obligations are in compliance with labor laws and regulations and have been approved by the Labor Affairs Bureau in order to protect the legitimate rights and interests of employees, thereby fostering harmony between the employer and employees. | |
| (II) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries? | ✓ | | (II) 1. The Company has specified various employee benefit measures in the "Work Rules" and posted the relevant measures on the Company's intranet site. Also, the employee benefit measures are discussed and revised regularly.<br>2. The Company has established remuneration, performance evaluation regulations, and reward/punishment regulations, which clearly regulate the remuneration and the standards of rewards or penalties. To encourage the employees to grow together with the Company, the Company also shares its operating profits, thus satisfying its corporate social responsibility. The performance evaluation is conducted twice a year, and the company takes individual performance contribution as the basis for salary adjustment, bonus, dividend and other rewards. Performance evaluations are conducted annually. The Company evaluates an individual's performance contributions as the basis for salary adjustments, bonuses, profit sharing, and other compensation items. A comprehensive job grade and job level | (II) None. |

| Assessment Item | Implementation Status | | | Difference from "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | system is in place, applicable to both male and female employees without distinction (female employees account for 21.1%, and females in senior management positions account for 1%). Additionally, in accordance with Article 29 of the Company's articles of incorporation.<br>If the Company earns a profit in a year ("profit" is defined as income before tax, less employee bonus), 1% to 10% of the profit shall be appropriated as employee bonus; however, if the Company still has accumulated deficit, it shall be offset. The recipients of the foregoing share/cash bonuses include employees of affiliates who meet certain criteria.<br>3. In accordance with the Labor Standards Act, the Company provides special leave, employee health checkups and travel subsidies every two years, as well as wedding and funeral subsidies, scholarships for employees' children, hospitalization benefit, and hospital medical subsidies | |
| (III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees regularly? | ✓ | | (III) 1. The Company conducts regular inspections of fire safety and sanitation equipment, and arranges labor safety and fire safety seminars. The Company has been awarded the GSP certification by the Ministry of Economic Affairs. One health check. In 2023, online occupational safety and health education courses will be held for 1 hour/327 participants through digital learning platform training. | (III) None. |

| Assessment Item | Implementation Status | | | Difference from "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | 2. There will be no occupational disasters or fire incidents in 2023. | |
| (IV) Does the Company provide its employees with career development and training sessions? | ✓ | | (IV) 1. Formulating "Talent Cultivation Regulations," the Company has a complete training program (leadership and management training, general ability training, functional training, and specialized training) for the career development of employees. To ensure that employees can progress in their current positions, the Company has also established a "Regulations on Reserve Staff Development," so that they can acquire the necessary skills for promotion through training for each level. Moreover, the Company was also awarded the bronze medal of corporate version of "Talent Quality-Management System" by the Bureau of Employment and Vocational Training, Executive Yuan.<br>2. In 2023, the Company will organize a total of 120 education and training courses with a training population of nearly 4,621 people. | (IV)None. |
| (V) Do the Company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented? | ✓ | | (V) The Company established a "Customer Complaint Handling Standard" and "Customer Feedback Handling Procedures." Using objective methods, the Company has established a customer-oriented quality system to comprehensively assess customer satisfaction towards products or services of the Company in order to understand the gap between customer needs and expectations, which can be used as the basis for improving the quality system, thereby | (V) None. |

| Assessment Item | Implementation Status | | | Difference from "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | achieving the corporate goal of sustainable management. Furthermore, the marketing and labeling of the Company's products and services are carried out in accordance with applicable laws and regulations, and the Company has set up customer service hotlines, a mobile customer service app and a message board to protect the rights of consumers. | |
| (VI) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? | ✓ | | (VI) The Company has established "Regulations for Supplier Management." We attach great importance to environmental and social protection, so we select suppliers that emphasize ethical management. We request our suppliers to evaluate the impact of their supply sources on the environment and society in the community. If the supply source causes significant impact on the environment and society in the community, the Company may terminate or cancel the contract anytime, and periodically evaluate the supplier's suitability. | (VI) None. |
| V. Does the Company refer to international reporting rules or guidelines to publish the Sustainability Report to disclose non-financial information of the Company? Has the foregoing Report acquired a third-party verification or statement of assurance? | | ✓ | On March 14, 2022, the Company's "Sustainable Development Best-Practice Principles" has been submitted to the Board of Directors for approval, and the Principles was disclosed on the Company's website. | The matters will be evaluated for implementation in the future. |

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Difference from “Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td colspan="5">VI. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies:<br>The Company has established and implemented the “Sustainable Development Best-Practice Principles.” The Company’s Corporate Governance Officer, together with the head of each executive office, is responsible for the promotion of these practices, so the operations are no different from those stipulated in the Best-Practice Principles.</td></tr>
<tr><td colspan="5">VII. Other useful information for explaining the status of corporate social responsibility practices:<br>The success of a business comes from the support of the community. We uphold the “altruistic” management philosophy of giving back to society and sustainable development, continue to cultivate internal talents, and actively create gender-equal employment opportunities. We also place great importance on supplier management, continue to conduct annual evaluation and audit to our suppliers, and regularly review and analyze the feedback from our customers and propose appropriate improvement plans. In 2023, our customer satisfaction rate was 99.3%, remaining above 98.0% for six consecutive years, so that we can provide our customers with the service quality of “buy and use safely.”<br>Since 2015, we have continued to launch the “Warmth on the Go” campaign. We encourage our employees to participate in localized public welfare services and assist social welfare organizations in need throughout Taiwan, spreading our warmth and positive energy. Under the fluctuating pandemic, we take precautions to protect our own health and the health of our partners, and continuously join the public service to help people, and continue to spread warmth to accompany organizations through the winter.<br>1. From 2015 to 2023, a total of 110 events were held, with a total of 1,745 volunteers contributing 6,625 hours, and a total of 25,376 people caring for the event.<br>2. In 2023, a total of 159 volunteers who have served 14 social welfare organizations for 563 hours have served a total of 3,261 underprivileged people.</td></tr>
</table>

## (VI) Fulfillment of Ethical Corporate Management, Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons thereof

| Assessment Item | Implementation Status | | | Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| I. Establishment of ethical corporate management policies and programs | | | | |
| (I) Does the Company have a Board-approved ethical corporate management policy, and has it stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy? | ✓ | | (I) The Company has passed the "Ethical Corporate Management Best-Practice Principles" approved by the Board of Directors, clearly defining the policies and practices of ethical management. The Ethical Management Committee has also approved the "Statement of Compliance with Ethical Management Policies" and the "Ethical Integrity Commitment" to specifically regulate all employees, the Board of Directors, and senior management in actively implementing ethical management policies within internal management and business activities. | (I) None. |
| (II) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in each subparagraph of Paragraph 2, Article 7 of the | ✓ | | (II) The Company has established the "Ethical Corporate Management Best-Practice Principles" and the "Code of Ethics" to specifically regulate all employees, prevent unethical business activities, and establish a risk assessment mechanism. Appropriate intensity and frequency of planning are implemented based on the level of risk, and the adequacy and effectiveness of preventive measures are regularly reviewed to effectively manage corruption risks across overall operations. | (II) None. |

| Assessment Item | Implementation Status | | | Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?<br>(III) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments? | ✓ | | (III) The Company has established the “Guidelines for the Prevention of Dishonest Conduct,” clearly defining operating procedures, codes of conduct, disciplinary actions for violations, and a whistleblowing system. A dedicated unit conducts audits, and if there are any violations of professional ethics or matters that should be reported, they will be reported to the Board of Directors regularly. The aforementioned relevant regulations are reviewed and amended regularly based on the implementation status to effectively prevent dishonest conduct. | (III) None. |
| II. Fulfill operations integrity policy<br>(I) Does the Company evaluate the ethical records of its trading counterparts, and specify the ethical conduct clauses in the contracts signed with its trading counterparts? | ✓ | | (I) For those who intend to become suppliers of the Company, in accordance with the Company’s principles of ethical and honest management and the policy of anti-corruption, suppliers are required to sign a written statement prohibiting any improper relationship between suppliers and the Company’s employees (including relatives). Further, the Company also stipulates “integrity clauses” in its external purchase contracts. If a supplier breaches the contract, the supplier is required to pay a high amount of liquidated damages. | (I) None. |

| Assessment Item | Implementation Status | | | Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| (II) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations? | ✓ | | (II) In 2022, the Company established the “Ethical Corporate Management Committee” under the Board of Directors to promote ethical corporate management and ethical business behaviors, and to balance the interests of various stakeholders. The Company shall convene a meeting at least once a year to report the ethical corporate management policy and the prevention against unethical conduct, and the supervision of the implementation to the Board of Directors. (The 2023 Ethical Corporate Management Committee report was presented to the Board of Directors on November 9, 2023) | (II) None. |
| (III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement them? | ✓ | | (III) The Company acts in accordance with laws and regulations to prevent conflicts of interest in all of its business activities. Moreover, various communication channels are provided, and dedicated persons are assigned to compile regular reports on the operation. | (III) None. |
| (IV) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire independent auditors to perform the audits? | ✓ | | (IV) The Company’s accounting system and internal control system are established in accordance with relevant laws and regulations, and an audit plan is prepared annually. The financial unit and auditors manage internal control and report to the board of directors, and an internal control recommendation letter is issued by the CPA. | (IV) None. |

| Assessment Item | Implementation Status | | | Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| (V) Does the Company regularly hold internal and external educational training on operational integrity? | ✓ | | (V) The Company regularly holds internal and external education and training related to ethical management issues every year. In 2023, two sessions of anti-corruption education and promotion were held. The participants included managerial and non-managerial employees. The content included anti-corruption/anti-bribery, trade secrets, intellectual property rights, information security, and prevention of insider trading, as well as other integrity-related education and training. | (V) None. |
| III. Operation of the accusation system<br>(I) Does the company establish both a report/incentive system and an accusation hotline? Can the accused person be reached by an appropriate personnel for follow-up?<br>(II) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?<br>(III) Does the Company take measures to protect whistleblowers rom improper treatment due to whistleblowing? | ✓<br>✓<br>✓ | | (I) The Company has established the "Whistleblower Protection System Regulations" and the "Procedures for Handling Reported Cases of Illegal, Unethical or Dishonest Conduct." Whistleblowing channels such as "in-person reporting," "telephone reporting," and "mailbox reporting" have been set up, and a dedicated unit has been assigned to handle the reports.<br>(II) For the reports received by the Company, there are procedures for investigation and follow-up measures to be taken after the completion of the investigation. Besides this, a confidentiality mechanism is applied to the reported matters.<br>(III) The Company shall handle reported matters in a confidential manner; investigations are conducted by independently, and the identity of the whistleblower shall | (I) None.<br>(II) None.<br>(III) None. |

| Assessment Item | Implementation Status | | | Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Description | |
| | | | be kept strictly confidential. | |
| IV. Strengthening information disclosure<br>Does the Company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS? | ✓ | | The Company has clearly stated the Ethical Corporate Management Best-Practice Principles and the implementation of the ethical management policy in the "Investor Area" on the Company's website, and disclosed the content of the Ethical Corporate Management Best-Practice Principles and the promotion results in the ESG report.<br>Company website: http://www.eosasc.com.tw | None. |
| V. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation:<br>The Company has set up its "Ethical Corporate Management Best-Practice Principles," and its operation does not differ from the Principles. | | | | |
| VI. Other important information to facilitate a better understanding of the Company's ethical corporate management policies:<br>• 2022.11.09 The first session of the Ethical Corporate Management Committee and Selection Committee convener and meeting chair were held.<br>• 2023.11.09 The 2nd meeting of the 1st Ethical Corporate Management Committee passed the "Declaration of Compliance with Ethical Corporate Management Policy" and the "Commitment of Ethical and Integrity." | | | | |

**(VII) Access to the Corporate Governance Best-Practice Principles and related regulations:**

The "Investor Section" of the Company's website provides download of the Corporate Governance Best-Practice Principles and related regulations. Its website is: http://www.eosasc.com.tw

**(VIII) Other Material Information that would afford a better understanding of the status of the company's implementation of corporate governance:**

In order to strengthen the operation of corporate governance, the Company has established the "Rules of Procedures for Board Meetings," "Corporate Governance Best-Practice Principles," "Rules for Performance Evaluation of Board of Directors," "Audit Committee Charter," “Remuneration Committee Charter,” “Rules Governing the Scope of Powers of Independent Directors,” “Codes of Ethical Conduct,” “Ethical Corporate Management Best-Practice Principles,” “Points for Preventing Unethical Conducts,” “Sustainable Development Best-Practice Principles,” “Standard Operational Procedures for Responding to Requests from Directors,” “Procedures for Handling Material Inside Information and Prevention of Inside Trading,” “Rules for Handling Reports of Illegal, Unethical or Dishonest Conduct,” “Rules for Whistleblower and Protection System,” “Ethical Management Committee Charter,” “Procedures for Risk Management,” and “Sustainability Committee Charter” to be used as guidelines for conduct of directors, managers, and employees of the Company.

## (IX) Internal Control System Execution Status

**1. Statement of Internal Control System**

# Huxen Corporation
# Statement of Internal Control System

**Date: March 13, 2024**

**Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2023:**

**I. The Company's board of directors and management understand their responsibilities of developing, implementing and maintaining the Company's internal control system, and such system has been established by the Company. The internal control is designed to provide reasonable assurance over the effectiveness, and efficiency of our operation (including profitability, performance and safeguard of asset), reliability, timeliness, transparency of our reporting and compliance with applicable laws and regulations.**

**II. An internal control system has inherent limitation. No matter how perfectly designed, an effective internal control system can only provide a reasonable assessment of its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating environments and circumstances. However, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.**

**III. The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (the Regulations). The Regulations are made to examine the following five factors during the management and control process: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring. Each factor also includes several items. Please refer to the Regulations for details of the aforesaid items.**

**IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the foregoing regulations.**

**V. Based on the aforementioned evaluation, the company believes that with reasonable assurance, the company's internal control system (including supervision and management of subsidiaries) as of Dec. 31, 2023 had been effective in both design and execution concerning understanding of the efficacy and efficiency of management, reliability, timeliness, and transparency of reports, and compliance with applicable laws and regulations.**

**VI. This Statement is an integral part of the Company's annual report and prospectus, and will be made public Falsehood, concealment, and other illegalities in the foregoing publicized contents would entail legal responsibilities, according to article 20, article 32, article 171, and article 174 of the Securities and Exchange Act.**

**VII. This statement was passed by the Board of Directors in their meeting held on March 13, 2024 with none of the seven attending directors expressing dissenting opinion, and the reminder all affirming the content of this statement.**

## Huxen Corporation

**Chairperson: Liao, Ching-Chang**

**General Manager: Weng, Kuo-Hua**

**2. In case review of internal control system is outsourced to certified public accountant, disclose the CPA review report: None.**

**(X) Legal punishment for the Company and its staff or punishment of its staff by the Company for violation of regulations of internal control system, major defects, and situation of improvement in the latest year and as of the date of the publication of the annual report: None.**

## (XI) Major resolutions of general shareholders' meeting in the latest year and as of the date of the publication of the annual report:

Major resolutions of the Company's General Shareholders' Meeting dated, June 16, 2023:

(1) Adoption of the Company's 2022 Business Report and financial reports.

(2) Adoption of the Proposal for Distribution of 2022 Profits of the Company

Implementation status: July 12, 2023 is set as the base date for distribution, and the distribution will be completed on July 21, 2023 (cash dividend of NTD 3.6 per share).

## (XII) Major resolutions of Board of directors in the latest year and as of the date of the publication of the annual report:

1. The resolutions passed at the 9th meeting of the 11th term of the Board of Directors on March 10, 2023:
   (1) Approval of the Company's 2022 employee remuneration distribution.
   (2) Approved to prepare the Company's 2022 business report and financial reports.
   (3) Approved the Company's 2022 earnings distribution proposal.
   (4) Approved the cash dividend distribution from the Company's 2022 earnings.
   (5) Approved the amendments to the Company's "Corporate Governance Best-Practice Principles."
   (6) Approved the amendments to the Company's "Sustainable Development Best-Practice Principles."
   (7) Approval of the convening of the 2023 general shareholders' meeting of the Company.
   (8) Approval of the period, venue, review criteria and procedures for the acceptance of shareholders' proposals for the 2023 shareholders' meeting.
   (9) Approval of the Company's 2022 internal control system self-evaluation report and the issuance of the "Statement on Internal Control System."
   (10) Approval of the appointment of the Company's 2023 Independent Auditors and assessment of independence.
   (11) Approved the Company's loan applications from 17 financial institutions, including Taiwan Finance Corporation, in 2023. The Company proposed to authorize the Chairman of the Board of Directors to apply for, increase or decrease the loan amount or extend the period of the loan within the approved loan limit set by each bank.

2. Resolution of the 10th meeting of the term of the $11^{th}$ term of the Board of Directors on May 10, 2023:
   (1) Approval of the Company's 2023 Q1 Consolidated Financial Report.
   (2) Proposal on matters related to the distribution of 2022 year-end bonuses and performance bonuses for the Company's managers passed by the Remuneration Committee.

(3) Approved the relocation of the Company's Taipei Branch and Yuanlin Branch to their new addresses.

3. Resolution of the 11th meeting of the 11th term of the Board of Directors on August 9, 2023:
   (1) Approved to prepare the Company's consolidated financial statements for the second quarter of 2023.
   (2) Approved the relocation of the head office.

4. Resolution of the 12th meeting of the 11th term of the Board of Directors on November 9, 2023:
   (1) Approved to prepare the Company's Q3 2023 consolidated financial statements.
   (2) Passed amendments to the Company's "Internal Control System."
   (3) Approved to prepare the Company's 2024 audit plan.
   (4) Passed the 2024 annual plan evaluation by the Remuneration Committee.

5. Resolution of the 13th meeting of the 11th term of the Board of Directors on March 13, 2024:
   (1) Approval of the Company's 2023 employee remuneration distribution.
   (2) Approved to prepare the Company's 2023 business report and financial reports.
   (3) Approved the Company's 2023 earnings distribution proposal.
   (4) Approved the cash dividend distribution from the Company's 2023 earnings.
   (5) Approval of the amendment to the Company's Articles of Incorporation.
   (6) Approval of the amendment to the "Rules of Procedure for Shareholders' Meetings"
   (7) Passed the amendments to the Company's "Rules of Procedure for Board Meetings."
   (8) Passed the motion for re-election of the Company's directors.
   (9) Approval of the convening of the 2024 general shareholders' meeting of the Company.
   (10) Approval of the period, venue, review criteria and procedures for the acceptance of shareholders' proposals for the 2024 shareholders' meeting.
   (11) Approval of the Company's 2023 internal control system self-evaluation report and the issuance of the "Statement on Internal Control System."
   (12) Approval of the appointment of the Company's 2024 Independent Auditors and assessment of independence.
   (13) Approval for the Company's application for financing loans from 16 banks including the Jinshan Branch of Bank of Taiwan in 2024. Proposal to authorize the Chairman to apply for, increase, decrease, or extend loans within the financing lines approved by the banks as indicated.

**(XIII) Any matter about which an independent director or supervisor expresses an objection or reservation that has been included in records or stated in writing in the latest year and as of the date of the publication of the annual report:** None.

**(XIV) A summary of resignations and dismissals of the company's Chairperson of the board of directors, General Manager, Chief accounting officer, Chief financial officer, Chief internal audit officer, Chief corporate governance officer, and Chief research and development officer in the latest year and as of the date of the publication of the annual report:** None.

## V. Information on Professional Fees for CPAs

Unit: NT$1,000

| Name of CPA Firm | CPA Name | CPA Audit Period | Audit Fee | Non-audit Fee | Total | Remark |
|---|---|---|---|---|---|---|
| Deloitte & Touche | Huang, Hai-Yue | 2023 | 2,510 | 200 | 2,710 | Tax Compliance Audit |
| | Chih, Jui-Chuan | | | | | |

**(I) Audit fees of the year in which the Company changes CPA firm is lower than that of the prior year:** None.

**(II) Audit fee dropped year on year by more than 10%:** None.

## VI. Change of CPAs:

### (I) Regarding the former certified public accountant

<table>
<tr><td>Date of replacement</td><td colspan="3">2023/3/10</td></tr>
<tr><td>Reason for replacement</td><td colspan="3">In line with the internal job rotation of the accounting firm</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPAs terminated or did not accept the engagement</td><td>Contract Party<br>Circumstances</td><td>CPAs</td><td>The Company</td></tr>
<tr><td>Terminated the engagement</td><td>N/A</td><td>N/A</td></tr>
<tr><td>No longer accepted (discontinued) the engagement</td><td>N/A</td><td>N/A</td></tr>
<tr><td>If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons</td><td colspan="3">None.</td></tr>
<tr><td rowspan="7">Disagreement with the Company?</td><td rowspan="5">Yes</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td>Disclosure of financial reports</td></tr>
<tr><td></td><td>Audit scope or steps</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td></td><td></td></tr>
<tr><td>None</td><td colspan="2">ˇ</td></tr>
<tr><td colspan="3">Specify details</td></tr>
<tr><td>Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A)</td><td colspan="3">None</td></tr>
</table>

### (II) Regarding the successor certified public accountant:

| | |
|---|---|
| Name of Accounting Firm | Deloitte & Touche |
| CPA Name | Hai-Yue Huang and Jui-Chuan Chih |
| Date of engagement | 2023/3/10 |
| Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report | N/A |
| Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs | N/A |

**(III) Reply letter from the former accountant to Item 1 and Item 2-3 of Subparagraph 6 of Article 10 of this standard:** Not applicable.

**VII. The Company's Chairperson, General Manager, or Financial or Accounting Manager serve at the CPA firm of CPA or its affiliate in the most recent one year**: None.

## VIII. Status of shareholding transfer and change in creation of pledge by directors, supervisors, managers, and shareholders with over 10% stake in the latest year and as of the date of the publication of the annual report

### (I) Shareholding changes of directors, management, and major shareholders with shareholding:

Unit:Share

| Title | Name | 2023 | | As of April 20, 2024 | |
|---|---|---|---|---|---|
| | | Shares Held Increase (decrease) | Number of pledged shares Increase (decrease) | Shares Held Increase (decrease) | Number of pledged shares Increase (decrease) |
| Chairperson | Liao, Ching-Chang | 0 | 0 | 0 | 0 |
| Director | Aurora Holdings Incorporated (Note1) | 0 | 0 | 0 | 0 |
| | Representative: Chuang, Hsiao-Chen | 0 | 0 | 0 | 0 |
| Director | Aurora Holdings Incorporated (Note1) | 0 | 0 | 0 | 0 |
| | Chen, I-Hsiung | 0 | 0 | 0 | 0 |
| Director | Wu, Tang-Hai | 0 | 0 | 0 | 0 |
| Independent Director | Huang, Chung-Hsing | 0 | 0 | 0 | 0 |
| Independent Director | Yang, Hui-Ling | 0 | 0 | 0 | 0 |
| Independent Director | Wang, Jen-Kuo | 0 | 0 | 0 | 0 |
| General Manager | Weng, Kuo-Hua | 0 | 0 | 0 | 0 |
| Financial information Comptroller | Hsieh, Shu-Hui | 0 | 0 | 0 | 0 |
| Major Shareholder | Aurora Corporation (Note 1) | 0 | 0 | 0 | 0 |

Note 1: Major shareholders holding more than 10% of the Company's shares.

**(II) Information on Share Transfer**: The counterparties are not related parties; hence this is not applicable.

**(III) Information on Pledged Shares**: The counterparties are not related parties; hence this is not applicable.

# IX. Information on the top ten shareholders who are related to each other

April 20, 2024
Unit: Share

| Name | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominees | | Names and relationships of the top ten shareholders who are related parties to each other or are spouses or relatives within the second degree of kinship, etc. | | Remark |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Shareholding Ratio (%) | Number of shares | Shareholding Ratio (%) | Number of shares | Shareholding Ratio (%) | Name (or name) | Relationship | |
| Aurora Corporation | 47,010,591 | 32.53 | – | – | – | – | Aurora Holding Incorporation | An investor holding an investment in the company using the equity method | |
| | | | | | | | Aurora Office Automation Corporation | An investor holding an investment in the company using the equity method | |
| | | | | | | | Aurora Development Corp. | An investee company measured using the equity method by the company | |
| Representative: Yuan, Hui-Hua | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Ni Sheng Investment Co., Ltd. | Chairperson of the company | |
| | | | | | | | Aurora Corporation | A company whose chairperson is the spouse of the company's chairperson | |
| Aurora Holdings Incorporated | 39,359,689 | 27.24 | – | – | – | – | Aurora Corporation | An investee company measured using the equity method by the company | |
| | | | | | | | Aurora Office Automation Corporation | An investee company measured using the equity method by the company | |
| | | | | | | | Aurora Development Corp. | An investee company measured using the equity method by the company | |
| Representative: Chen, Yung-Tai | 10,000 | 0.01 | 0 | 0.00 | 0 | 0.00 | Hundred River International Investment Corp. | A company whose chairperson is a relative within the second degree of kinship with the chairperson of the company | |
| | | | | | | | Chuang Hung Co., Ltd. | A company whose chairperson is a relative within the second degree of kinship with the chairperson of the company | |
| | | | | | | | Elite Professional Consulting | A company whose chairperson is a relative within the second degree of kinship with the chairperson of the company | |
| | | | | | | | Aurora Corporation | A company whose chairperson is the spouse of the company's chairperson | |
| Aurora Office Automation Corporation | 11,170,023 | 7.73 | – | – | – | – | Aurora Corporation | An investor holding an investment in the company using the equity method | |
| | | | | | | | Aurora Holding Incorporation | An investor holding an investment in the company using the equity method | |
| Representative: Chen, Chen-Sheng | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | None | None | |
| Ni Sheng Investment Co., Ltd. | 8,086,000 | 5.60 | – | – | – | – | None | None | |
| Representative: Yuan, Hui-Hua | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Ni Sheng Investment Co., Ltd. | Chairperson of the company | |
| | | | | | | | Aurora Holding Incorporation | A company whose chairperson is the spouse of the company's chairperson | |
| | | | | | | | Aurora Corporation | Chairperson of the company | |

| Name | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominees | | Names and relationships of the top ten shareholders who are related parties to each other or are spouses or relatives within the second degree of kinship, etc. | | Remark |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Shareholding Ratio (%) | Number of shares | Shareholding Ratio (%) | Number of shares | Shareholding Ratio (%) | Name (or name) | Relationship | |
| Aurora Development Corp. | 4,212,094 | 2.92 | – | – | – | – | Aurora Holding Incorporation | An investor holding an investment in the company using the equity method | |
| | | | | | | | Aurora Corporation | An investor holding an investment in the company using the equity method | |
| Representative: Chen, Li-Chen | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | None | None | |
| Chieh Sheng Investment Co., Ltd. | 3,328,000 | 2.30 | – | – | – | – | None | None | |
| Representative: Chen, Wen-Ching | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | None | None | |
| Hundred River International Investment Corp. | 1,000,000 | 0.69 | – | – | – | – | None | None | |
| Representative: Chen, Kuan-Pai | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Aurora Holding Incorporation | A company whose chairperson is a relative within the second degree of kinship with the chairperson of the company | |
| | | | | | | | Chuang Hung Co., Ltd. | A company whose chairperson is a relative within the second degree of kinship with the chairperson of the company | |
| | | | | | | | Elite Professional Consulting | A company whose chairperson is a relative within the second degree of kinship with the chairperson of the company | |
| Lin Ying-Cheng | 479,000 | 0.33 | – | – | – | – | None | None | |
| Chuang Hung Co., Ltd. | 349,626 | 0.24 | – | – | – | – | None | None | |
| Representative: Li-Ru Chen | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Aurora Holding Incorporation | A company whose chairperson is a relative within the second degree of kinship with the chairperson of the company | |
| | | | | | | | Hundred River International Investment Corp. | A company whose chairperson is a relative within the second degree of kinship with the chairperson of the company | |
| | | | | | | | Elite Professional Consulting | A company whose chairperson is a relative within the second degree of kinship with the chairperson of the company | |
| Elite Professional Consulting | 304,452 | 0.21 | – | – | – | – | None | None | |
| Representative: Kuan-Jung Chen | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | Aurora Holding Incorporation | A company whose chairperson is a relative within the second degree of kinship with the chairperson of the company | |
| | | | | | | | Hundred River International Investment Corp. | A company whose chairperson is a relative within the second degree of kinship with the chairperson of the company | |
| | | | | | | | Chuang Hung Co., Ltd. | A company whose chairperson is a relative within the second degree of kinship with the chairperson of the company | |

## X. The total number of shares and total equity stake held in any single enterprise by the Company, its directors, managerial officers, and any companies controlled either directly or indirectly by the Company:

April 20, 2024
Unit: Share; %

| Investee Company | The Company's Investment | | Investment of Directors, Managerial Officers, and any companies controlled either directly or indirectly by the Company | | Total Investment | |
|---|---|---|---|---|---|---|
| | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio |
| Aurora Corporation | 9,435,182 | 3.99 | 122,667,983 | 51.93 | 132,103,165 | 55.92 |
| Aurora Leasing Corporation | 119,236,922 | 100.00 | – | – | 119,236,922 | 100.00 |
| Huxen (China) Co., Ltd. | 280,000,000 | 70.00 | – | – | 280,000,000 | 70.00 |

# Four. Information on Fund Raising

## I. Capital and Shares

### (I) Share Capital

(1) Formation of capital:

| Year/ Month | Issuance Price ($) | Authorized Share Capital | | Paid-in Capital | | Remark | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of Shares (Thousand Shares) | Amount (Thousand Dollars) | Number of shares (Thousand Shares) | Amount (Thousand Dollars) | Share Capital (Thousand Dollars) | Shares paid in assets other than cash | Others |
| 1989.09 | 10 | 16,500 | 165,000 | 16,500 | 165,000 | Capital at founding<br><br>Stock dividends $40,000<br>Issuance of stock | None | The change is approved by the letter of Jing (73) Shang No. 206078 on May 1, 1985<br>The change is approved by the letter of Jing (75) Shang No. 09813 on March 7, 1986<br>The change is approved by the letter of Jing (76) Shang No. 04376 on February 4, 1987<br>The change is approved by the letter of Jing (78) Shang No. 128691 on September 8, 1989 |
| 1990.09 | 10 | 19,500 | 195,000 | 19,500 | 195,000 | Issuance of stock $30,000 | None | The change is approved by the letter of Jing (79) Shang No. 117577 on September 24, 1990 |
| 1992.06 | 10 | 64,966 | 649,662 | 64,966 | 649,662 | Stock dividends $156,000<br>Capital increase by merger $298,662 | None | 1992.06.25<br>The change is approved by the letter of (81) Tai Tsai Cheng (1) No. 01384 on June 25, 1992 |
| 1993.09 | 10 | 73,411 | 734,118 | 73,411 | 734,118 | Stock dividends $64,966<br>Capital surplus transferred to capital $19,490 | None | The change became effective by the letter of (82) Tai Tsai Cheng (1) No. 39311 on October 25, 1993 |
| 1994.06 | 10 | 88,094 | 880,941 | 88,094 | 880,942 | Stock dividends $110,118<br>Capital surplus transferred to capital $36,706 | None | 1994.06.24<br>The change became effective by the letter of (83) Tai Tsai Cheng (1) No. 29021 on June 24, 1994 |
| 1998.05 | 10 | 96,904 | 969,035 | 96,904 | 969,036 | Stock dividends $88,094 | None | 1998.05.28<br>The change became effective by the letter of (87) Tai Tsai Cheng (1) No. 46695 on June 24, 1994 |
| 1999.08 | 10 | 190,000 | 1,900,000 | 121,129 | 1,211,295 | Stock dividends $242,259 | None | 1999.06.17<br>The change became effective by the letter of (88) Tai Tsai Cheng (1) No. 56312 on June 24, 1994 |
| 2000.06 | 10 | 190,000 | 1,900,000 | 151,412 | 1,514,119 | Stock dividends $302,824 | None | 2000.05.29<br>The change became effective by the letter of (89) Tai Tsai Cheng (1) No. 45935 on June 24, 1994 |
| 2001.06 | 10 | 190,000 | 1,900,000 | 180,550 | 1,805,502 | Stock dividends $291,383 | None | 2001.05.25<br>The change became effective by the letter of (90) Tai Tsai Cheng (1) No. 132412 on June 24, 1994 |
| 2003.10 | 10 | 190,000 | 1,900,000 | 174,830 | 1,748,302 | Treasury stocks cancelled | None | |
| 2004.08 | 10 | 190,000 | 1,900,000 | 164,830 | 1,648,302 | Treasury stocks cancelled | None | |
| 2004.10 | 10 | 190,000 | 1,900,000 | 159,256 | 1,592,562 | Treasury stocks cancelled | None | |
| 2005.06 | 10 | 190,000 | 1,900,000 | 152,107 | 1,521,072 | Treasury stocks cancelled | None | |
| 2006.03 | 10 | 190,000 | 1,900,000 | 149,107 | 1,491,072 | Treasury stocks cancelled | None | |
| 2007.11 | 10 | 190,000 | 1,900,000 | 147,312 | 1,473,122 | Treasury stocks cancelled | None | |
| 2008.05 | 10 | 190,000 | 1,900,000 | 143,902 | 1,439,022 | Treasury stocks cancelled | None | |
| 2008.08 | 10 | 190,000 | 1,900,000 | 144,496 | 1,444,960 | Stock dividends $1,439<br>mployee stock bonuses capital $4,499 | None | The change became effective by the<br><br>Tai Cheng Shang Tzu No.<br>on August 20, 2008 |

(2) Type of Share Capital:

April 20, 2024

| Shares Type | Authorized Share Capital | | | Remark |
|---|---|---|---|---|
| | Outstanding Shares | Unissued shares | Total | |
| Common stock | 144,496,011 | 45,503,989 | 190,000,000 | Listed shares |

(3) Information on Shelf Registration System: None

## (II) Shareholder Structure

April 20, 2024

| Shareholder Structure / Quantity | Government Agency | Financial Institution | Other Juridical Person | Natural Person | Foreign institutions and foreigners | Total |
|---|---|---|---|---|---|---|
| Number of Persons | 0 | 0 | 46 | 8,588 | 34 | 8,668 |
| Shares Held | 0 | 0 | 115,476,204 | 27,910,258 | 1,109,549 | 144,496,011 |
| Shareholding Ratio (%) | 0 | 0 | 79.92 | 19.31 | 0.77 | 100 |

## (III) Distribution of shareholding

(1) Common Share

Face Value: $10 per Share April 20, 2024

| Shareholding Range | Number of Shareholders | Shares Held | Shareholding Ratio (%) |
|---|---|---|---|
| 1 to 999 | 2,434 | 390,635 | 0.27 |
| 1,000 to 5,000 | 5,089 | 10,463,715 | 7.24 |
| 5,001 to 10,000 | 696 | 5,345,716 | 3.7 |
| 10,001 to 15,000 | 170 | 2,145,553 | 1.48 |
| 15,001 to 20,000 | 85 | 1,566,277 | 1.08 |
| 20,001 to 30,000 | 81 | 2,093,168 | 1.45 |
| 30,001 to 40,000 | 42 | 1,464,156 | 1.01 |
| 40,001 to 50,000 | 16 | 715,289 | 0.5 |
| 50,001 to 100,000 | 22 | 1,563,179 | 1.08 |
| 100,001 to 200,000 | 15 | 2,097,576 | 1.45 |
| 200,001 to 400,000 | 10 | 2,704,350 | 1.87 |
| 400,001 to 600,000 | 1 | 479,000 | 0.33 |
| 600,001 to 800,000 | 0 | 0 | 0 |
| 800,001 to 1,000,000 | 1 | 1,000,000 | 0.69 |
| 1,000,001 above | 6 | 112,467,397 | 77.85 |
| Total | 8,668 | 144,496,011 | 100 |

(2) Preferred Shares: None

### (IV) List of Major Shareholders

April 20, 2024

| Name of major shareholders \ Shares | Shares Held (shares) | Shareholding Ratio (%) |
|---|---|---|
| Aurora Corporation | 47,010,591 | 32.53% |
| Aurora Holdings Incorporated | 39,359,689 | 27.24% |
| Aurora Office Automation Corporation | 11,170,023 | 7.73% |
| Ni Sheng Investment Co., Ltd. | 8,091,000 | 5.60% |
| Aurora Development Corp. | 4,212,094 | 2.92% |
| Chieh Sheng Investment Co., Ltd. | 2,624,000 | 1.82% |
| Hundred River International Investment Corp. | 1,000,000 | 0.69% |
| Lin Ying-Cheng | 479,000 | 0.33% |
| Chuang Hung Co., Ltd. | 349,626 | 0.24% |
| Elite Professional Consulting | 304,452 | 0.21% |

### (V) Market Price Per Share, Net Worth Per Share, Earnings Per Share, Dividends Per Share for the Most Recent 2 Years

Unit: NTD

| Item \ Year | | | 2022 | 2023 | As of April 20, 2024 |
|---|---|---|---|---|---|
| Market Price Per Share | Highest | | 53.1 | 54.4 | 53.4 |
| | Lowest | | 44.85 | 47.9 | 50.8 |
| | Average | | 49.93 | 51.86 | 52.39 |
| Net Worth Per Share | Before Distribution | | 27.37 | 26.54 | — |
| | After Distribution | | 23.77 | (Note 1) | — |
| Earning Per Share | Weighted Average Shares (Thousand Shares) | | 144,496 | 144,496 | — |
| | Earning Per Share | | 3.88 | 3.39 | — |
| Dividends Per Share | Cash dividends | | 3.6 | 3.0 | — |
| | Dividends Per Share | Stock dividend from surplus | — | — | — |
| | | Stock dividend from capital reserves | — | — | — |
| | Dividends Payable | | — | — | — |
| Return on Investment Analysis | Price/Earnings Ratio (Note 2) | | 12.87 | 15.30 | — |
| | Price/Dividend Ratio (Note 3) | | 13.87 | 17.29 | — |
| | Cash Dividend Yield (Note 4) | | 7.21% | 5.78% | — |

Note 1: The proposed distribution of 2023 earnings is subject to the approval of the shareholders' meeting.
Note 2: Price/Earnings Ratio = Average Closing Share Price of Current Year/earnings Per Share.
Note 3: Price/Dividend Ratio = Average Closing Share Price of Current Year/Cash Dividend Per Share.
Note 4: Cash Dividend Yield = Cash Dividends Per Share/Average Closing Share Price of Current Year

## (VI) The Company’s Dividend Policy and Execution Status

1. Dividend policy of the Company

   The Company’s dividend policy is determined by the Board of Directors based on operating conditions, capital requirements, changes in the overall internal and external environment, and shareholders’ interests. The Company’s industry is currently in a stable growth phase with moderating capital needs. In the future, operating performance will be returned to shareholders to the extent possible. Barring special circumstances, the distribution principle will be no less than 50% of the net income after tax for the year.

   In consideration the balance between the Company’s business development, capital and financial position, capital expansion and shareholders’ equity, the Company’s dividend policy shall be based on the principle of a combination of cash and stock dividends, and the ratio of cash dividends shall not be less than 10% of the total amount of dividends distributed in the year.

2. Distribution of dividends:

   On March 13, 2024, the Board of Directors approved the distribution of NT$433,488,033 from the 2023 retained earnings as dividends to shareholders, to be paid entirely in cash at NT$3.0 per share. The Chairman was authorized to determine the record date and payment date for the cash dividend distribution.

## (VII) Effect of the stock dividends proposed at the shareholders’ meeting on the Company’s operating results and earnings per share: None.

## (VIII) Remuneration to employees, directors and supervisors

1. The percentage or range of remuneration to employees and directors as specified in the Articles of Incorporation:

   If the Company earns a profit in a year (“profit” is defined as income before tax, less employee bonus), 1% to 10% of the profit shall be appropriated as employee bonus; however, if the Company still has accumulated deficit, it shall be offset.

   The recipients of the foregoing share/cash bonuses include employees of affiliates who meet certain criteria.

   The matters specified in the foregoing two paragraphs shall be carried out upon adoption of a resolution by a majority voting of the directors present at a meeting of its board of directors attended by two-thirds of the directors of the Company, and the resolutions shall be reported at general shareholders’ meeting.

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

   (1) The Company has never paid bonus to directors and supervisors.

   (2) Employees’ remuneration is calculated at 1% of the profit. If there is still a change in the amount, it will be treated as a change in accounting estimates and adjusted and accounted for in 2024.

3. Bonus distribution approved by the Board of Directors:
   (1) The bonus distribution approved by the Board of Directors of the Company on Wednesday, March 13, 2024 is as follows:
   Resolution to distribute employee remuneration: NT$5,393,000.
   Approved bonus to directors and supervisors: $0
   There is no discrepancy between the amounts and the estimated figure for the fiscal year these expenses are recognized.
   (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.
4. The actual distribution of employee, director, and supervisor bonus for the previous fiscal year:
   The Company's Board of Directors and General Shareholders' Meeting resolved on March 10, 2023 and June 16, 2023 to distribute employees' remuneration in 2022 as follows:

| Item | Actual distribution (in thousand dollars) | The distribution (in thousands of NT dollars) resolved by the original (2022) Board of Directors meeting | Difference |
|---|---|---|---|
| Remuneration to employees | 6,166 | 6,166 | 0 |
| Bonus to directors and supervisors | 0 | 0 | 0 |

**(IX) Share buyback by the company**: None.

## II. Issuance of corporate bond: None.

## III. Issuance of preferred share: None.

## IV. Issuance of global depository receipts: None.

## V. Issuance of employee stock option certificates: None.

## VI. Issuance of employee restricted stock awards: None.

## VII. New share issuance for M&A or stock transfer: None.

## VIII. Fund utilization plan and execution status:

**(I) Contents of plan:**

New share issuance or share issuance via private placement which had yet to be completed by the quarter preceding the date of the publication of the annual report or plans which have been executed, with no evident benefits, in recent three years: None.

**(II) Execution status:** None.

# Five. Business Operations

## I. Business Contents

### (I) Business Scope

1. The main businesses include
   (1) The Company sells copiers, digital printers, speed printers, wide-format printers, single/multifunction printers, commercial monitors, 3D printers, projectors, office communication and video conference devices, cloud platform for enterprise, energy-saving lighting fixtures, and other office software and hardware integration products, as well as related parts and accessories; we provide installation, maintenance and repair services for the aforementioned products.
   (2) Office document integration planning: Customized software and hardware installation services, enterprise document management and document information security turnkey services.
   (3) Office communication and network services: sales of access control, personnel attendance system, surveillance, network installation, phone exchange system, video conferencing equipment and related peripheral, construction and maintenance services.
   (4) Office cloud service products and enterprise operation software system planning and sales.
   (5) IT services: Including IT software and hardware maintenance for enterprises, information security planning, installation and maintenance.
2. Business proportion

Unit: NT$1,000

| Product type | 2023 | |
|---|---|---|
| | Net Sales | Proportion to total net sales % |
| Office automation products | 1,226,408 | 42 |
| Lease revenue | 1,667,317 | 58 |
| Total | 2,893,725 | 100 |

3. Current main products and services
   (1) A3 color and B&W digital MFPs, A4 color and B&W single/multi-function machines and other related equipment and consumables.
   (2) Heat-free print output equipment: To meet the issues of power saving and environmental protection, and to assist enterprises in the promotion of ESG.
   (3) Sales and integration services of hardware and software for color and black/white lightweight printing machines, large-format printers, and high-speed printers.
   (4) Office document application and management process optimization services.
   (5) Products and construction services for office light current engineering, switches, access control, surveillance systems, and video conferencing systems.
   (6) Services Corporate power saving management system planning and installation.

(7) IT service: Helping SMEs with their demand for information hardware, software, and information security service.

(8) Services for 3D printers and consumables.

(9) Office cloud service products.

4. New products and services under development and marketing

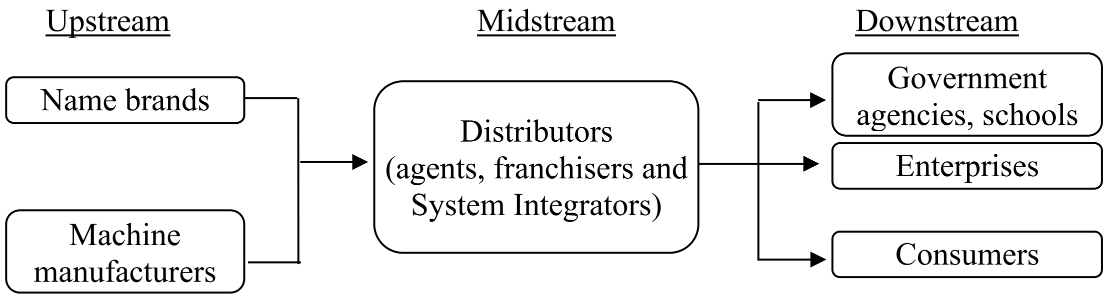
(1) Promotion of new services and online virtual show room services: The online virtual show room built with 3D and virtual space provides customers with a more real-time and immersive interactive experience with online virtual exhibitions, and leads the industry with innovative services.

(2) Continue to develop the application and management system of office document process and information security.

**(II) Industry Overview**

| Industry | Current Status | Industry linkages | Development Trend | Competition Status |
|---|---|---|---|---|
| A3 Digital Photocopier | Colorful document usage has become a trend among enterprises, and business owners are beginning to use document management and application solutions to improve their workflow and enhance office efficiency. Besides this, information security control for documents is also becoming more and more concerned. | High | 1. Color printing has already become a trend.<br>2. The maturing Inkjet technology and its low price have affected the laser printer market.<br>3. Hardware + software file integration application and information security demand are increasing | Taking process improvement as the basis and digital copier solutions as requirements, coupled with professional, timely and differential services, price competition is avoided.<br>The Company is the agent of RICOH, which is a leading brand in the industry. Therefore, the products have a competitive advantage in the market. |
| Information service | The digital application of photocopiers is becoming increasingly inseparable from the Internet, which provides an opportunity for cross-border information services. | Intermediate and high level | A new business model that integrates equipment and network connection to network information services in one go. | Competition from original information service providers. |
| Telephone Exchange | The trend of 5G environment installation brings the business opportunity of upgrading and replacing IT products. | High | 1. VOIP and UCS integrated communication system.<br>2. Intelligent conference system. | The Company’s main competitors are general communications dealers. With the service expertise and over 30 years of experience in communications, the Company is still able to firmly position itself in the market. |

Upstream, midstream, and downstream correlation in the office equipment industry:




**(III) Technology and R&D Overview**

1. The Company integrates multi-function machines with software and introduces office document solutions, including: e-documentation, printing volume management, document management process, document information security control, enterprise document management turnkey service module, etc.
2. The Company analyzes office communication flow of enterprise users, integrates planning and provides related software and hardware technologies, and provides one-stop services for enterprises.
3. Through online and offline high frequency interaction with customers, we can continue to develop integrated technologies and solve customer problems in response to consumer demand. There is no R&D cost estimated in the future.

**(IV) Short- and Long-term Business Development Plans**

1. Short-term business development plan

   With the proposition of a "one-stop office solutions" procurement service platform, we provide comprehensive planning and deployment services for software and hardware integration to optimize processes for A3 and A4 multi-function output devices, as well as professional light production printers and post-press application products. The expected growth in numbers of non-heat output devices is expected to meet the increasingly important ESG demands. IT services solve the problem of small and medium-sized enterprises not having dedicated IT personnel, while cloud services cater to the changing office trends in the post-pandemic era. Communication and information integration platforms establish cybersecurity protection and process optimization. Additionally, diverse after-sales service platforms create the best service experience for customers. Through this consultative marketing model and provision of customized services tailored to customers' needs, customers can easily handle office matters of all sizes, allowing us to jointly create operational growth with our customers
2. Mid- and long-term business development plan

   With the goal of satisfying customers' needs and creating a win-win relationship with customers, the Company continues to develop and integrate office documents, communication, and network needs in order to develop technologies for building intelligent, mobile, and diversified office environments, thereby making a greater difference for its services and becoming a leading service provider in the industry.

## II. Market, Production and Sales Overview

### (I) Market Analysis

| Product type | Sales Region | Supply Region | Market share | Market Supply, Demand and Growth in the Future |
|---|---|---|---|---|
| A3 Digital Photocopier | Taiwan | Japan<br>Thailand<br>Korea<br>Mainland China (very small amount) | 13%~15% | 1. Demands may arise due to the expiration of operating leases and the replacement of old machines in the market<br>2. The replacement of black-and-white digital copiers by color copiers can drive the growth of color printing.<br>3. Document procedures and information security management are receiving more attention to compensate for the shortage in print volume. |
| A4 multi-function device and printer | Taiwan | Thailand<br>Mainland China<br>Korea | 10% | The configuration that meets the different needs of enterprises of different sizes. Together with the A3 digital photocopier, it covers the application needs of all office documents. |
| Telephone Exchange | Taiwan | Japan<br>Mainland China<br>Taiwan | 10%~15% | The market demand is stable, and there will not be much change in the market unless a major technological breakthrough occurs. |

### (II) Important Applications and Production Processes of Main Products

| Product type | Product | Major Usage and Production Process |
|---|---|---|
| Office equipment | Multi-function digital copier | 1. Integrate photocopy, list, scan, fax and document filing functions to provide users with more effective workflow.<br>2. With document solutions, the effectiveness of control, cost saving and information security can be achieved.<br>3. The new technology heat-free photocopiers provide enterprises with more energy-saving and carbon reduction equipment applications. |
| | Telephone Exchange | The product has more telephone extensions (both internal and external extensions), and functions, such as internal communication, hands-free operation, speed dialing, designated transfer, and voice mailbox. In recent years, the Company has been actively promoting the use of mobile phone extensions to satisfy the need for mobile office work. |
| | Video conference systems | Coupled with name brands at home and abroad, product solutions of both regular conference and mobile conference are available for different needs of customers. |

## (III) Supply of Main Products

RICOH is the main supplier of office output equipment for core business activities. RICOH acts as the agent for RICOH for digital photocopiers, light-duty printing presses, printers, and fax machines. In addition, the Company cooperates with the domestic video conference system leading manufacturer, Enzhan Technology Corporation, to provide enterprises with intelligent conference-style implementation; the communication system products are mainly from Japan NEC Company and major domestic brands.

The Company has more than 30 years of cooperation with RICOH and more than 20 years of practical experience in the sales of NEC systems. Both have good relations with suppliers, with stable product supply sources and abundant technical resources.

## (IV) Names of customers accounting for 10% or more of total purchases (sales) in the last two years, and the amount of purchases (sales) and proportions:

1. Information on main suppliers for the last two years:

Unit: NTD in Thousand

| Item | 2022 | | | | 2023 | | | | As of the previous quarter of 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Name | Amount | Proportion to net purchase of the year (%) | Relation to the Company | Name | Amount | Proportion to net purchase of the year (%) | Relation to the Company | Name | Amount | Proportion to net purchase of the year (%) | Relation to the Company |
| 1 | Shanhai Aurora Office Automation Sales | 389,593 | 34 | Other related parties | RICOH | 425,056 | 43 | - | Not applicable (Note) | | | |
| 2 | RICOH | 377,355 | 33 | - | Shanhai Aurora Office Automation Sales | 212,029 | 21 | Other related parties | | | | |
| 3 | Others | 393,337 | 34 | - | Others | 353,636 | 36 | - | | | | |
| | Net Procurement | 1,160,285 | 100 | - | Net Procurement | 990,721 | 100 | - | | | | |

Note: As of the date of publication of the annual report, the financial information of the Company on March 31, 2024 has not been audited or reviewed by the CPAs.

2. Information on major customers of sales in the most recent two years: There are no customers that account for more than 10% of the consolidated revenue in the most recent two years.

## (V) Table of sales volumes and values for the last two years: None.

### (VI) Sales volume and value for the most recent 2 years

Unit: Set/NT$1,000

| Year / Sales Volume and Value / Main Products | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic Sales | | Exports | | Domestic Sales | | Exports | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Office Automation Products | 5,808 | 1,224,254 | - | - | 4,706 | 1,226,408 | - | - |
| Lease revenue | - | 1,969,375 | - | - | - | 1,667,317 | - | - |
| Total | 5,808 | 3,193,629 | - | - | 4,706 | 2,893,725 | - | - |

## III. Information on employees for the most recent two years and as of the date of publication of the annual report:

| Year | | 2022 | 2023 | As of April 20, 2024 |
|---|---|---|---|---|
| Number of employees | Marketing | 101 | 89 | 90 |
| | Technical | 179 | 182 | 182 |
| | Administration | 120 | 119 | 116 |
| | Total | 400 | 390 | 388 |
| Average age | | 40.1 | 39.8 | 40.6 |
| Average years of service | | 13.5 | 13.5 | 13.5 |
| Education distribution ratio | PhD | - | - | - |
| | Master | 1% | 2% | 2% |
| | Bachelor | 90% | 90% | 90% |
| | High School | 9% | 8% | 8% |
| | Below High | 0% | 0% | 0% |

## IV. Disbursements for environmental protection:

**(I) Any losses suffered by the Company in the most recent year and up to the annual report publication date due to environmental pollution incidents: None.**

**(II) Estimate of possible expenses that could be incurred and measures to be taken in the future:**

For all the products of the Company, the suppliers are responsible for the replacement and return of defective products, so there is no risk of environmental damage.

## V. Labor relations:

**(I) Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor–management agreements and**

**measures for preserving employees' rights and interests:**

"Talents" are the most important resources of the Company. We are committed to establishing a sound system to create a lively and happy working environment for learning and growth. In addition, through comprehensive human resources development programs, every employee is empowered to give full play to their strengths and potential, thus growing together with the company.

The Company emphasizes human rights, gender equality, and a work environment free from discrimination and harassment, and it provides human rights awareness training to all its employees to protect their rights. Employees are hired regardless of gender, age, religion, or race, and employees with physical or mental disabilities are hired based on various job types.

- Diversification Index

| Category | Percentage of total employees (%) |
|---|---|
| Female | 21.1% |
| People with Disabilities | 0.5% |
| Below 30 years old | 25.8% |
| 30–50 years old | 54.2% |
| 50 years old and older | 20.0% |

- Ethnicity indicator

| Category | Percentage of total employees (%) |
|---|---|
| R.O.C. | 100% |
| Foreigner | 0% |

- Protective measures for employees' working environment and personal safety
  1. Benefit measures
     (1) Insurance

     In addition to the statutory labor and health insurance, the Company also takes the fact that employees often ride motorcycles into account. Therefore, the Company arranges traffic safety videos in the orientation courses and insures employees with accident insurance.

     (2) Health Check-up benefit

     The Company attaches great importance to the health of its employees; therefore, it regularly subsidizes them for health check-ups and provides them with excellent medical institutions to choose from.

     (3) Travel subsidy

     The Company values the work–life balance of its employees. A happy body and mind will lead to an enthusiastic and lively work attitude. The Company regularly provides travel subsidies for employees and provides annual overseas travel awards to employees with good performance.

     (4) Leave

     The Company provides special leaves in accordance with the Labor Standards Act, and regularly provides employees' leave information to their supervisors so that they can understand and care for them, thus facilitating the balance between work and family of employees.

     (5) Birthdays, weddings and funerals, and emergency subsidies

     Each department organizes monthly celebrations from time to time, and provides various amounts of subsidies to employees for weddings, funerals, hospitalization, and major disasters.

(6) Employee satisfaction survey

Satisfaction surveys are conducted from time to time to understand employees' recognition of the Company and their job satisfaction. Based on the survey results and employees' suggestions, management improvement measures are developed to help employees enjoy their work. In addition, surveys on supervisors' leading styles are conducted to understand employees' awareness of their supervisors' leading styles at each level and the implementation status of important company policies.

2. Occupational safety and health measures

(1) Work environment safety

In accordance with the Fire Services Act, the Company shall have a complete fire protection system in place and shall regularly inspect and file reports in accordance with the law; implement regular fire protection training and conduct annual emergency preparedness and response drills; and regularly inspect the safety of the working environment and facilities used.

(2) Establish occupational safety and health officer, first aid staff and provide clinical health services on site.

(3) In 2023, online occupational safety and health education courses will be held for 1 hour/327 participants through digital learning platform training.

3. Education and training

The Company stresses the development of talents and provides a complete series of training programs to cultivate professionals and the management team, and it integrates employees' career planning with corporate development.

In addition to on-the-job training to help our employees perform their jobs and achieve their goals, we also use job rotations, project assignments, job proxies, and outplacement training, thereby developing a full range of talent.

Training is aimed at performance enhancement and talent cultivation, as well as cultivating common traits and values of employees, which can be classified into the following four categories according to its nature:

(1) Leadership and management training

This training provides leaders and reserve leaders with the necessary competencies, such as leadership and management, selection and interviewing skills, team vision building, strategic planning, performance management, and the Labor Standards Act, so that leaders can learn how to lead their subordinates, thereby increasing efficiency and productivity.

(2) General skill training

This training provides employees with general skills that help to improve productivity, such as communication skills, presentation skills, time management, stress management, and creative thinking.

(3) Functional training

This is the training that is required to perform a specific job, such as training for new employees, sales training for sales staff, and technical training for service staff.

(4) Specialized training

The training provides professional knowledge and skills to perform professional tasks, such as sales skills, customer relationship management, and product knowledge. Through physical courses, video courses and digital online courses, employees are able to enhance their expertise and skills.

In 2023, there were 120 training classes and nearly 4,621 participants.

- Significant existing labor agreements and status of implementation
  1. Retirement system and its implementation.
     (1) Retirement eligibility

     Employees may apply for retirement in accordance with the provisions of laws and regulations. However, if an employee meets one of the following criteria: having at least 10 years of seniority and reaching the age of 55 or having at least 20 years of seniority, he or she may apply for retirement, and the application shall be processed after approval by the responsible supervisor.

     (2) Pension appropriation and pension benefits are all processed in accordance with the provisions of laws and regulations

     In compliance with legal regulations, starting from July 1, 2005, the Company has been making monthly contributions of 6% of the monthly salary to the personal retirement accounts at the Labor Insurance Bureau for new employees and existing employees who choose to apply the new retirement pension system. Simultaneously, the Company continues to calculate and contribute an appropriate retirement reserve fund to designated bank accounts based on the retirement pension payment standards of the original employee retirement system for the prior service years of existing employees who choose to apply the old retirement pension system or the new system. For employees who are sent from the Company to affiliated companies, their years of service will be counted continuously in order to provide more protection for employees, thus achieving the purpose of talent mobility for the group.
  2. Agreements between employer and employees and measures to protect employees' rights and interests

     Based on the premises that our employees are happy and respected, the Company creates a lively and happy working environment to foster harmonious labor relations. Combined with excellent benefits and salaries, as well as the good image and reputation of the Company, all the people are happy to work to the best of their ability.

     The Labor Standards Act, the Act of Gender Equality in Employment, and the Labor Pension Act are being enforced in a good manner. Insisting on honest management, lawfulness and pragmatism, all employees' participation, teamwork, and sharing results, we integrate the growth of employees with corporate development, and strive for sustainable management.

**(II) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes:** None.

**(III) Estimate of possible labor disputes expenses that could be incurred currently and in the future, and measures to be taken:** None.

## VI. Cyber security management:

### (I) Cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:

Information security will be listed as a major theme of the Company in 2023. We place special emphasis on information security management and information security risk control. In response to the management policy, we have formulated the following items:

1. Information security policy

   "Maintain the Company's information security, strengthen the security management for all information assets, ensure their confidentiality, integrity, availability and legality, so that the Company's operations will not be affected by human negligence, intentional attacks and natural disasters, or the Company's rights and interests will not be jeopardized, and ensure continuous business operations."

2. Information security strategy

   (1) We utilize digital technology, continue to innovate, insist on sustainable management and continuously improve the information security system and strengthen the defense and response capability. We have introduced a comprehensive information security management mechanism, regularly review and quickly respond to information security risks to ensure that our business continues to operate without interruption.

   (2) Pay attention to the information-related system, equipment and network security. Conduct regular information security drills and education training. Raise the awareness and alertness of employees regarding information security. Integrate information security into daily operations.

   (3) We are committed to protecting the customer's data privacy and clearly specify the management measures and authority for collecting, processing and accessing the data to protect the safety of the customer's personal information.

3. Information security organization

   To implement information security management, the Company has established an information security organization consisting of senior executives to promote, coordinate and supervise the following information security management matters:

   (1) Verification and Supervision of Information Security Policy
   (2) Allocation and coordination of information security responsibilities
   (3) Supervision of information asset protection matters
   (4) Review and supervision of information security incidents
   (5) Approval of information security matters
   (6) Convening of regular information security meetings

   In 2023, according to the requirements of the Financial Supervisory Commission, we established one dedicated information security officer and one information security specialist.

4. Management and implementation of information security

   For information security risk control, the Company proactively plans and arranges information security measures on the system, network, data and equipment aspects to improve the information security environment and reduce information risks, including:

   (1) System account management and audit

       In 2023, we will strengthen the system password rules, increase the complexity of passwords, and increase the length of passwords to 10 codes or more.

   (2) System data access permission control and auditing system

   (3) System source code management and testing

       Relevant source code of the information system shall be assigned with appropriate security attributes according to the level of confidentiality, and documents with different security attributes shall be separated and kept under applicable security measures. Outsourced or self-built system codes are all verified by source code analysis to meet international certification standards.

Information security source code scanning will be conducted on internal and external systems in 2023, and issues have been rectified.

(4) Cyber Security

Establish network security protection devices (firewalls), email filtering systems, anti-virus protection systems, and set up security access permissions according to business needs.

The following safety measures were added in 2023:

- Establish the system mainframe weakness scanning platform.
- Add the URL Filtering function of the firewall to enhance the automatic security determination and filtering during webpage connection to improve network security.
- Implement VPN two-factor authentication mechanism to reduce risks during VPN connection.

(5) Backup and disaster recovery

In order to ensure the completeness and accuracy of the group's information systems, a backup and disaster recovery plan has been established. Besides this, periodic drills are conducted to ensure rapid restoration of normal operations in the event of a disaster or storage failure.

One disaster preparedness drill will be conducted in 2023 with 1 hour RTO and 24 hours RPO. The drill is successfully completed and documented for future reference.

(6) Email management

The Company's emails must be used in accordance with the email management regulations, and the accounts, usage rules and email usage security must be managed. The mail filtering system was updated in June 2021.

5. Employee information safety training and dissemination

The Company will conduct basic information security education and training for new employees upon arrival, and will regularly conduct information security promotion and information security drills to strengthen information security awareness. When an information security incident occurs, information security notification will be made to raise employees' awareness of preventing external attacks and to provide information security protection for the Company's operation.

2023 projects are as follows:

(1) Conducted 4 information security advocacy sessions.
(2) Conducted social engineering drills, with a pass rate of 97.8%.
(3) Conduct annual information security education and training for 385 employees with total training hours of 225.
(4) Offer new employee information security education and training courses.

## (II) Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken:

The Company's information security incidents that occurred in 2023 and up to the publication date of the annual report did not have a material impact on the Company's overall operations.

## VII. Important Contracts

| Type of contract | Contract Party | Contract Period | Key Content | Restrictions |
|---|---|---|---|---|
| Long-term supply and sale contract | Ricoh Asia Pacific, Ricoh Taiwan | 2023.04.01~2024.03.31<br>The contract will be automatically extended for one year if both parties have no objection. | Digital Multi-function products (Ricoh Asia Pacific); Laser printers, projectors and other products (Ricoh Taiwan) | 1. Non-compete clauses are applicable.<br>2. Sales are restricted only in Taiwan region. |

# Six. Financial Status

## I. Concise Balance Sheets and Statements of Comprehensive Income for the Most Recent Five Fiscal Years

### (I) Concise Balance Sheets (Consolidated)

Unit: NTD in Thousand

| Item \ Year | | Financial Information for the Most Recent 5 Years (Note 1) | | | | | Financial data as of March 31, 2024 |
|---|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Current assets | | 3,240,514 | 3,578,135 | 3,833,557 | 3,920,890 | 3,923,678 | N/A (Note 3) |
| Property, plant and equipment | | 3,291,681 | 2,935,495 | 2,709,833 | 2,532,608 | 2,473,487 | |
| Intangible asset | | 239,101 | 239,489 | 239,383 | 239,579 | 239,560 | |
| Other Assets | | 1,228,701 | 1,194,927 | 1,202,147 | 1,072,802 | 1,047,861 | |
| Total Assets | | 7,999,997 | 7,948,046 | 7,984,920 | 7,765,879 | 7,684,586 | |
| Current liabilities | Before Distribution | 2,057,338 | 2,070,325 | 2,089,284 | 1,932,467 | 1,642,038 | |
| | After Distribution | 2,606,423 | 2,590,511 | 2,595,020 | 2,452,653 | (Note 2) | |
| Non-current liabilities | | 1,159,424 | 1,055,893 | 1,015,882 | 1,192,107 | 1,514,341 | |
| Total Liabilities | Before Distribution | 3,216,762 | 3,126,218 | 3,105,166 | 3,124,574 | 3,156,379 | |
| | After Distribution | 3,765,847 | 3,646,404 | 3,610,902 | 3,644,760 | (Note 2) | |
| Equity Attributed to Owners of Parent | | 4,174,458 | 4,179,821 | 4,225,861 | 3,955,228 | 3,834,967 | |
| Capital stock | | 1,444,960 | 1,444,960 | 1,444,960 | 1,444,960 | 1,444,960 | |
| Capital surplus | | 42,643 | 42,643 | 42,643 | 42,643 | 42,643 | |
| Retained earnings | Before Distribution | 1,408,914 | 1,425,616 | 1,455,712 | 1,522,461 | 1,489,756 | |
| | After Distribution | 859,829 | 905,430 | 949,976 | 1,002,275 | (Note 2) | |
| Other equity | | 1,277,941 | 1,266,602 | 1,282,546 | 945,164 | 857,608 | |
| Treasury Shares | | - | - | - | - | - | |
| Non-controlling interests | | 608,777 | 642,007 | 653,893 | 686,077 | 693,240 | |
| Total Equity | Before Distribution | 4,783,235 | 4,821,828 | 4,879,754 | 4,641,305 | 4,528,207 | |
| | After Distribution | 4,234,170 | 4,301,642 | 4,374,018 | 4,121,119 | (Note 2) | |

Note: 1. The foregoing financial information of each year has been audited by independent auditors.
2. The proposed distribution of 2023 earnings is subject to the approval of the shareholders' meeting.
3. The Company's financial information as of 3/31/2024 had not been audited or reviewed by independent auditors up to the date of publication of the annual report.

## (II) Concise Statements of Comprehensive Income (Consolidated)

Unit: NT$ thousands, or NT$ for earnings per share

| Year / Item | Financial Information for the Most Recent 5 Years (Note 1) | | | | | Financial data as of March 31, 2024 |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Operating revenue | 4,324,684 | 4,050,378 | 3,883,788 | 3,193,629 | 2,893,725 | N/A (Note 2) |
| Gross margin from Operations | 1,378,595 | 1,280,820 | 1,042,194 | 1,031,612 | 991,260 | |
| Net Operating Profit (Loss) | 595,025 | 504,849 | 448,753 | 473,694 | 440,874 | |
| Non-Operating Income and Expenses | 187,046 | 196,806 | 219,044 | 216,789 | 170,459 | |
| Net income before income tax | 782,071 | 701,655 | 667,797 | 690,483 | 611,333 | |
| Net Income from Continuing Operations for the period | 651,097 | 590,755 | 566,168 | 583,796 | 510,363 | |
| Loss from Discontinuing Operations | - | - | - | - | - | |
| Net Income (Loss) for the Period | 651,097 | 590,755 | 566,168 | 583,796 | 510,363 | |
| Other comprehensive income (net amount after tax) in the current period | (277,738) | (3,077) | 11,944 | (316,509) | (103,275) | |
| Total comprehensive income for the period | 373,359 | 587,678 | 578,112 | 267,287 | 407,088 | |
| Net Income Attributable to Owners of Parent | 611,951 | 568,211 | 549,456 | 561,175 | 490,289 | |
| Net Income Attributable to Non-controlling Interests | 39,146 | 22,544 | 16,712 | 22,621 | 20,074 | |
| Comprehensive income attributable to owners of parent | 357,800 | 554,448 | 566,226 | 235,103 | 399,925 | |
| Comprehensive income attributable to noncontrolling interests | 15,559 | 33,230 | 11,886 | 32,184 | 7,163 | |
| Earning Per Share | 4.24 | 3.93 | 3.80 | 3.88 | 3.39 | |

Note: 1. The foregoing financial information of each year has been audited by independent auditors.
2. The Company’s financial information as of 3/31/2024 had not been audited or reviewed by independent auditors up to the date of publication of the annual report.

## (III) Concise Balance Sheets (Parent Company Only)

Unit: NTD in Thousand

| Item \ Year | | Financial Information for the Most Recent 5 Years (Note 1) | | | | | Financial data as of March 31, 2024 |
|---|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Current assets | | 1,285,337 | 1,232,685 | 1,252,341 | 1,242,354 | 1,194,534 | N/A (Note 2) |
| Property, plant and equipment | | 287,454 | 265,073 | 273,616 | 263,689 | 301,108 | |
| Intangible asset | | 122 | 510 | 404 | 600 | 581 | |
| Other Assets | | 4,531,527 | 4,614,520 | 4,684,389 | 4,516,269 | 4,483,228 | |
| Total Assets | | 6,104,440 | 6,112,788 | 6,210,750 | 6,022,912 | 5,979,451 | |
| Current liabilities | Before Distribution | 1,118,054 | 1,213,982 | 1,284,301 | 1,159,863 | 872,888 | |
| | After Distribution | 1,667,139 | 1,734,168 | 1,790,037 | 1,680,049 | (Note 3) | |
| Non-current liabilities | | 811,928 | 718,985 | 700,588 | 907,821 | 1,271,596 | |
| Total Liabilities | Before Distribution | 1,929,982 | 1,932,967 | 1,984,889 | 2,067,684 | 2,144,484 | |
| | After Distribution | 2,479,067 | 2,453,153 | 2,490,625 | 2,587,870 | (Note 3) | |
| Equity Attributed to Owners of Parent | | 4,174,458 | 4,179,821 | 4,225,861 | 3,955,228 | 3,834,967 | |
| Capital stock | | 1,444,960 | 1,444,960 | 1,444,960 | 1,444,960 | 1,444,960 | |
| Capital surplus | | 42,643 | 42,643 | 42,643 | 42,643 | 42,643 | |
| Retained earnings | Before Distribution | 1,408,914 | 1,425,616 | 1,455,712 | 1,522,461 | 1,489,756 | |
| | After Distribution | 859,829 | 905,430 | 949,976 | 1,002,275 | (Note 3) | |
| Other equity | | 1,277,941 | 1,266,602 | 1,282,546 | 945,164 | 857,608 | |
| Treasury Shares | | - | - | - | - | - | |
| Total Equity | Before Distribution | 4,174,458 | 4,179,821 | 4,225,861 | 3,955,228 | 3,834,967 | |
| | After Distribution | 3,625,373 | 3,659,635 | 3,720,125 | 3,435,042 | (Note 3) | |

Note: 1. The foregoing financial information of each year has been audited by independent auditors.
2. The Company only prepares parent company only financial reports annually.
3. The proposed distribution of 2023 earnings is subject to the approval of the shareholders' meeting.

### (IV) Concise Statements of Comprehensive Income (Parent Company Only)

Unit: NT$ thousands, or NT$ for earnings per share

| Item \ Year | Financial Information for the Most Recent 5 Years (Note 1) | | | | | Financial data as of March 31, 2024 |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Operating revenue | 1,404,678 | 1,409,767 | 1,415,003 | 1,415,637 | 1,429,198 | N/A (Note 2) |
| Gross margin from Operations | 674,067 | 681,496 | 681,496 | 676,256 | 673,916 | |
| Net Operating Profit (Loss) | 241,746 | 226,646 | 216,314 | 239,241 | 223,464 | |
| Non-Operating Income and Expenses | 420,614 | 387,799 | 378,822 | 371,135 | 310,361 | |
| Net income before income tax | 662,360 | 614,445 | 595,136 | 610,376 | 533,825 | |
| Net income after tax from continuing operations | 611,951 | 568,211 | 549,456 | 561,175 | 490,289 | |
| Loss from Discontinuing Operations | - | - | - | - | - | |
| Net Income (Loss) for the Period | 611,951 | 568,211 | 549,456 | 561,175 | 490,289 | |
| Other comprehensive income (net amount after tax) in the current period | (254,151) | (13,763) | 16,770 | (326,072) | (90,364) | |
| Total comprehensive income for the period | 357,800 | 554,448 | 566,226 | 235,103 | 399,925 | |
| Earning Per Share | 4.24 | 3.93 | 3.80 | 3.88 | 3.39 | |

Note: 1. The foregoing financial information of each year has been audited by independent auditors.
2. The Company only prepares parent company only financial reports annually.

### (V) Name of Independent Auditors and Audit Opinions for the Last Five Years

| Year | Independent Auditor | Name | Opinion |
|---|---|---|---|
| 2023 | Deloitte & Touche | Huang, Hai-Yue and Chih, Jui-Chuan | Unqualified opinion |
| 2022 | Deloitte & Touche | Chih, Jui-Chuan and Hsieh, Chien-Hsin | Unqualified opinion |
| 2021 | Deloitte & Touche | Chih, Jui-Chuan and Hsieh, Chien-Hsin | Unqualified opinion |
| 2020 | Deloitte & Touche | Chih, Jui-Chuan and Hsieh, Chien-Hsin | Unqualified opinion |
| 2019 | Deloitte & Touche | Huang, Hai-Yue and Hsieh, Chien-Hsin | Unqualified opinion |

# II. Financial Analysis for the Most Recent Five Fiscal Years

## (I) Financial Analysis in Most Recent Five Years (Consolidated)

| Analysis Item | Year | Financial Analysis in Most Recent Five Years (Note 1) 2019 | 2020 | 2021 | 2022 | 2023 | Financial data as of March 31, 2024 |
|---|---|---|---|---|---|---|---|
| Financial Structure (%) | Liabilities to Assets Ratio | 40.21 | 39.33 | 38.89 | 40.23 | 41.07 | N/A (Note 2) |
| | Long-term fund to property, plant, and equipment ratio | 180.54 | 200.23 | 217.56 | 230.33 | 244.29 | |
| Liquidity Analysis (%) | Current Ratio | 157.51 | 172.83 | 183.49 | 202.90 | 238.95 | |
| | Quick Ratio | 133.57 | 154.10 | 167.97 | 184.35 | 217.92 | |
| | Times Interest Earned | 34.84 | 42.32 | 49.52 | 31.01 | 18.59 | |
| Operating Performance | Average Receivable Turnover (Times) | 9.80 | 10.44 | 10.42 | 8.24 | 8.03 | |
| | Average Collection Days | 37.24 | 34.96 | 35.02 | 44.29 | 45.45 | |
| | Average Inventory Turnover (Times) | 4.02 | 3.46 | 4.06 | 3.45 | 2.78 | |
| | Average Payment Turnover (Times) | 5.39 | 6.17 | 6.50 | 6.01 | 5.17 | |
| | Average Inventory Turnover Days | 90.79 | 105.49 | 89.90 | 105.79 | 131.29 | |
| | Property, Plant and Equipment Turnover (Times) | 1.25 | 1.30 | 1.38 | 1.22 | 1.16 | |
| | Total Assets Turnover (Times) | 0.53 | 0.51 | 0.49 | 0.41 | 0.37 | |
| Profitability Analysis | Return on Assets (%) | 8.14 | 7.58 | 7.25 | 7.65 | 6.97 | |
| | Return on Equity (%) | 13.43 | 12.30 | 11.67 | 12.26 | 11.13 | |
| | Pre-tax Income to Paid-in Capital Ratio (%) | 54.12 | 48.56 | 46.22 | 47.79 | 42.31 | |
| | Net Margin (%) | 15.06 | 14.59 | 14.58 | 18.28 | 17.64 | |
| | Earnings Per Share ($) | 4.24 | 3.93 | 3.80 | 3.88 | 3.39 | |
| Cash Flow | Cash Flow Ratio (%) | 82.83 | 82.31 | 80.47 | 77.71 | 86.31 | |
| | Cash Flow Adequacy Ratio (%) | 60.60 | 67.65 | 72.31 | 75.43 | 82.37 | |
| | Cash Flow Reinvestment Ratio (%) | 14.45 | 13.88 | 14.30 | 12.51 | 11.11 | |
| Leverage | Operating Leverage | 3.48 | 3.75 | 3.87 | 3.55 | 3.61 | |
| | Financial Leverage | 1.04 | 1.03 | 1.03 | 1.05 | 1.09 | |

20% change in various financial ratios for the most recent two years:
1. Times interest earned decreased by 40%, which was mainly attributable to the increase in interest expense on borrowings.
2. Average inventory turnover days increased by 24% mainly due to a decrease in inventory turnover.

Note 1: The foregoing financial information of each year has been audited by independent auditors.
Note 2: The Company's financial information as of 3/31/2024 had not been audited or reviewed by independent auditors up to the date of publication of the annual report.
Note 3: The above calculation formula is listed on page 90-91.

## (II) Financial Analysis in Most Recent Five Years (Parent Company only)

| Analysis Item / Year | | Financial Analysis in Most Recent Five Years (Note 1) | | | | | Financial data as of March 31, 2024 |
|---|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Financial Structure (%) | Liabilities to Assets Ratio | 31.62 | 31.62 | 31.96 | 34.33 | 35.86 | N/A (Note 2) |
| | Long-term fund to property, plant, and equipment ratio | 1,734.67 | 1,848.10 | 1,800.50 | 1,844.24 | 1,695.92 | |
| Liquidity Analysis (%) | Current Ratio | 114.96 | 101.54 | 97.51 | 107.11 | 136.85 | |
| | Quick Ratio | 98.35 | 88.84 | 86.85 | 89.11 | 110.97 | |
| | Times Interest Earned | 58.90 | 52.83 | 58.01 | 37.23 | 21.64 | |
| Operating Performance | Average Receivable Turnover (Times) | 6.91 | 7.91 | 7.74 | 7.46 | 7.80 | |
| | Average Collection Days | 52.82 | 46.14 | 47.15 | 48.92 | 46.79 | |
| | Average Inventory Turnover (Times) | 4.02 | 3.46 | 4.06 | 3.45 | 2.78 | |
| | Average Payment Turnover (Times) | 5.29 | 6.05 | 6.43 | 5.93 | 5.09 | |
| | Average Inventory Turnover Days | 90.79 | 105.49 | 89.90 | 105.79 | 131.29 | |
| | Property, Plant and Equipment Turnover (Times) | 4.90 | 5.10 | 5.25 | 5.27 | 5.06 | |
| | Total Assets Turnover (Times) | 0.23 | 0.23 | 0.23 | 0.23 | 0.24 | |
| Profitability Analysis | Return on Assets (%) | 10.10 | 9.46 | 9.05 | 9.39 | 8.51 | |
| | Return on Equity (%) | 14.41 | 13.60 | 13.07 | 13.72 | 12.59 | |
| | Pre-tax Income to Paid-in Capital Ratio (%) | 45.84 | 42.52 | 41.19 | 42.24 | 36.94 | |
| | Net Margin (%) | 43.57 | 40.31 | 38.83 | 39.64 | 34.31 | |
| | Earnings Per Share ($) | 4.24 | 3.93 | 3.80 | 3.88 | 3.39 | |
| Cash Flow | Cash Flow Ratio (%) | 14.13 | 20.31 | 17.46 | 14.44 | 20.41 | |
| | Cash Flow Adequacy Ratio (%) | 28.83 | 33.10 | 33.33 | 31.25 | 28.45 | |
| | Cash Flow Reinvestment Ratio (%) | -6.63 | -5.82 | -5.68 | -6.52 | -6.24 | |
| Leverage | Operating Leverage | 1.63 | 1.74 | 1.81 | 1.66 | 1.81 | |
| | Financial Leverage | 1.05 | 1.06 | 1.05 | 1.08 | 1.13 | |

20% change in various financial ratios for the most recent two years:

1. Current ratio and cash flow ratio increased by 28% and 41%, mainly due to a decrease in current liabilities.
2. Times interest earned decreased by 42%, which was mainly attributable to the increase in interest expense on borrowings.
3. Average inventory turnover days increased by 24% mainly due to a decrease in inventory turnover.

Note 1: The foregoing financial information of each year has been audited by independent auditors.
Note 2: The Company only prepares parent company only financial reports annually.
Note 3: The formulas for analysis of the items are as follows:

(1) Financial structure

a. Debt Ratio = Total Liabilities / Total Assets

b. Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity +Noncurrent Liabilities) / Net Property, Plant and Equipment

(2) Liquidity Analysis

a. Current Ratio = Current Assets / Current Liabilities
b. Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
c. Times Interest Earned = Earnings before Interest and Income Tax / Interest Expenses for the Period

(3) Operating Performance

a. Average Receivable Turnover (including Accounts Receivable and Notes Receivable originated from operation) = Net Sales / Average Trade Receivables (including Accounts Receivable and Notes Receivable originated from operation)
b. Average Collection Days = 365 / Average Receivable Turnover
c. Average Inventory Turnover = Cost of Sales / Average Inventory
d. Average Payment Turnover (including Accounts Payable and Notes Payable originated from operation) = Cost of Sales / Average Trade Payables (including Accounts Payable and Notes Payable originated from operation)
e. Average Inventory Turnover Days = 365 / Inventory Turnover
f. Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
g. Total Assets Turnover = Net Sales / Average Total Assets

(4) Profitability Analysis

a. Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
b. Return on Equity = Post-tax Profit or Loss / Average Total Equity
c. Net Margin = Post-tax Profit or Loss / Net Sales
d. Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

(5) Cash Flow

a. Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
b. Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
c. Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

(6) Leverage:

a. Operating Leverage = (Net Sales - Variable Operating Cost and expense) / Income from Operations
b. Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

## III. Audit Committee’s Review Report for the Most Recent Year

# Audit Committee’s Review Report

The business report, financial statements, and distribution of earnings for 2023 were approved by the Board of Directors. Among them, the financial statements have been audited by Deloitte Taiwan, a CPA firm appointed by the Board of Directors, and an audit report has been issued.

The said business report, financial statements, and the proposal for earnings distribution have been audited by the Audit Committee and determined to be in compliance with the Company Act and other relevant laws and regulations. The Audit Committee's Report is hereby prepared in accordance with Article 219 of the Company Act.

Hereby presented for review

Sincerely

2014 General Shareholders’ Meeting of Huxen Corporation

Convener of the Audit Committee

Huang, Chung-Hsing

March 13, 2024

## IV. Financial statements of the Most Recent Year

### Independent Auditors' Report

To Huxen Corporation:

**Opinion**

We have audited the accompanying consolidated financial statements of Huxen Corporation (the "Company") and its subsidiaries which comprise the consolidated balance sheets for the years ended December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows and notes to consolidated financial statements, including a summary of significant accounting policies, for the years ended December 21, 2023 and 2022.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 21, 2023 and 2022 in accordance with the regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRS Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effects by the Financial Supervisory Commission.

**Basis for Opinion**

We are entrusted to conduct the audit in accordance with the Regulations Governing the Audit of Financial Statements and Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for certified Public Accountants in Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2023. These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

Key audit matters for the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2023 are stated as follows:

Key audit matter: sales revenue

The main business of the Group is the purchase, sale and lease of multi-function printers. Revenue per transaction from the sale of multi-function printers, peripherals, and consumables is large and variable compared to rental revenue that is generally collected on a monthly basis. Hence, this type of revenue is expected to be highly risky and has a material impact on the financial statements. The primary risk is whether the revenue was actually earned and; accordingly, we have identified this as a key audit matter.

Please refer to Note 4(13) for the accounting policy on operating revenues.

We understand and have tested the design, implementation and effectiveness of internal controls over the recognition of sales revenue. We also selected appropriate samples from sales transactions (revenue from sales of multi-function printers, peripherals and consumables) and reviewed the transaction applications, signed receipt documents from customers, and we has checked whether the recipients were the same as the counterparties in order to confirm whether there were material misstatements in sales revenue.

**Other Matter**

The Company has prepared the parent company only financial statements for 2023 and 2022, for which we have issued an independent auditor's report with unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and 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 members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

1. Identify and assess the risks of material misstatement of the financial report, 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 the 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 auditor's report to the related disclosures in the financial report 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 contents of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the consolidated financial statements of the Company and its subsidiaries ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

| | |
|---|---|
| CPA Huang, Hai-Yue | CPA: Chih, Jui-Chuan |
| Approval Number of Securities and Futures Commission<br>Tai-Tsai-Cheng-Liu-Tzu number 0920131587 | Approval number of the Financial Supervisory Commission<br>Chin-Kuan-Cheng-Shen-Tzu number 1060023872 |

March 13, 2024

Huxen Corporation and Subsidiaries

Consolidated Balance Sheet

December 31, 2023 and 2022

Unit: NTD in Thousand

| Code | Assets | December 31, 2023 Amount | % | December 31, 2022 Amount | % |
|---|---|---|---|---|---|
| | Current assets | | | | |
| 1100 | Cash and cash equivalents (Note 4 & 6) | $ 536,065 | 7 | $ 689,960 | 9 |
| 1120 | Financial assets at fair value through other comprehensive income – current (Note 4 & 7) | 1,675,425 | 22 | 1,717,310 | 22 |
| 1136 | Financial assets at amortized cost – current (Note 4 & 8) | 1,046,425 | 14 | 771,420 | 10 |
| 1150 | Notes receivable (Note 4 & 9) | 53,220 | 1 | 65,769 | 1 |
| 1172 | Accounts receivable (Note 4, 9 & 30) | 90,127 | 1 | 85,156 | 1 |
| 1175 | Lease receivables (Note 4, 10 & 30) | 164,277 | 2 | 218,705 | 3 |
| 1200 | Other receivables (Note 4 & 30) | 12,721 | - | 14,130 | - |
| 130X | Inventories (Note 4 & 11) | 223,981 | 3 | 207,951 | 2 |
| 1479 | Other current assets (Note 13) | 121,437 | 1 | 150,489 | 2 |
| 11XX | Total current assets | 3,923,678 | 51 | 3,920,890 | 50 |
| | Non-current assets | | | | |
| 1517 | Financial assets at fair value through other comprehensive income – non-current (Note 4 & 7) | 621,786 | 8 | 637,331 | 8 |
| 1600 | Property, plant and equipment (Note 4, 14 & 30) | 2,473,487 | 32 | 2,532,608 | 33 |
| 1755 | Right-of-use assets (Notes 4, 15 & 30) | 34,961 | 1 | 37,443 | 1 |
| 1760 | Investment property (Note 4, 16 & 31) | 228,458 | 3 | 231,999 | 3 |
| 1805 | Goodwill (Note 4 & 17) | 238,979 | 3 | 238,979 | 3 |
| 1821 | Other intangible assets (Note 4 & 17) | 581 | - | 600 | - |
| 1840 | Deferred income tax assets (Notes 4 & 25) | 42,934 | 1 | 43,804 | 1 |
| 1935 | Lease receivables – non-current (Note 4, 10 & 30) | 109,370 | 1 | 112,504 | 1 |
| 1990 | Refundable deposits (Note 30) | 10,352 | - | 9,721 | - |
| 15XX | Total non-current assets | 3,760,908 | 49 | 3,844,989 | 50 |
| 1XXX | Total assets | $ 7,684,586 | 100 | $ 7,765,879 | 100 |
| Code | Liabilities and equity | | | | |
| | Current liabilities | | | | |
| 2100 | Short-term loans (Notes 18) | $ 1,230,000 | 16 | $ 650,000 | 9 |
| 2110 | Short-term bills payables (Notes 18) | - | - | 879,759 | 11 |
| 2170 | Accounts payable (Note 19) | 133,967 | 2 | 102,293 | 1 |
| 2180 | Accounts payable – related parties (Note 19 & 30) | 92,025 | 1 | 92,766 | 1 |
| 2219 | Other payables (Note 20 & 30) | 91,564 | 1 | 89,939 | 1 |
| 2230 | Current tax liabilities (Note 4 & 25) | 41,633 | 1 | 46,687 | 1 |
| 2280 | Lease liabilities – current (Note 4, 15 & 30) | 17,426 | - | 23,848 | - |
| 2399 | Other current liabilities (Note 20) | 35,423 | - | 47,175 | 1 |
| 21XX | Total current liabilities | 1,642,038 | 21 | 1,932,467 | 25 |
| | Non-current liabilities | | | | |
| 2540 | Long-term loans (Note 18) | 1,099,965 | 15 | 740,000 | 9 |
| 2570 | Deferred income tax liabilities (Note 4 & 25) | 1,562 | - | 1,601 | - |
| 2580 | Lease liabilities – non-current (Note 4, 15 & 30) | 17,804 | - | 13,797 | - |
| 2640 | Net defined benefit liability (Note 4 & 21) | 150,154 | 2 | 149,589 | 2 |
| 2670 | Guarantee deposits (Note30) | 244,856 | 3 | 287,120 | 4 |
| 25XX | Total non-current liabilities | 1,514,341 | 20 | 1,192,107 | 15 |
| 2XXX | Total liabilities | 3,156,379 | 41 | 3,124,574 | 40 |
| | Equity attributable to owners of the Company (Note 22) | | | | |
| | Capital stock | | | | |
| 3110 | Common stock | 1,444,960 | 19 | 1,444,960 | 19 |
| 3200 | Capital surplus | 42,643 | 1 | 42,643 | - |
| | Retained earnings | | | | |
| 3310 | Legal reserve | 992,009 | 13 | 934,760 | 12 |
| 3350 | Unappropriated earnings | 497,747 | 6 | 587,701 | 8 |
| 3300 | Total retained earnings | 1,489,756 | 19 | 1,522,461 | 20 |
| 3400 | Other equity | 857,608 | 11 | 945,164 | 12 |
| 31XX | Equity attributable to owners of the Company | 3,834,967 | 50 | 3,955,228 | 51 |
| 36XX | Non – controlling interests (Note 12) | 693,240 | 9 | 686,077 | 9 |
| 3XXX | Total equity | 4,528,207 | 59 | 4,641,305 | 60 |
| | Total liabilities and equity | $ 7,684,586 | 100 | $ 7,765,879 | 100 |

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

Chairman: Liao, Ching-Chang | Manager: Weng, Kuo-Hua | Comptroller: Hsieh, Shu-Hui

Huxen Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

January 1~December 31, 2023 and 2022

Unit: NTD in Thousand (Earnings per Share in Dollars)

| Code | | 2023 Amount | 2023 % | 2022 Amount | 2022 % |
|---|---|---|---|---|---|
| 4000 | Operating revenue (Note 4, 23 & 30) | $ 2,893,725 | 100 | $ 3,193,629 | 100 |
| 5000 | Opertating Costs (Note 4, 11, 24 & 30) | 1,902,465 | 66 | 2,162,017 | 68 |
| 5900 | Gross profit | 991,260 | 34 | 1,031,612 | 32 |
| | Operating expenses (Note 4, 9, 24 & 30) | | | | |
| 6100 | Marketing expenses | 418,817 | 15 | 424,979 | 13 |
| 6200 | Administrative expenses | 125,677 | 4 | 124,342 | 4 |
| 6450 | Expected credit loss | 5,892 | - | 8,597 | - |
| 6000 | Total operating expenses | 550,386 | 19 | 557,918 | 17 |
| 6900 | Net income from operations | 440,874 | 15 | 473,694 | 15 |
| | Non-operating income and expenses (Note 4, 24 & 30) | | | | |
| 7100 | Interest income | 32,484 | 1 | 20,731 | 1 |
| 7010 | Other income | 167,585 | 6 | 209,902 | 6 |
| 7020 | Other gain and loss | 5,145 | - | 9,161 | - |
| 7050 | Finance costs | ( 34,755 ) | ( 1 ) | ( 23,005 ) | ( 1 ) |
| 7000 | Total non-operating income and expenses | 170,459 | 6 | 216,789 | 6 |
| 7900 | Net income before income tax | 611,333 | 21 | 690,483 | 21 |
| 7950 | Income tax expense (Note 4 & 25) | ( 100,970 ) | ( 3 ) | ( 106,687 ) | ( 3 ) |
| 8200 | Net income for the period | 510,363 | 18 | 583,796 | 18 |

(continued on next page)

(continued from previous page)

| Code | | 2023 Amount | 2023 % | 2022 Amount | 2022 % |
|---|---|---|---|---|---|
| | Other comprehensive income (Note 4, 12, 21, 22 & 25) | | | | |
| 8310 | Items not reclassified to profit/loss | | | | |
| 8311 | Remeasurements of defined benefit plans | ($ 3,510) | - | $ 14,138 | - |
| 8316 | Unrealized gains/losses from investments in equity instruments measured at fair value through other comprehensive income | ( 57,430) | ( 2) | ( 359,695) | ( 11) |
| 8349 | Income tax related to items not reclassified to profit/loss | 702 | - | ( 2,828) | - |
| | | ( 60,238) | ( 2) | ( 348,385) | ( 11) |
| 8360 | Items that may be reclassified subsequently to profit/loss | | | | |
| 8361 | Exchange differences on translation of foreign operation's financial statements | ( 43,037) | ( 2) | 31,876 | 1 |
| 8300 | Total other comprehensive income | ( 103,275) | ( 4) | ( 316,509) | ( 10) |
| 8500 | Total comprehensive income for the period | $ 407,088 | 14 | $ 267,287 | 8 |
| | Net income attributable to: | | | | |
| 8610 | Owners of the Company | $ 490,289 | 17 | $ 561,175 | 17 |
| 8620 | Non-controlling interests | 20,074 | 1 | 22,621 | 1 |
| 8600 | | $ 510,363 | 18 | $ 583,796 | 18 |
| | Total comprehensive income attributable to: | | | | |
| 8710 | Owners of the Company | $ 399,925 | 14 | $ 235,103 | 7 |
| 8720 | Non-controlling interests | 7,163 | - | 32,184 | 1 |
| 8700 | | $ 407,088 | 14 | $ 267,287 | 8 |
| | Earnings per share (Note 26) | | | | |
| 9710 | Basic | $ 3.39 | | $ 3.88 | |
| 9810 | Diluted | $ 3.39 | | $ 3.88 | |

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

Chairman: Liao, Ching-Chang Manager: Weng, Kuo-Hua Comptroller: Hsieh, Shu-Hui

Huxen Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

January 1~December 31, 2023 and 2022

Unit: NTD in Thousand

| | | | | Retained earnings | | Other equity | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Code | | Capital stock | Capital surplus | Legal reserve | Unappropriated earnings | Exchange differences on translation of foreign operation's financial statements | Unrealized valuation gains/loss from financial assets measured at fair value through other comprehensive income | Total equity attributable to shareholders of the parent company | Non-controlling interests | Total equity |
| A1 | Balance, January 1, 2021 | $ 1,444,960 | $ 42,643 | $ 879,732 | $ 575,980 | ($ 142,257) | $ 1,424,803 | $ 4,225,861 | $ 653,893 | $ 4,879,754 |
| | Appropriations of earnings for 2021 | | | | | | | | | |
| B1 | Legal reserve | - | - | 55,028 | ( 55,028) | - | - | - | - | - |
| B5 | Cash dividends to shareholders of the Company | - | - | - | ( 505,736) | - | - | ( 505,736) | - | ( 505,736) |
| D1 | Net income in 2022 | - | - | - | 561,175 | - | - | 561,175 | 22,621 | 583,796 |
| D3 | Other comprehensive income in 2022 | - | - | - | 11,310 | 22,313 | ( 359,695) | ( 326,072) | 9,563 | ( 316,509) |
| D5 | Total comprehensive income in 2022 | - | - | - | 572,485 | 22,313 | ( 359,695) | 235,103 | 32,184 | 267,287 |
| Z1 | Balance, December 31, 2022 | 1,444,960 | 42,643 | 934,760 | 587,701 | ( 119,944) | 1,065,108 | 3,955,228 | 686,077 | 4,641,305 |
| | Appropriations of earnings for 2022 | | | | | | | | | |
| B1 | Legal reserve | - | - | 57,249 | ( 57,249) | - | - | - | - | - |
| B5 | Cash dividends to shareholders of the Company | - | - | - | ( 520,186) | - | - | ( 520,186) | - | ( 520,186) |
| D1 | Net income in 2023 | - | - | - | 490,289 | - | - | 490,289 | 20,074 | 510,363 |
| D3 | Other comprehensive income in 2023 | - | - | - | ( 2,808) | ( 30,126) | ( 57,430) | ( 90,364) | ( 12,911) | ( 103,275) |
| D5 | Total comprehensive income in 2023 | - | - | - | 487,481 | ( 30,126) | ( 57,430) | 399,925 | 7,163 | 407,088 |
| Z1 | Balance on December 31, 2023 | $ 1,444,960 | $ 42,643 | $ 992,009 | $ 497,747 | ($ 150,070) | $ 1,007,678 | $ 3,834,967 | $ 693,240 | $ 4,528,207 |

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

Chairman: Liao, Ching-Chang Manager: Weng, Kuo-Hua Comptroller: Hsieh, Shu-Hui

Huxen Corporation and Subsidiaries

Consolidated Statements of Cash Flows

January 1~December 31, 2023 and 2022

Unit: NTD in Thousand

| Code | | 2023 | 2022 |
|---|---|---|---|
| | Cash flows from operating activities | | |
| A00010 | Net income before income tax | $ 611,333 | $ 690,483 |
| A20010 | Gain/loss | | |
| A20100 | Depreciation expense | 1,148,686 | 1,206,736 |
| A20200 | Amortization expense | 504 | 312 |
| A20300 | Expected credit loss | 5,892 | 8,597 |
| A20400 | Gain on financial assets at fair value through profit or loss, net | ( 9,230 ) | ( 14,042 ) |
| A20900 | Finance costs | 34,755 | 23,005 |
| A21200 | Interest income | ( 32,484 ) | ( 20,731 ) |
| A21300 | Dividend income | ( 142,064 ) | ( 181,359 ) |
| A22500 | Loss on disposal of property, plant and equipment | 159,548 | 191,669 |
| A29900 | Loss on modification of lease | 198 | - |
| A30000 | Changes in operating assets and liabilities, net | | |
| A31130 | Notes receivable | 12,549 | 3,658 |
| A31150 | Accounts receivable | 43,724 | ( 20,738 ) |
| A31180 | Other receivables | 1,409 | 22,634 |
| A31200 | Inventories | ( 330,405 ) | ( 335,115 ) |
| A31240 | Other current assets | 29,052 | 37,774 |
| A31990 | Lease receivables – non-current | 2,975 | 10,661 |
| A32150 | Accounts payable | 31,674 | 4,866 |
| A32160 | Accounts payable – related parties | ( 1,639 ) | 973 |
| A32180 | Other payables | 676 | ( 4,450 ) |
| A32230 | Other current liabilities | ( 11,752 ) | 1,876 |
| A32240 | Net defined benefit liabilities | ( 2,945 ) | ( 3,843 ) |
| A33000 | Cash generated from operations | 1,552,456 | 1,622,966 |
| A33100 | Interest received | 3,329 | 4,739 |
| A33300 | Interest paid | ( 33,806 ) | ( 22,944 ) |
| A33500 | Income tax paid | ( 104,782 ) | ( 103,082 ) |
| AAAA | Net cash generated from operating activities | 1,417,197 | 1,501,679 |

(continued on next page)

(continued from previous page)

| Code | | 2023 | 2022 |
|---|---|---|---|
| | Cash flows from investing activities | | |
| B00040 | Purchase of financial assets at amortized cost | ($ 245,850) | ($ 314,960) |
| B00100 | Purchase of financial assets at fair value through profit/loss | ( 1,603,628) | ( 2,299,388) |
| B00200 | Disposal of financial assets at fair value through profit/loss | 1,612,858 | 2,313,430 |
| B02700 | Payments for property, plant and equipment (Note 27) | ( 1,032,750) | ( 1,014,627) |
| B02800 | Proceeds from disposal of property, plant and equipment | 111,068 | 100,793 |
| B03700 | Increase in refundable deposits | ( 631) | ( 997) |
| B04500 | Payments for intangible assets | ( 485) | ( 508) |
| B07600 | Dividends received | 142,064 | 181,359 |
| BBBB | Net cash used in from investing activities | ( 1,017,354) | ( 1,034,898) |
| | Cash flows from financing activities | | |
| C00100 | Increase in short-term loans | 580,000 | - |
| C00200 | Decrease in short-term loans | - | ( 950,024) |
| C00500 | Proceeds from short-term bill payables | - | 799,764 |
| C00600 | Repayments of short-term bill payables | ( 879,759) | - |
| C01600 | Long-term loans | 359,965 | 240,000 |
| C03100 | Payment of guarantee deposits | ( 42,264) | ( 31,208) |
| C04020 | Repayment of lease liabilities | ( 26,279) | ( 28,907) |
| C04500 | Dividends paid | ( 520,186) | ( 505,736) |
| CCCC | Net cash used in financing activities | ( 528,523) | ( 476,111) |
| DDDD | Effect of exchange rate changes on cash and cash equivalents | ( 25,215) | 8,770 |
| EEEE | Decrease in cash and cash equivalents, net | ( 153,895) | ( 560) |
| E00100 | Cash and cash equivalents at beginning of year | 689,960 | 690,520 |
| E00200 | Cash and cash equivalents at end of year | $ 536,065 | $ 689,960 |

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

Chairman: Liao, Ching-Chang Manager: Weng, Kuo-Hua Comptroller: Hsieh, Shu-Hui

Huxen Corporation and Subsidiaries
Notes to Consolidated Financial Statements
January 1~December 31, 2023 and 2022
(Amounts Unit: NTD in Thousand, Unless Specified Otherwise)

## I. Company Profile

Huxen Corporation (hereinafter referred to as the Company; the Company and entities controlled by the Company are referred to as “the Group”) was established in Taipei City in August 1984. The Company’s main business is the sales, import and export, repair and rental of multi-function printers, faxes and communication products.

The Company’s shares have been listed and traded on the Taiwan Stock Exchange since September 2000.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

## II. Date of Authorization for Financial statements and Procedures for Authorization

The consolidated financial statements were approved by the Board of Directors on March 13, 2024.

## III. Application of New Standards, Amendments and Interpretations

(I) The first-time adoption of any International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) that have been endorsed and issued into effect by the Financial Supervisory Commission (FSC) ("IFRSs")

The application of the amendments to the IFRSs endorsed and issued into effect by the FSC does not have material impact on the accounting policies of the consolidated company.

(II) IFRSs approved by the FSC applicable in 2024

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB (Note1) |
|---|---|
| Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback" | Monday, January 1, 2024 (Note 2) |
| Amendment to IAS 1 “Classification of Liabilities as Current or Non-current” | Monday, January 1, 2024 |
| Amendment to IAS 1 "Non-current Liabilities with Covenants” | Monday, January 1, 2024 |
| Amendments to IAS 7 and IFRS 7 regarding “Supplier Finance Arrangements” | Monday, January 1, 2024 (Note 3) |

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

Note 2: Sellers and lessees should apply the amendments to IFRS 16 retroactively to sale-and-leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: Certain requirements on the disclosure may be exempted at the time of the Company's first application of the amendments.

As of the date the consolidated financial statements were approved for issue, the consolidated company evaluated that the amendments to the other standards and interpretations would not pose significant impact on the consolidated financial position and consolidated financial performance.

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

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB (Note1) |
|---|---|
| Amendment to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined |
| IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendment to IFRS 17 | January 1, 2023 |
| Amendment to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 – Comparative Information” | January 1, 2023 |
| Amendments to IAS No. 21 "Lack of Exchangeability | January 1, 2025 (Note 2) |

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

Note 2: Applicable for annual reporting periods beginning on or after January 1, 2025. When the amendment is first applied, the impact will be recognized in retained earnings as of the initial application date. When the consolidated company adopts the non-functional currency as the presentation currency, the effects are adjusted into the exchange differences on translation of foreign financial statements under the equity title on the date of the first-time application.

As of the date the consolidated financial statements were authorized for issue, the consolidated company is continuously assessing the possible impact that the application of other standards and interpretations will have on the consolidated financial position and consolidated financial performance and will disclose the relevant impact when the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

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

(II) Basis of preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the materiality of the inputs, are described as follows:

1. Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that are available at the measurement date.
2. Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 inputs: unobservable inputs for the asset or liability.

(III) Criteria for classification of current and noncurrent assets and liabilities

Current assets include:

1. Assets held mainly for the purpose of trading;
2. Assets expected to be realized within 12 months after the reporting period; and
3. Cash and cash equivalents (notwithstanding, those restricted for exchange or settlement of liabilities exceeding 12 months after the balance sheet date are excluded).

Current liabilities include:

1. Liabilities held mainly for the purpose of trading;
2. Liabilities due to be settled within 12 months after the reporting period; and
3. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

All other assets and liabilities are classified as noncurrent.

(IV) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (the subsidiaries). Adjustments have been made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this attribution results in the non-controlling interests having a deficit balance.

For list, shareholding ratio and operating activities of the subsidiaries, please refer to Note 12 and Table 5 and 6 of Note 35.

(V) Foreign Currencies

In preparing the financial statements of each group entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions.

Monetary items denominated in foreign currencies are retranslated at the closing rate on the dates of balance sheet. Exchange differences resulting from the settlement or translation of monetary items are recognized in profit/loss in the period when these differences arise.

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

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

When preparing consolidated financial statements, the assets and liabilities of the foreign operations (including subsidiaries that operate in countries or use a currency different from that of the Company) are translated into New Taiwan dollars at exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income (attributed to owners' equity or non-controlling interests).

(VI) Inventories

The inventories include merchandise and supplies. The cost of inventories is calculated by the weighted-average method, and the inventories are measured at the lower of cost or net realizable value. When comparing costs and net realizable value, the comparison is based on individual items, except for the same type of inventories. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale in normal circumstances.

(VII) Property, Plant and Equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost minus accumulated depreciation.

Depreciation of property, plant and equipment is recognized using the straight-line method and units of production method. Each material part of an item is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit and loss when property, plant, and equipment are derecognized.

(VIII) Investment property

Investment properties are properties held for the purpose of earning rentals or capital appreciation, or both.

Owned investment property is initially measured at cost (including transaction costs) and subsequently measured at cost less accumulated depreciation. Depreciation of investment property is based on the straight-line basis.

(IX) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of cash-generating units, or groups of cash-generating units (collectively referred to as CGUs) of the acquirer, that are expected to benefit from the synergies of the combination.

CGUs to which goodwill has been allocated is tested for impairment annually, (or when there is an indication that the unit may be impaired), by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a CGU is acquired in a business combination during the current annual period, that unit should be tested for impairment before the end of the current annual period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit/loss. An impairment loss recognized on goodwill shall not reversed in subsequent periods.

(X) Intangible assets

1. Intangible assets acquired separately

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

2. Derecognition

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

(XI) Impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets (except goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right of use assets, investment property and intangible assets (excluding goodwill) for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of each asset, the asset is tested for impairment in the context of the CGU to which the asset belongs.

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

When impairment loss is reversed later, the carrying amount of the asset or CGU to the amount can be recovered to the recoverable amount. However, the increased carrying amount shall not exceed the carrying amount (minus amortization or depreciation) determined by the asset or CGU where the impairment loss was not recognized in the previous year. A reversal of an impairment loss is recognized in profit/loss.

(XII) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

On initial recognition, financial assets and financial liabilities that are not measured at fair value through profit/loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

Regular trades of financial assets are recognized and derecognized on a trade date basis.

(1) Measurement category

Financial assets are classified into financial assets at fair value through profit or loss, financial assets at amortized cost and equity instruments at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets at fair value through profit or loss that are required to be measured at fair value and financial assets that are designated as at fair value through profit or loss. Financial assets at fair value through profit or loss that are required to be measured at fair value include equity instrument investments not designated as at fair value through other comprehensive income or loss and debt instrument investments that do not qualify under the classification of investments measured at amortized cost or at fair value through other comprehensive income .

Financial assets at fair value through profit or loss are measured at fair value; their dividends, interest and remeasurement gains or losses are recognized in other gains and losses. The dividends and interest generated are recognized in other income and interest income, respectively; gains or losses arising from remeasurement are recognized in other gains/losses.

B. Financial assets at amortized cost

The Group's financial assets are classified as financial assets at amortized cost if both of the following conditions are met:

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

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Any exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate times the gross carrying amount of such a financial asset, except for:

a. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate times the amortized cost of such financial assets.
b. Financial asset that is not a purchased or originated credit-impaired financial asset but subsequently has become credit-impaired, interest income shall be calculated by applying the effective interest rate times the amortized cost balance from the next reporting period after the impairment.

C. Investments in equity instruments at fair value through other comprehensive income

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at fair value through other comprehensive income. Designation as at fair value through other comprehensive income is permitted if the equity investment is not held for trading or if it is not a contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on the investments in equity instruments are recognized in profit or loss when the group that has a right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(2) Impairment of financial assets

The Group recognizes loss allowance for expected credit losses on financial assets at amortized cost on each balance sheet date.

Allowances for expected credit losses are recognized for Accounts receivables, trade receivables and lease receivables based on their lifetime. For all other financial assets, the Company recognizes lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition base on the lifetime. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for at an amount equal to 12-month expected credit loss.

Expected credit losses are the average credit losses weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from default events on a financial instrument that are possible within the 12 months after the reporting date, while the expected credit loss over the lifetime of the financial instrument represents the expected credit loss resulting from all default events on a financial instrument that are possible over the expected life.

For internal credit risk management purposes, the Group determines, without considering the collateral held, whether there is internal or external information indicating that debtors are unlikely to settle their debts, which means that the financial assets are in default.

The Company recognizes impairment losses in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through loss allowance accounts.

(3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

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

2. Financial liabilities

(1) Subsequent measurement

Financial liabilities are measured at the amortized costs through effective interest rate.

(2) Derecognition of financial liability

When derecognizing the financial liability, the difference between its carrying amount and the consideration (including any non-cash asset transferred or the liability borne) paid will be recognized as income.

(XIII) Revenue recognition

The Group allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

1. Revenue from merchandise sales

Revenues from merchandise sales consist of sales of multi-function printers, faxes and communication products. When multi-functional printers, faxes and communication products are shipped to the customers' designated locations, the customers have the right to set the prices, use the products, bear the primary responsibility for re-selling the products and bear the risk of obsolescence; therefore, the Group recognizes revenue and Accounts receivables at this point of time.

2. Service revenue

Service revenue is from equipment maintenance services, and the related revenue is recognized when the services are rendered.

(XIV) Leases

The Group assesses whether a contract is (or contains) a lease at the contract inception date.

1. The Group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at the present value of the sum of the lease payments receivable and any unguaranteed residual value accrued plus initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms. When a lease asset is derecognized, the difference between the net proceeds of disposal and the carrying amount of the asset is recognized in operating costs.

2. The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. Lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; and (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

(XV) Retirement benefits

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

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

Net defined benefit liability represents the actual deficit in the Company’s defined benefit plan.

(XVI) Income tax

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

1. Current income tax

The consolidated company’s income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

Income tax on undistributed earnings calculated in accordance with the R.O.C. Income Tax Act is recognized in the year when the shareholders resolve to retain the earnings.

Adjustments to prior years' income tax payable are included in the current year's income tax.

2. Deferred tax

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

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

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

A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax for the year

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

## V. Major accounting judgments and key sources of estimation and uncertainty

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

The management reviews the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Regarding the Group’s accounting policies, estimates and underlying assumptions, there were no significant uncertainties in the accounting judgments, estimates and assumptions based on the assessment of the management of the Group.

## VI. Cash

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash on hand and working fund | $ 945 | $ 960 |
| Checking accounts and demand deposits | 535,120 | 689,000 |
| | $ 536,065 | $ 689,960 |

## VII. Financial assets at fair value through other comprehensive income

Investments in equity instruments

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Domestic listed shares | | |
| Aurora Corporation | $ 2,297,211 | $ 2,354,641 |
| | | |
| Current | $ 1,675,425 | $ 1,717,310 |
| Non-current | 621,786 | 637,331 |
| | $ 2,297,211 | $ 2,354,641 |

The Group invested in the common shares of Aurora Corporation for strategic purposes and expects to earn a profit from these investments. Accordingly, the management elected to designate these investments in equity instruments as at fair value through other comprehensive income as they believe that recognizing fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments.

VIII. Financial assets at amortized cost – current

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Time deposits with original maturity more than 3 months | $ 1,046,425 | $ 771,420 |

The market interest rates for RMB bank time deposits with original maturity over 3 months as of December 31, 2023 and 2022 are 3.40%~3.74% and 3.40%~4.10%, respectively.

Please refer to Table 1 of Note 35 for the securities held as of December 31, 2023.

IX. Notes receivable and Accounts receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Notes receivable | | |
| Lease payment | $ 15 | $ 922 |
| Total carrying amount measured at amortized cost | 53,205 | 64,847 |
| Less: Allowance for impairment loss | - | - |
| | $ 53,220 | $ 65,769 |
| Accounts receivable | | |
| Total carrying amount measured at amortized cost | $ 92,690 | $ 86,513 |
| Less: Allowance for impairment loss | ( 2,563 ) | ( 1,357 ) |
| | $ 90,127 | $ 85,156 |
| Accounts receivable | | |
| Accounts receivable | $ 11,459 | $ 17,864 |
| Less: Allowance for impairment loss | ( 11,459 ) | ( 17,864 ) |
| | $ - | $ - |

Accounts receivable

The average credit period for the Group's merchandise sales is 60–90 days. To mitigate credit risk, the management of the Group assigns a dedicated team for other monitoring procedures to ensure that appropriate actions are taken to collect overdue receivables. In addition, the Group reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses are recorded for uncollectible receivables. Accordingly, the Group's management believes that the Group's credit risk has been significantly reduced.

The consolidated company recognizes loss allowance for lease payment receivable based on lifetime expected credit losses. The lifetime expected credit losses are calculated using a provision matrix, which takes into account the customer's past default history and current financial position, as well as the GDP forecast. As the Group's credit loss history shows that there is no significant difference in the loss patterns of different customer segments. Therefore, the reserve matrix does not further differentiate between customer segments, but only sets the expected credit loss rate based on the overdue days of Accounts receivables.

If there is evidence that the transaction counterparties are facing serious financial difficulties and the Group cannot reasonably expect the recoverable amount, the Group will write off the relevant Accounts receivables but will continue to pursue collection, and the collected amount will be recognized in the profit and loss.

The Group's loss allowance for Accounts receivables based on the provision matrix is as follows:

December 31, 2023

| | Not past due | Overdue for 1~30 days | Past due Over 31 days | Total |
|---|---|---|---|---|
| Expected credit loss rate | 1.53% | 50.52% | 100% | |
| Total carrying amount | $ 90,872 | $ 1,305 | $ 513 | $ 92,690 |
| Loss allowance (expected credit losses during the period) | ( 1,390 ) | ( 660 ) | ( 513 ) | ( 2,563 ) |
| Amortized cost | $ 89,482 | $ 645 | $ - | $ 90,127 |

December 31, 2022

| | Not past due | Overdue for 1~30 days | Past due Over 31 days | Total |
|---|---|---|---|---|
| Expected credit loss rate | 0.31% | 10.57% | 26.17%~100% | |
| Total carrying amount | $ 82,658 | $ 1,667 | $ 2,188 | $ 86,513 |
| Loss allowance (expected credit losses during the period) | ( 254 ) | ( 176 ) | ( 927 ) | ( 1,357 ) |
| Amortized cost | $ 82,404 | $ 1,491 | $ 1,261 | $ 85,156 |

Information on the changes in the allowance for receivables (Accounts receivables, lease receivables and nonaccrual loan) is as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance – beginning of year | $ 24,622 | $ 19,100 |
| Plus: recognized impairment loss of the current year | 5,892 | 8,597 |
| Less: write-off in the current year | ( 11,604 ) | ( 3,284 ) |
| Plus (less): Foreign currency conversion difference | ( 261 ) | 209 |
| Balance – end of year | $ 18,649 | $ 24,622 |

X. Lease receivables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Total lease receivables | | |
| Less than 1 year | $ 175,724 | $ 232,253 |
| More than 1 year but not more than 5 years | 130,903 | 133,465 |
| More than 5 years | 1,459 | 1,722 |
| Less: Allowance for impairment loss | ( 4,627 ) | ( 5,401 ) |
| | 303,459 | 362,039 |
| Less: Unearned finance income | ( 29,812 ) | ( 30,830 ) |
| Present value of minimum lease payment receivables | $ 273,647 | $ 331,209 |
| | | |
| Lease receivables | | |
| Less than 1 year | $ 168,487 | $ 223,848 |
| More than 1 year but not more than 5 years | 108,577 | 111,326 |
| More than 5 years | 1,210 | 1,436 |
| | 278,274 | 336,610 |
| Less: Bad debt reserve | ( 4,627 ) | ( 5,401 ) |
| Lease receivables | $ 273,647 | $ 331,209 |
| | | |
| Current | $ 164,277 | $ 218,705 |
| Non-current | 109,370 | 112,504 |
| | $ 273,647 | $ 331,209 |

The above lease receivables under operating leases of less than one year were transferred to the Group on a monthly basis from the related parties entrusted by the Group to collect the rent from the lessees. For related information, please refer to Note 30.

The Group leases multi-function printers under operating and capital leases, and all lease payments are expected to be received on the agreed schedule in accordance with the terms of the leases. To mitigate credit risk, the management of the Group assigns a dedicated team for other monitoring procedures to ensure that appropriate actions are taken to collect overdue lease receivables. In addition, the Group reviews the recoverable amounts of lease receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses are recorded for uncollectible lease receivables. Accordingly, the Group's management believes that the Group's credit risk has been significantly reduced.

The consolidated company recognizes loss allowance for lease payment receivable based on lifetime expected credit losses. The lifetime expected credit losses are calculated using a provision matrix, which takes into account the customer's past default history and current financial position, as well as the GDP forecast. As the Group's credit loss history shows that there is no significant difference in the loss patterns of different customer segments. Therefore, the reserve matrix does not further differentiate between customer segments, but only sets the expected credit loss rate based on the overdue days of lease receivable.

If there is evidence that the transaction counterparties are facing serious financial difficulties and the Group cannot reasonably expect the recoverable amount, the Group will write off the relevant lease receivable but will continue to pursue collection, and the collected amount will be recognized in the profit and loss.

The Group's loss allowance for lease receivables based on the provision matrix is as follows:

December 31, 2023

| | Not past due | Overdue for 1~30 days | Past due Over 31 days | Total |
|---|---|---|---|---|
| Expected credit loss rate | 0.32%~0.94% | 11.72%~39.48 % | 38.81%~100% | |
| Total carrying amount | $ 298,439 | $ 3,662 | $ 5,985 | $ 308,086 |
| Loss allowance (expected credit losses during the period) | ( 1,193 ) | ( 809 ) | ( 2,625 ) | ( 4,627 ) |
| Amortized cost | $ 297,246 | $ 2,853 | $ 3,360 | $ 303,459 |

December 31, 2022

| | Not past due | Overdue for 1~30 days | Past due Over 31 days | Total |
|---|---|---|---|---|
| Expected credit loss rate | 0.00%~1.10% | 7.96%~11.69% | 24.46%~100% | |
| Total carrying amount | $ 346,837 | $ 6,970 | $ 13,633 | $ 367,440 |
| Loss allowance (expected credit losses during the period) | ( 997 ) | ( 735 ) | ( 3,669 ) | ( 5,401 ) |
| Amortized cost | $ 345,840 | $ 6,235 | $ 9,964 | $ 362,039 |

## XI. Inventories

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Merchandise | $ 156,797 | $ 146,338 |
| Supplies | 66,871 | 56,875 |
| Inventory in transit | 313 | 4,738 |
| | $ 223,981 | $ 207,951 |

The operating costs related to inventories were NT$610,934 thousand and NT$604,436 thousand in 2023 and 2022, respectively.

## XII. Subsidiaries

### (I) Subsidiaries included in consolidated financial statements

Entities included in the Group's consolidated financial statements were as follows:

| Name of investor | Subsidiary name | Main Businesses | Percentage of Ownership | |
|---|---|---|---|---|
| | | | December 31, 2023 | December 31, 2022 |
| The Company | Aurora Leasing Corporation | Trading and leasing of multi-function printers | 100% | 100% |
| The Company | Huxen (China) Co., Ltd. | Maintenance and lease of multi-function printers | 70% | 70% |

Aurora Leasing Corporation

Aurora Leasing Corporation (hereinafter referred to as Aurora Leasing Co.) was established on January 15, 1986 under the approval of the Ministry of Economic Affairs with the original name of "Chien Hsing Co., Ltd." In May 2006, the Company's name was changed to Aurora Leasing Corporation. and at the same time, the main business items were changed to the following: (I) Leasing business. (II) Wholesale, retail and service of multi-function printers (III) Wholesale, retail and service of computer software; developing capital type and operating type office equipment leasing business proactively.

Huxen (China) Co., Ltd.

Huxen (China) Co., Ltd. (hereinafter referred to as Huxen (China)), a foreign investment limited company established in November 2012 in Shanghai, China, is mainly engaged in the business of sales, maintenance services and leasing of multi-function printers. The main operating risks are the political risk arising from the changes in governmental regulations and cross-strait relations, and exchange risk.

(II) Subsidiaries excluded from the consolidated financial statements: None

(III) Details of subsidiaries that have material non-controlling interests

| Subsidiary name | Principal place of business. | Proportion of ownership and voting rights held by non-controlling interests December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Huxen (China) | Shanghai, China | 30% | 30% |

| Subsidiary name | Profit/loss allocated to non-controlling interests 2023 | 2022 | Non-controlling interests December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|
| Huxen (China) | $ 20,074 | $ 22,621 | $ 693,240 | $ 686,077 |

The summarized financial information of Huxen (China) represents amounts before intragroup eliminations.

Huxen (China)

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current assets | $ 1,644,675 | $ 1,554,942 |
| Non-current assets | 923,821 | 1,036,428 |
| Current liabilities | ( 16,413) | ( 21,466) |
| Non-current liabilities | ( 241,282) | ( 282,980) |
| Equity | $ 2,310,801 | $ 2,286,924 |
| Equity attributable to: | | |
| Owners of the Company | $ 1,617,561 | $ 1,600,847 |
| Non-controlling interests of Huxen (China) | 693,240 | 686,077 |
| | $ 2,310,801 | $ 2,286,924 |

| | 2023 | 2022 |
|---|---|---|
| Operating revenue | $ 838,964 | $ 1,133,489 |
| Net income for the period | $ 66,914 | $ 75,404 |
| Other comprehensive income | ( 43,037) | 31,876 |
| Total comprehensive income | $ 23,877 | $ 107,280 |
| Profit attributable to: | | |
| Owners of the Company | $ 46,840 | $ 52,783 |
| Non-controlling interests of Huxen (China) | 20,074 | 22,621 |
| | $ 66,914 | $ 75,404 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | $ 16,714 | $ 75,096 |
| Non-controlling interests of Huxen (China) | 7,163 | 32,184 |
| | $ 23,877 | $ 107,280 |

(IV) For the main businesses, principal place of business and registered nationalities information of the above subsidiaries, please refer to Tables 5 and 6 of Note 35.

XIII. Other current assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Tax overpaid retained for offsetting the future tax payable | $ 119,084 | $ 149,225 |
| Others | 2,353 | 1,264 |
| | $ 121,437 | $ 150,489 |

XIV. Property, plant and equipment

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Assets for own use | $ 19,813 | $ 18,799 |
| Assets for operating leases | 2,453,674 | 2,513,809 |
| | $ 2,473,487 | $ 2,532,608 |

(I) Assets for own use

| | Own land | House and buildings | Office equipment | Total |
|---|---|---|---|---|
| Cost | | | | |
| Balance on January 1, 2023 | $ 11,927 | $ 9,946 | $ 4,348 | $ 26,221 |
| Additions | - | - | 2,078 | 2,078 |
| Inventories transferred to property, plant and equipment | - | - | 132 | 132 |
| Disposals | - | - | ( 1,526 ) | ( 1,526 ) |
| Balance on December 31, 2023 | 11,927 | 9,946 | 5,032 | 26,905 |
| Accumulated depreciation | | | | |
| Balance on January 1, 2023 | - | 5,032 | 2,390 | 7,422 |
| Depreciation expense | - | 177 | 1,019 | 1,196 |
| Disposals | - | - | ( 1,526 ) | ( 1,526 ) |
| Balance on December 31, 2023 | - | 5,209 | 1,883 | 7,092 |
| Net on December 31, 2023 | $ 11,927 | $ 4,737 | $ 3,149 | $ 19,813 |

| | | | | |
|---|---|---|---|---|
| Cost | | | | |
| Balance, January 1, 2021 | $ 11,927 | $ 9,946 | $ 6,694 | $ 28,567 |
| Additions | - | - | 685 | 685 |
| Inventories transferred to property, plant and equipment | - | - | 30 | 30 |
| Disposals | - | - | ( 3,061 ) | ( 3,061 ) |
| Balance, December 31, 2022 | 11,927 | 9,946 | 4,348 | 26,221 |
| Accumulated depreciation | | | | |
| Balance, January 1, 2021 | - | 4,855 | 4,070 | 8,925 |
| Depreciation expense | - | 177 | 1,381 | 1,558 |
| Disposals | - | - | ( 3,061 ) | ( 3,061 ) |
| Balance, December 31, 2022 | - | 5,032 | 2,390 | 7,422 |
| Carrying amounts, December 31, 2022 | $ 11,927 | $ 4,914 | $ 1,958 | $ 18,799 |

No indication of impairment was found according to the evaluation in 2023 and 2022.

Depreciation expenses are recognized on a straight-line method based on the following useful lives:

| | |
|---|---|
| House and buildings | 55 years |
| Office equipment | 1–5 years |

(II) Office equipment – operating lease

| | 2023 | 2022 |
|---|---|---|
| Cost | | |
| Balance – beginning of year | $ 5,300,556 | $ 5,604,090 |
| Additions | 1,031,570 | 1,008,174 |
| Inventories transferred to property, plant and equipment | 322,248 | 268,756 |
| Property, plant and equipment transferred to inventories | ( 70,364 ) | ( 72,539 ) |
| Disposals | ( 1,419,110 ) | ( 1,539,817 ) |
| Effects of exchange rate | ( 29,447 ) | 31,892 |
| Balance – end of year | 5,135,453 | 5,300,556 |
| Accumulated depreciation | | |
| Balance – beginning of year | 2,786,747 | 2,913,899 |
| Depreciation expense | 1,117,801 | 1,173,094 |
| Property, plant and equipment transferred to inventories | ( 62,359 ) | ( 66,886 ) |
| Disposals | ( 1,148,494 ) | ( 1,247,355 ) |
| Effects of exchange rate | ( 11,916 ) | 13,995 |
| Balance – end of year | 2,681,779 | 2,786,747 |
| Carrying amounts – end of year | $ 2,453,674 | $ 2,513,809 |

The Group leases business machines under operating leases; the lease terms are from 1 to 6 years. At the end of the lease period, lessees do not have bargain purchase options for the leased multi-function printers.

The total future lease payments to be received under operating leases (excluding paper-based income) are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Year 1 | $ 1,059,258 | $ 1,138,695 |
| Year 2 | 837,056 | 864,110 |
| Year 3 | 612,984 | 594,129 |
| Year 4 | 420,586 | 399,390 |
| Year 5 | 286,795 | 268,977 |
| More than 5 years | 22,111 | 21,153 |
| | $ 3,238,790 | $ 3,286,454 |

Depreciation expenses are recognized on a straight-line method based on the following useful lives:

| | |
|---|---|
| Lease assets (multi-function printers) | |
| Used machines | 1–2 years |
| New machines | 3–7 years |

XV. Lease arrangements

(I) Right-of-use assets

| | 2023 | | |
|---|---|---|---|
| | Land and buildings | Vehicles | Total |
| Cost | | | |
| Balance – beginning of year | $ 65,646 | $ 5,035 | $ 70,681 |
| Additions | 26,059 | 2,291 | 28,350 |
| Disposals | ( 35,298 ) | ( 2,592 ) | ( 37,890 ) |
| Balance – end of year | 56,407 | 4,734 | 61,141 |
| Accumulated depreciation | | | |
| Balance – beginning of year | 30,435 | 2,803 | 33,238 |
| Depreciation expense | 24,106 | 2,042 | 26,148 |
| Disposals | ( 30,614 ) | ( 2,592 ) | ( 33,206 ) |
| Balance – end of year | 23,927 | 2,253 | 26,180 |
| Carrying amounts – end of year | $ 32,480 | $ 2,418 | $ 34,961 |

| | 2022 | | |
|---|---|---|---|
| | Land and buildings | Vehicles | Total |
| Cost | | | |
| Balance – beginning of year | $ 59,731 | $ 5,091 | $ 64,822 |
| Additions | 11,818 | 1,508 | 13,326 |
| Disposals | ( 5,903 ) | ( 1,564 ) | ( 7,467 ) |
| Balance – end of year | 65,646 | 5,035 | 70,681 |
| Accumulated depreciation | | | |
| Balance – beginning of year | 9,802 | 2,360 | 12,162 |
| Depreciation expense | 26,536 | 2,007 | 28,543 |
| Disposals | ( 5,903 ) | ( 1,564 ) | ( 7,467 ) |
| Balance – end of year | 30,435 | 2,803 | 33,238 |
| Carrying amounts – end of year | $ 35,211 | $ 2,232 | $ 37,443 |

(II) Lease liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Carrying amounts of lease liabilities | | |
| Current | $ 17,426 | $ 23,848 |
| Non-current | $ 17,804 | $ 13,797 |

Range of discount rate for lease liabilities is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Buildings | 0.702%~1.756% | 0.702%~0.886% |
| Vehicles | 0.702%~1.631% | 0.702%~0.829% |

(III) Material leasing activities and terms

The Group leases land, buildings and vehicles for operating purposes for periods ranging from one to six years. Upon termination of the lease period, the Group does not have bargain purchase options to acquire the leased vehicles and business premises.

(IV) Other lease information

For the Group's properties, plant and equipment, and investment properties leased out under operating leases, please refer to Note 14 and Note 16 respectively; for the assets leased out under finance leases, please refer to Note 10.

| | 2023 | 2022 |
|---|---|---|
| Total cash outflow for leases | | |
| -Principal repayment | ($ 26,279) | ($ 28,907) |
| -Interest payments | ( 422) | ( 341) |
| | ($ 26,701) | ($ 29,248) |

Lease commitments for the lease period commencing after the balance sheet date are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Lease commitment | $ 14,852 | $ 2,782 |

## XVI. Investment properties

| | Land | House and buildings | Total |
|---|---|---|---|
| Cost | | | |
| Balance on January 1, 2023 | $ 188,071 | $ 106,795 | $ 294,866 |
| Balance on December 31, 2023 | 188,071 | 106,795 | 294,866 |
| Accumulated depreciation | | | |
| Balance on January 1, 2023 | - | 62,867 | 62,867 |
| Depreciation expense | - | 3,541 | 3,541 |
| Balance on December 31, 2023 | - | 66,408 | 66,408 |
| Net on December 31, 2023 | $ 188,071 | $ 40,387 | $ 228,458 |
| | | | |
| Cost | | | |
| Balance, January 1, 2021 | $ 188,071 | $ 106,795 | $ 294,866 |
| Balance, December 31, 2022 | 188,071 | 106,795 | 294,866 |
| Accumulated depreciation | | | |
| Balance, January 1, 2021 | - | 59,326 | 59,326 |
| Depreciation expense | - | 3,541 | 3,541 |
| Balance, December 31, 2022 | - | 62,867 | 62,867 |
| Carrying amounts, December 31, 2022 | $ 188,071 | $ 43,928 | $ 231,999 |

The lease periods for investment properties are 4 to 5 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

The total lease payments to be received in the future for investment property leased under operating leases are as follows

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Year 1 | $ 12,049 | $ 13,552 |
| Year 2 | 8,748 | 12,049 |
| Year 3 | - | 8,748 |
| Year 4 | - | - |
| Year 5 | - | - |
| | $ 20,797 | $ 34,349 |

Depreciation expenses are recognized on a straight-line method based on the following useful lives:

| | |
|---|---|
| Main Buildings | 55 years |
| Decoration works | 10 years |

For the amount of investment property pledged as collateral for loans, please refer to Note 31.

The fair values of investment properties were evaluated by the management itself based on local market information as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Fair values | $ 357,980 | $ 371,750 |

XVII. Intangible assets

(I) Goodwill

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Carrying amount | | |
| Goodwill | $ 238,979 | $ 238,979 |

No indication of impairment on goodwill was found in 2023 and 2022.

(II) Other intangible assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Computer software | $ 581 | $ 600 |

| | 2023 | 2022 |
|---|---|---|
| Cost | | |
| Balance – beginning of year | $ 1,149 | $ 734 |
| Additions | 485 | 508 |
| Disposals | ( 672 ) | ( 93 ) |
| Balance – end of year | 962 | 1,149 |
| Accumulated amortization | | |
| Balance – beginning of year | 549 | 330 |
| Amortization expense | 504 | 312 |
| Disposals | ( 672 ) | ( 93 ) |
| Balance – end of year | 381 | 549 |
| Carrying amounts – end of year | $ 581 | $ 600 |

No indication of impairment on said assets was found in 2023 and 2022.

Amortization expenses are recognized on a straight-line method for periods of 1–3 years.

## XVIII. Loans

### (I) Short-term loans

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Unsecured loans | | |
| - Line of credit loans | $ 1,230,000 | $ 650,000 |
| Credit loan | | |
| NTD | 1.48%～1.68% | 1.455%-1.80% |

### (II) Short-term bills payable

December 31, 2022

| Guarantor/ accepting institution | Face amount | Discount amount | Carrying amount | Interest rate range | Name of collateral |
|---|---|---|---|---|---|
| Commercial paper payable | | | | | |
| Dah Chung Bills Finance | $ 280,000 | ($ 51) | $ 279,949 | 1.928%-1.998% | None |
| Taiwan Finance Corporation | 200,000 | ( 27) | 199,973 | 1.928%-2.058% | None |
| Mega Bills | 200,000 | ( 43) | 199,957 | 1.928%-1.958% | None |
| Bank of Taiwan | 200,000 | ( 120) | 199,880 | 1.820% | None |
| | $ 880,000 | ($ 241) | $ 879,759 | | |

For the guaranteed notes issued by the consolidated company to financial institutions for said issuance of commercial paper, please refer to Note 32.

### (III) Long-term loans

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Secured loans | | |
| Bank loans | $ 499,970 | $ 440,000 |
| Unsecured loans | | |
| Bank loans | 599,995 | 300,000 |
| | $ 1,099,965 | $ 740,000 |

The bank loans are secured by pledges of the Consolidated Company's own land and buildings and the issuance of guarantee notes (see Notes 31 and 32), which bear interest at floating rates. As of December 31, 2023 and 2022, the effective interest rates were 1.53% and 1.50% per annum, with interest payable monthly and principal repaid at maturity.

The unsecured loans were borrowed from banks at floating interest rates. The effective interest rates as of December 31, 2023 and 2022 were 1.585%~1.65% and 1.48% per annum, respectively, with interest payable monthly. The principal amount of the loan as of December 31, 2022 was repaid in 2023 and then renewed.

XIX. Accounts payable

The average payment period is 2 months, and the Group has established a financial risk management policy to ensure that all payables are repaid within the agreed credit periods.

XX. Other liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Other payables | | |
| Salaries and bonuses payable | $ 53,600 | $ 53,807 |
| Commission payables | 5,628 | 6,414 |
| Labor remuneration payable | 6,966 | 6,112 |
| Tax payables | 3,644 | 6,088 |
| Interest payable | 1,741 | 792 |
| Leave payment payables | 149 | 418 |
| Others | 19,836 | 16,308 |
| | $ 91,564 | $ 89,939 |
| | | |
| Other current liabilities | | |
| Temporary receipts | $ 21,565 | $ 32,337 |
| Temporary tax receipts – financial lease | 8,323 | 8,851 |
| Others | 5,535 | 5,987 |
| | $ 35,423 | $ 47,175 |

XXI. Retirement benefit plans

(I) Defined contribution plans

The consolidated company adopts a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan and shall make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

(II) Defined benefit plans

The Company's pension plan under the Labor Standards Act is a defined benefit pension plan administered by the government. Employees' pension payments are calculated based on the service years and average salary for the six months prior to the approved retirement date. The consolidated company allocates 5% the total monthly salary of employees to the employees' pension fund, and submits it to the Labor Pension Reserve Committee to deposit in a special account with Bank of Taiwan. By the end of the year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor; the Group has no right to influence the pension fund investment policy and strategy.

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Present value of the defined benefit obligation | $ 170,934 | $ 169,977 |
| Fair value of plan assets | ( 20,780) | ( 20,388) |
| Net defined benefit liabilities | $ 150,154 | $ 149,589 |

Changes in net defined benefit liability (asset) are as follows:

| | Present value of the defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities (assets) |
|---|---|---|---|
| January 1, 2023 | $ 169,977 | ($ 20,388) | $ 149,589 |
| Service cost | | | |
| Current service cost | 78 | - | 78 |
| Interest expense (income) | 2,125 | ( 286) | 1,839 |
| Recognized in profit or loss | 2,203 | ( 286) | 1,917 |
| Remeasurement | | | |
| Return on plan assets (excluding interest income calculated at discount rate) | - | ( 186) | ( 186) |
| Actuarial loss – changes in financial assumptions | 1,605 | - | 1,605 |
| Actuarial gain – experience adjustments | 2,091 | - | 2,091 |
| Recognized in other comprehensive income | 3,696 | ( 186) | 3,510 |

(continued on next page)

(continued from previous page)

| | Present value of the defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities (assets) |
|---|---|---|---|
| Contributions from the employer | $ - | ($ 4,862) | ($ 4,862) |
| Payment of benefits | ( 4,942) | 4,942 | - |
| December 31, 2023 | $ 170,934 | ($ 20,780) | $ 150,154 |
| | | | |
| January 1, 2022 | $ 191,390 | ($ 23,820) | $ 167,570 |
| Service cost | | | |
| Current service cost | 189 | - | 189 |
| Interest expense (income) | 1,196 | ( 166) | 1,030 |
| Recognized in profit or loss | 1,385 | ( 166) | 1,219 |
| Remeasurement | | | |
| Return on plan assets (excluding interest income calculated at discount rate) | - | ( 1,492) | ( 1,492) |
| Actuarial loss – changes in demographic assumptions | 193 | - | 193 |
| Actuarial loss – changes in financial assumptions | ( 9,053) | - | ( 9,053) |
| Actuarial gain – experience adjustments | ( 3,786) | - | ( 3,786) |
| Recognized in other comprehensive income | ( 12,646) | ( 1,492) | ( 14,138) |
| Contributions from the employer | - | ( 5,062) | ( 5,062) |
| Payment of benefits | ( 10,152) | 10,152 | - |
| December 31, 2022 | $ 169,977 | ($ 20,388) | $ 149,589 |

The Group is exposed to the following risks as a result of the Labor Standards Act pension scheme:

1. Investment risk: The Bureau of Labor Funds of the Ministry of Labor invests the Labor Retirement Fund in domestic and foreign equity and debt securities and bank deposits at its own discretion and on a discretionary basis, provided that the amount of the Group's plan assets to be allocated is based on the earnings at an interest rate not less than the local bank's two-year time deposit rate.
2. Interest risk: Interest risk: A decrease in the government bonds/corporate bonds interest rate will increase the present value of the defined benefit obligation;

however, this will be partially offset by an increase in the return on the plan's debt investments.

3. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. Hence, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | 1.125% | 1.250% |
| Long-term average salary adjustment rate | 2.000% | 2.000% |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | | |
| Increase by 0.25% | ($ 3,187) | ($ 3,434) |
| Decrease by 0.25% | $ 3,281 | $ 3,539 |
| Expected rate of salary increase | | |
| Increase by 0.25% | $ 3,194 | $ 3,449 |
| Decrease by 0.25% | ($ 3,119) | ($ 3,364) |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Expected contributions to the plan within one year | $ 5,049 | $ 4,959 |
| Average duration of the defined benefit obligation | 7.5 years | 8.2 years |

## XXII. Equity

### (I) Share capital

Common stock

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Number of shares authorized (in thousands) | 190,000 | 190,000 |
| Authorized Capital | $ 1,900,000 | $ 1,900,000 |
| Number of shares issued and fully paid (in thousand) | 144,496 | 144,496 |
| Issued capital stock | $ 1,444,960 | $ 1,444,960 |

### (II) Capital surplus

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Capital surplus which can be used to offset losses, to distribute cash dividends or to supply share capital (1) | | |
| Capital surplus from merger | $ 36,172 | $ 36,172 |
| Capital surplus which can only be used to offset losses | | |
| Dividends unclaimed by shareholders with claim period elapsed | 1,490 | 1,490 |
| Changes in ownership interests in subsidiaries (2) | 4,981 | 4,981 |
| | $ 42,643 | $ 42,643 |

1. Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital. However, the capital contributions shall be limited to a certain percentage of the paid-in capital each year.
2. This type of capital surplus represents the effect of equity transactions recognized for changes in the Company's equity when the Company has not actually acquired or disposed of shares in a subsidiary or adjustments to the capital surplus recognized by the equity method for the Company's subsidiaries.

### (III) Retained earnings and dividend policy

The Company's shareholders' meeting on June 8, 2022 resolved to amend the Articles of Incorporation. The Board of Directors is authorized to resolve, with at least two-thirds of the directors present and the consent of a majority of the directors, that all or part of the dividends and bonuses, capital surplus or legal reserve to be distributed shall be paid in cash and reported to the shareholders' meeting.

According to the earnings distribution policy under the Company’s Articles of Incorporation before the amendment, if there is a profit in the Company's annual final accounts, it shall first pay tax and make up for the accumulated losses of the past years, and then appropriate 10% as the legal reserve. Meanwhile, the special reserve shall be appropriated or reversed in accordance with laws. If there is any surplus, the remaining balance, plus the accumulated undistributed earnings in previous years, shall be distributed based on the distribution proposal drafted by the Board of Directors and resolved by a shareholders’ meeting. For the policy of employee remuneration estimation and distribution, please refer to Note 24(6) Employee Remuneration.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company’s paid-in capital. The legal reserve may be used to offset deficits. If he Company suffers no loss, the amount of legal reserve in excess of 25% of the paid-in capital may be appropriated as the share capital and distributed in cash.

When special reserve is provided for the net decrease in other equity accumulated in prior periods, only the undistributed earnings of prior periods are provided for.

The Company’s industry is now in a stable growth stage, and its capital requirements have been eased; as a result, the Company will endeavor to return operating results to its shareholders in the future. In order to balance the Company's business development, capital and financial status, capital expansion and shareholders' equity, the Company's dividend policy will adopt the principle of combining stock dividends and cash dividends, of which the cash dividend ratio shall be no less than 10% of the dividends distributed for the year.

The appropriations of earnings for 2022 and 2021 approved in the annual general meetings of the Company held on June 16, 2023 and June 8, 2022 respectively are stated as follows:

| | Appropriation of earnings | | Dividends per share (NTD) | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | $ 57,249 | $ 55,028 | | |
| Cash dividends | 520,186 | 505,736 | $ 3.6 | $ 3.5 |

The 2023 earnings distribution and dividend per share proposed by the Board of Directors on March 13, 2024 are as follows:

| | Appropriation of earnings | Dividends per share ($) |
|---|---|---|
| Legal reserve | $ 48,748 | |

| | | |
|---|---|---|
| Cash dividends | 433,488 | $ 3.0 |

The 2023 earnings distribution proposal is still pending a resolution at the shareholders' meeting to be held on June 18, 2024.

(IV) Others equity

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Exchange differences on translation of foreign operation's financial statements | ($ 150,070) | ($ 119,944) |
| Unrealized valuation gains/loss from financial assets measured at fair value through other comprehensive income | 1,007,678 | 1,065,108 |
| | $ 857,608 | $ 945,164 |

1. Exchange differences on translating foreign operation's financial statements

Exchange differences arising from the translation of the net assets of foreign operations from their functional currency into the presentation currency of the Group ("NTD") are recognized directly as exchange differences on translating the financial statements of foreign operations under other comprehensive income. The accumulated exchange differences on translating the financial statements of foreign operations will be reclassified to profit or loss when the foreign operations are disposed of.

2. Unrealized gain/loss on financial assets at fair value through other comprehensive income

| | 2023 | 2022 |
|---|---|---|
| Balance – beginning of year | $ 1,065,108 | $ 1,424,803 |
| Generated in the current year | | |
| Unrealized gains or losses | | |
| Equity instruments | ( 57,430) | ( 359,695) |
| Other comprehensive income in the current year | ( 57,430) | ( 359,695) |
| Balance – end of year | $ 1,007,678 | $ 1,065,108 |

XXIII. Revenue

(I) Breakdown of revenue from contracts with customers

| Product type | 2023 | 2022 |
|---|---|---|
| Lease | $ 1,667,317 | $ 1,969,375 |
| Machine rental income, paper-based income, etc. | 612,362 | 599,757 |
| Multi-function printers, peripherals and consumables | 614,046 | 624,497 |
| | $ 2,893,725 | $ 3,193,629 |

| Region | 2023 | 2022 |
|---|---|---|
| Asia | $ 2,893,725 | $ 3,193,629 |

(II) Contract balance

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|---|---|---|---|
| Notes receivable (Note 9) | $ 53,220 | $ 65,769 | $ 69,427 |
| Accounts receivable (Note 9) | 90,127 | 85,156 | 88,761 |
| Lease payment receivable (Note 10) | 273,647 | 331,209 | 326,124 |
| | $ 416,994 | $ 482,134 | $ 484,312 |

XXIV. Net income

(I) Other income

| | 2023 | 2022 |
|---|---|---|
| Lease income | | |
| Lease income from operating leases – Investment property | $ 14,322 | $ 16,103 |
| Dividend income | 142,064 | 181,359 |
| Miscellaneous income | 11,199 | 12,440 |
| | $ 167,585 | $ 209,902 |

(II) Other gains and losses

| | 2023 | 2022 |
|---|---|---|
| Financial assets mandatorily classified as at fair value through profit or loss | $ 9,230 | $ 14,042 |
| Loss from lease modification | ( 198) | - |
| Net foreign exchange gain (loss) | 88 | ( 608) |
| Others | ( 3,975) | ( 4,273) |
| | $ 5,145 | $ 9,161 |

(III) Finance costs

| | 2023 | 2022 |
|---|---|---|
| Interest on bank loans | $ 34,281 | $ 22,632 |
| Interest on lease liabilities | 422 | 341 |

| | | |
|---|---|---|
| Accrued interest on guarantee deposits | 52 | 32 |
| | $ 34,755 | $ 23,005 |

(IV) Depreciation and amortization

| | 2023 | 2022 |
|---|---|---|
| Property, plant and equipment | $ 1,118,997 | $ 1,174,652 |
| Right-of-use asset | 26,148 | 28,543 |
| Investment property | 3,541 | 3,541 |
| Intangible asset | 504 | 312 |
| | $ 1,149,190 | $ 1,207,048 |
| | | |
| Summary of depreciation by functions | | |
| Operating costs | $ 1,117,801 | $ 1,173,094 |
| Operating expenses | 27,344 | 30,101 |
| Non-operating expenses and losses | 3,541 | 3,541 |
| | $ 1,148,686 | $ 1,206,736 |
| | | |
| Summary of amortization by functions | | |
| Operating expenses | $ 504 | $ 312 |

(V) Employee benefit expense

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | $ 318,149 | $ 324,913 |
| Retirement benefit (Note21) | | |
| Defined contribution plans | 13,443 | 12,946 |
| Defined benefit plans | 1,917 | 1,219 |
| Total employee benefit expenses | $ 333,509 | $ 339,078 |
| | | |
| Summary by function | | |
| Operating expenses | $ 333,509 | $ 339,078 |

(VI) Remuneration to employees

According to the Company's Articles of Incorporation, the Company appropriates 1%~10% of the profit before tax before the distribution of employee remuneration for the current year as the employee remuneration. The remuneration of employees for the years 2022 and 2021 were resolved by the Board of Directors on March 10, 2023 and March 14, 2022, respectively, as follows:

Estimated ratio

| | 2023 | 2022 |
|---|---|---|

| | 2023 | 2022 |
|---|---|---|
| Remuneration to employees | 1% | 1% |

Amount

| | 2023 | 2022 |
|---|---|---|
| Remuneration to employees | $ 5,393 | $ 6,166 |

If there is any change in the annual consolidated financial statements after the date of adoption, the change in accounting estimate will be treated as an adjustment in the following year.

There is no difference between the actual amount of employee remuneration distributed in 2022 and 2021 and the amount recognized in 2022 and 2021 consolidated financial statements.

Information on the remuneration to employees by the Company's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

XXV. Income Tax

(I) Major components of tax expense (gain) recognized under profit or loss

| | 2023 | 2022 |
|---|---|---|
| Current tax | | |
| Tax expense generated in the current year | $ 99,555 | $ 105,503 |
| Income tax adjustments on prior years | ( 200 ) | ( 838 ) |
| Surtax on undistributed retained earnings | 146 | 279 |
| | 99,501 | 104,944 |
| Deferred income tax | | |
| Tax expense generated in the current year | 1,469 | 1,743 |
| Income tax expense recognized in profit or loss | $ 100,970 | $ 106,687 |

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

| | 2023 | 2022 |
|---|---|---|
| Net income before income tax | $ 611,333 | $ 690,483 |
| | | |
| Income tax expense calculated at the statutory rate | $ 122,267 | $ 138,096 |
| Nondeductible expenses in determining taxable income | 2,582 | 265 |
| Tax-exempt income | ( 28,414) | ( 36,275) |
| Effect of different tax rates of entities in the Group operating in other jurisdictions | 4,611 | 5,015 |
| Adjustments for prior years' tax in the current year | ( 200) | ( 838) |
| Surtax on undistributed retained earnings | 146 | 279 |
| Unrecognized deductible temporary differences | ( 22) | 145 |
| Income tax expense recognized in profit or loss | $ 100,970 | $ 106,687 |

The tax rate applicable to the subsidiaries in the PRC is 25%.

(II) Income tax expense recognized in other comprehensive income

| | 2023 | 2022 |
|---|---|---|
| Deferred income tax | | |
| Remeasurement of defined benefit plans in respect of the current year | ($ 702) | $ 2,828 |

(III) Current tax liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current tax liabilities | | |
| Income tax payables | $ 41,633 | $ 46,687 |

(IV) Deferred income tax assets and liabilities

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

2023

| Deferred income tax assets | Balance – beginning of year | Recognized in profit or loss | Recognized in other comprehensive income | Effects of exchange rate | Balance – end of year |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Deferred income | $ 17,651 | $ 895 | $ - | $ - | $ 18,546 |
| Allowance for losses | 5,459 | ( 1,770 ) | - | ( 64 ) | 3,625 |
| Allowance for inventory write-down | 681 | 29 | - | - | 710 |
| Leave payment payables | 85 | ( 55 ) | - | - | 30 |
| Book-tax difference in pensions | 1,324 | ( 589 ) | - | - | 735 |
| Defined benefit plans | 18,554 | - | 702 | - | 19,256 |
| Unrealized exchange losses | 50 | ( 18 ) | - | - | 32 |
| | $ 43,804 | ( $ 1,508 ) | $ 702 | ( $ 64 ) | $ 42,934 |

| Deferred income tax liabilities | Balance – beginning of year | Recognized in profit or loss | Recognized in other comprehensive income | Balance – end of year |
|---|---|---|---|---|
| Temporary differences | | | | |
| Lease receivables | $ 1,601 | ( $ 39 ) | $ - | $ 1,562 |

2022

| Deferred income tax assets | Balance – beginning of year | Recognized in profit or loss | Recognized in other comprehensive income | Effects of exchange rate | Balance – end of year |
|---|---|---|---|---|---|
| Temporary differences | | | | | |
| Deferred income | $ 19,897 | ( $ 2,246 ) | $ - | $ - | $ 17,651 |
| Allowance for losses | 3,964 | 1,444 | - | 51 | 5,459 |
| Allowance for inventory write-down | 689 | ( 8 ) | - | - | 681 |
| Leave payment payables | 51 | 34 | - | - | 85 |
| Book-tax difference in pensions | 2,093 | ( 769 ) | - | - | 1,324 |
| Defined benefit plans | 21,382 | - | ( 2,828 ) | - | 18,554 |
| Unrealized exchange losses | 72 | ( 22 ) | - | - | 50 |
| | $ 48,148 | ( $ 1,567 ) | ( $ 2,828 ) | $ 51 | $ 43,804 |

| Deferred income tax liabilities | Balance – beginning of year | Recognized in profit or loss | Recognized in other comprehensive income | Balance – end of year |
|---|---|---|---|---|
| Temporary differences | | | | |
| Lease receivables | $ 1,425 | $ 176 | $ - | $ 1,601 |

(V) Amount of temporary differences in unrecognized deferred income tax liabilities related to investments

As of December 31, 2022 and 2021, the taxable temporary differences related to the investment in subsidiaries not recognized as deferred income tax liabilities amounted to NT$84,439 thousand and NT$75,071 thousand, respectively.

(VI) Income tax assessment

The corporate income tax of the Company and its subsidiaries have been assessed by the Tax Authorities. There is no difference between the assessment result and the filing. The assessment years are as follows.

| | Assessment year |
|---|---|
| The Company | 2021 |
| Aurora Leasing Company | 2021 |

## XXVI. Earnings per Share

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

Net income for the period

| | 2023 | 2022 |
|---|---|---|
| Net income attributable to owners of the Company | $ 490,289 | $ 561,175 |

Number of shares

Unit: Thousands of shares

| | 2023 | 2022 |
|---|---|---|
| Weighted average number of common shares used for calculation of basic earnings per share | 144,496 | 144,496 |
| Effect of potentially dilutive common shares: | | |
| Remuneration to employees | 128 | 153 |
| Weighted average number of common shares used for calculation of diluted earnings per share | 144,624 | 144,649 |

If the Company chooses to offer employee compensation or share profits in the form of cash or stock, while calculating diluted earnings per share, and assuming that the compensation is paid in the form of stock, the dilutive potential common shares will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The dilutive effect of such potential common shares shall continue to be considered when calculating diluted earnings per share before the number of shares to be distributed as employee compensation is approved in the following year.

## XXVII. Cash flow information

### (I) Non-cash transactions

The investing activities transactions of the consolidated company's purchase of property, plant and equipment in 2023 and 2022 that affect both cash and non-cash items are as follows:

| | 2023 | 2022 |
|---|---|---|
| Payments for property, plant and equipment | $ 1,033,648 | $ 1,008,859 |
| Add: Decrease (increase) in payables for equipment (recognized as accounts payable - related parties) | ( 898 ) | 5,768 |
| Cash paid for acquisition of property, plant and equipment | $ 1,032,750 | $ 1,014,627 |
| Inventories transferred to property, plant and equipment | $ 322,380 | $ 268,786 |
| Property, plant and equipment transferred to inventories | $ 8,005 | $ 5,653 |

### (II) Changes in liabilities from financing activities

2023

| | January 1, 2023 | Cash flow | Non-cash flow changes: New leasehold | Non-cash flow changes: Interest expenses | Non-cash flow changes: Others | December 31, 2023 |
|---|---|---|---|---|---|---|
| Short-term borrowings | $ 650,000 | $ 580,000 | $ - | $ - | $ - | $ 1,230,000 |
| Short-term notes and bills payable | 879,759 | ( 879,759 ) | - | - | - | - |
| Long-term borrowings | 740,000 | 359,965 | - | - | - | 1,099,965 |
| Guarantee deposits | 287,120 | ( 42,264 ) | - | - | - | 244,856 |
| Lease liabilities | 37,645 | ( 26,279 ) | 28,350 | 422 | ( 4,908 ) | 35,230 |
| | $ 2,594,524 | ( $ 8,337 ) | $ 28,350 | $ 422 | ( $ 4,908 ) | $ 2,610,051 |

2022

| | January 1, 2022 | Cash flow | Non-cash flow changes: New leasehold | Non-cash flow changes: Interest expenses | Non-cash flow changes: Others | December 31, 2022 |
|---|---|---|---|---|---|---|
| Short-term borrowings | $ 1,600,024 | ( $ 950,024 ) | $ - | $ - | $ - | $ 650,000 |
| Short-term notes and bills payable | 79,995 | 799,764 | - | - | - | 879,759 |
| Long-term borrowings | 500,000 | 240,000 | - | - | - | 740,000 |
| Guarantee deposits | 318,328 | ( 31,208 ) | - | - | - | 287,120 |
| Lease liabilities | 53,226 | ( 28,907 ) | 13,326 | 341 | ( 341 ) | 37,645 |
| | $ 2,551,573 | $ 29,625 | $ 13,326 | $ 341 | ( $ 341 ) | $ 2,594,524 |

XXVIII. Capital risk management

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

The management reviews the capital structure of the Group from time to time in light of the economic environment and business considerations. According to the management's opinions and statutory requirements, the Group balances the overall capital structure through the payment of dividends, issuance of shares, and financing.

XXIX. Financial instruments

(I) Information on fair value

1. Financial instruments not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities not measured at fair value are close to their fair value.

2. Financial instruments measured at fair value on a recurring basis

The following financial instruments of the Group have an observable level of fair value in Level 1.

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial assets measured at fair value through other comprehensive income | | |
| Investments in equity instruments | | |
| - Domestic listed securities | $ 2,297,211 | $ 2,354,641 |

There were no transfers between Level 1 and Level 2 fair value measurements in 2023 and 2022.

(II) Types of financial instruments

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial assets | | |
| Financial assets at amortized cost (Note 1) | $ 1,748,895 | $ 1,635,234 |
| Financial assets measured at fair value through other comprehensive income – investments in equity instruments | 2,297,211 | 2,354,641 |
| Financial liabilities | | |
| Measured at amortized cost (Note 2) | 2,834,984 | 2,781,564 |

Note 1: The balances include cash, financial assets at amortized cost-current, receivables (excluding lease payments), other receivables, refundable deposits, and other financial assets at amortized cost.

Note 2: The balance includes short-term loans, short-term notes and bills payable, accounts payable, other payables (excluding employee benefits payable and business tax payable), long-term loans, guarantee deposits received, and other financial liabilities measured at amortized cost.

(III) Financial risk management objectives and policies

The main financial instruments of the Group include equity instrument investments, Accounts receivable, accounts payable, loans, and lease liabilities. The financial management department of the Group provides services to each business division, coordinates domestic and international market operations, supervises and manages financial risks related to the operation of the Group by analyzing the internal risk reports of the risks according to the level and scope of risks. Such risk includes market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk.

1. Market risk

The main financial risks the Group is exposed to in the business activities are foreign exchange risk, interest rate risk and other price risk.

Market risk in relation to the Group’s financial instruments and its management and measurement approaches remain unchanged.

(1) Exchange risk

For the monetary assets and liabilities of the Group denominated in non-functional currencies on the balance sheet date (includes monetary items offset in the consolidated financial statements that are not denominated in functional currency), please refer to Note 34.

Sensitivity analysis

The Group is mainly impacted by the exchange rate fluctuations in USD.

The following sensitivity analysis shows that when the exchange rate of NTD (the functional currency) appreciates by 3% against each relevant foreign currency in 2023 and 2022, exchange losses/gains will arise from the monetary amount of financial assets/liabilities and thereby result in decrease/increase in the net profit before tax. When the exchange rate depreciates, its impact on the net profit before tax is the same amount in the reverse. Said 3% is the sensitivity rate used when the consolidated company reports exchange rate risk to the consolidated company's key management, and also represents management's assessment on the reasonable and possible range of changes in foreign currency exchange rates.

| | Impact of USD | |
|---|---|---|
| | 2023 | 2022 |
| Gain or loss | ($ 116) | ($ 612) |

The effect of the above gains and losses mainly resulted from the valuation of U.S. dollar-denominated demand deposits and purchase loans that were outstanding and not cash flow hedged at the balance sheet date of the Consolidated Company. The consolidated company's sensitivity to the U.S. dollar exchange rate decreased during the year, mainly due to the increase in net assets held in U.S. dollars.

(2) Interest rate risk

The carrying amounts of financial assets and financial liabilities of the Group exposed to interest rate risk on the balance sheet date are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Fair value interest rate risk | | |
| - Financial liabilities | $ 35,230 | $ 917,404 |
| Cash flow interest rate risk | | |
| - Financial assets | 1,540,893 | 1,413,237 |
| - Financial liabilities | 1,099,965 | 740,000 |

Sensitivity analysis

The sensitivity analysis below is prepared based on the risk exposure of non-derivative instruments to the interest rates at balance sheet date. The rate of change adopted is 25 basis points increase/decrease in the interest rate, which also represents the management's assessment on the reasonably possible scope of the interest rate.

If interest rates increase/decrease by 25 base points, with all other variables remaining unchanged, the consolidated company's net profit before tax would increase/decrease by NT$1,102 thousand and NT$1,683 thousand in 2023 and 2022, respectively, mainly due to the exposure to interest rate risk on demand deposits and long-term borrowings of the consolidated company.

(3) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities.

Sensitivity analysis

The following sensitivity analysis was performed based on the risk exposure of equity prices as of the balance sheet date.

If the equity price increases/decreases by 5%, other comprehensive income before tax would increase/decrease by NT$114,861 thousand and NT$117,732 thousand in 2023 and 2022, respectively, due to the change in fair value of financial assets at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to risk that causes the financial loss of the Company due to a counterparty's delay in performing contractual obligations. As of the balance sheet date, the Group's largest credit risk exposure from a counterparty's failure to fulfill obligations came from the carrying amount of financial assets recognized in the consolidated balance sheets.

The Group uses obtainable financial information and past transaction records to grade main customers while monitoring its credit risk exposure and credit ratings of the counterparties constantly.

The Group's credit risk is not concentrated in the Group's major customers, except for related parties.

3. Liquidity risk

The Group supports the operations and reduces the impact of fluctuating cash flows by managing and maintaining sufficient cash and cash equivalents. The management of the Group supervises the use of the credit line from banks and ensures compliance with the terms of the loan contracts.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to repay.

December 31, 2023

| | Weighted average effective rate (%) | Payment on sight or within 1 month | 1–3 months | 3–12 months | 1–5 years |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Zero-interest-bearing liabilities | | $ 60,396 | $ 194,509 | $ 6,006 | $ 244,108 |
| Lease liabilities | | 1,613 | 3,196 | 12,988 | 18,099 |
| Variable-rate instruments | 1.565% | - | - | - | 1,099,965 |
| Instruments with fixed interest rates | 1.552% | 1,080,000 | 150,000 | - | - |
| | | $ 1,142,009 | $ 347,705 | $ 18,994 | $ 1,362,207 |

December 31, 2022

| | Weighted average effective rate (%) | Payment on sight or within 1 month | 1–3 months | 3–12 months | 1–5 years |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Zero-interest-bearing liabilities | | $ 21,301 | $ 202,195 | $ 1,189 | $ 287,120 |
| Lease liabilities | | 2,342 | 4,440 | 17,252 | 13,896 |
| Variable-rate instruments | 1.06% | - | - | - | 740,000 |
| Instruments with fixed interest rates | 1.01% | 499,871 | 729,888 | 300,000 | - |
| | | $ 523,514 | $ 936,523 | $ 318,441 | $ 1,041,016 |

Line of credit

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Unsecured bank line | | |
| - Amount utilized | $ 1,864,285 | $ 1,875,959 |
| - Amount not utilized | 4,265,715 | 4,157,041 |
| | $ 6,130,000 | $ 6,033,333 |
| Secured bank line | | |
| - Amount utilized | $ 500,000 | $ 440,000 |
| - Amount not utilized | - | 60,000 |
| | $ 500,000 | $ 500,000 |

## XXX. Related party transactions

Transactions, balances, gains and losses between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are, therefore, not disclosed in this note. Details of transactions between the Group and its related parties are disclosed below.

(I) Names and relations of related parties

| Name of related parties | Relationship with the Group |
| --- | --- |
| Aurora Corporation (Aurora) | Investor of significant influence |
| Aurora Development Corp. (Aurora Development) | Other related parties |
| Aurora Holdings Incorporated (Aurora Holdings) | Other related parties |
| Aurora Telecom Corporation (Aurora Telecom) | Other related parties |
| Aurora Office Automation Corporation (Aurora Office Automation) | Other related parties |
| Aurora Office Automation Sales Co., Ltd. Shanghai (AOA) | Other related parties |
| Aurora Home Furniture Co., Ltd. (Aurora Home) | Other related parties |
| Aurora Museum | Other related parties |
| Aurora Office Equipment Co., Ltd. Shanghai (AOE) | Other related parties |
| Aurora (China) Co., Ltd. (AOF) | Other related parties |
| General Integration Technology Co., Ltd. (General Integration) | Other related parties |
| KM Developing Solutions Co., Ltd. (KM Developing) | Other related parties |
| Aurora (Jiangsu) Enterprise Development Co., Ltd. (Aurora Jiangsu) | Other related parties |
| Aurora Interior Design Co., Ltd. (Aurora Interior Design) | Other related parties |
| Chen Yung Tai Sustainability Foundation (formerly AURORA Sustainability Foundation) (Sustainability Foundation) | Other related parties |

(II) Operating income

| Type/name of related parties | 2023 | 2022 |
| --- | --- | --- |
| Other related parties | $ 2,653 | $ 4,143 |
| Investor of significant influence | 820 | 797 |
| | $ 3,473 | $ 4,940 |

Sales by the Group to related parties are made based on the market price, with payments collected within 1-2 month.

(III) Purchase

| Type/name of related parties | 2023 | 2022 |
| --- | --- | --- |
| AOA | $ 212,029 | $ 389,593 |
| Investor of significant influence | 5,822 | 5,947 |
| Other related parties | 87 | 2,684 |
| | $ 217,938 | $ 398,224 |

Purchases (including paper-based cost) from related parties are made based on the market price, with payments made in cash within 1–4 months.

(IV) Operating expenses

| Type/name of related parties | 2023 | 2022 |
|---|---|---|
| Aurora | $ 73,122 | $ 71,883 |
| AOA | 52,229 | 57,221 |
| Other related parties | 9,773 | 709 |
| | $ 135,124 | $ 129,813 |

Operating expenses represent expenses paid to related parties for logistics management, commissions paid to business intermediaries, marketing expenditures of operational consulting and service fees.

(V) Lease agreements

Assets for operating leases

The operating lease receivables are summarized as follows:

| Type/name of related parties | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Investor of significant influence | $ - | $ 35 |

The total lease payments to be received in the future are as follows:

| Type/name of related parties | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Investor of significant influence | $ - | $ 2,200 |
| Other related parties | 110 | 230 |
| | $ 110 | $ 2,430 |

Lease incomes are summarized as follows:

| Type/name of related parties | 2023 | 2022 |
|---|---|---|
| Investor of significant influence | $ 600 | $ 2,404 |
| Other related parties | 120 | 120 |
| | $ 720 | $ 2,524 |

The Group leases the right of use of office spaces to related parties under operating leases. The rents are charged based on the standard rates of similar assets, and the fixed lease payments are received on a monthly basis in accordance with the lease agreements.

(VI) Receivables from related parties

| Accounting subject | Type/name of related parties | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Accounts receivable | Other related parties | $ 55 | $ 188 |
| | Investor of significant influence | 4 | 13 |
| | | $ 59 | $ 201 |
| Lease receivables | Aurora | $ 37,325 | $ 38,791 |
| | Aurora Office Automation | 24,071 | 23,923 |
| | Other related parties | 27 | 13 |
| | | $ 61,423 | $ 62,727 |
| Other receivables | Other related parties | $ 1,111 | $ 891 |
| | Investor of significant influence | 563 | 1,463 |
| | | $ 1,674 | $ 2,354 |

The above other receivables represent the receivables from the disposal of the used copiers and multi-function printers to related parties.

(VII) Payables to related parties

| Accounting subject | Type/name of related parties | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Accounts payable | Aurora | $ 56,034 | $ 55,444 |
| | Aurora Office Automation | 35,991 | 37,322 |
| | | $ 92,025 | $ 92,766 |
| Other payables | Investor of significant influence | $ 5,156 | $ 5,057 |
| | AOA | 3,972 | 4,754 |
| | | $ 9,128 | $ 9,811 |

The above accounts payable were mainly generated from the Group's purchase of assets from related parties for use in operating and capital leases.

(VIII) Acquisition of property, plant, and equipment

| Type/name of related parties | 2023 | 2022 |
|---|---|---|
| AOA | $ 485,738 | $ 498,681 |
| Aurora | 340,903 | 321,743 |
| Aurora Office Automation | 220,248 | 206,506 |
| | $ 1,046,889 | $ 1,026,930 |

The Group purchased assets from related parties for operating and financing leases, and payments are made within 2–4 months from the month of purchase; the transaction prices are based on the market price.

(IX) Disposal of property, plant and equipment

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Disposal proceed | Disposal loss | Disposal proceed | Disposal loss |
| AOA | $ 59,707 | ($ 146,170) | $ 55,049 | ($ 177,426) |
| Aurora | 27,364 | ( 7,300) | 24,683 | ( 12,026) |
| Aurora Office Automation | 23,263 | ( 5,696) | 20,010 | ( 5,011) |
| | $ 110,334 | ($ 159,166) | $ 99,742 | ($ 194,463) |

The transactions listed above are based on the market price. Most of the prices are collected within 1~2 months.

(X) Lease agreements

| Type/name of related parties | 2023 | 2022 |
|---|---|---|
| Acquisition of right-of-use assets | | |
| Aurora Holdings | $ 12,227 | $ 968 |
| Investor of significant influence | 1,820 | - |
| | $ 14,047 | $ 968 |

| Accounting subject | Type/name of related parties | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Lease liabilities – current | Aurora Holdings | $ 4,058 | $ 9,401 |
| | Investor of significant influence | 601 | 42 |
| | | $ 4,659 | $ 9,443 |
| Lease liabilities – non-current | Aurora Holdings | $ 6,213 | $ - |
| | Investor of significant influence | 972 | - |
| | | $ 7,185 | $ - |

| Type/name of related parties | 2023 | 2022 |
|---|---|---|
| Interest expenses | | |
| Aurora Holdings | $ 118 | $ 101 |
| Investor of significant influence | 12 | 1 |
| | $ 130 | $ 102 |

The consolidated company rented offices from related parties in 2023 and 2022, respectively, for the lease term of 3 years. The rent was paid on a monthly basis, and based on the terms and conditions with no significant different from those of the general customers.

(XI) Others

The balances of refundable deposits from related party transactions as of the balance sheet date are as follows:

| Accounting subject | Type/name of related parties | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Refundable deposits | Other related parties | $ 2,322 | $ 1,642 |
| Guarantee deposits | Other related parties | $ 21 | $ 21 |
| | Investor of significant influence | - | 566 |
| | | $ 21 | $ 587 |

(XII) Remuneration to the management

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | $ 12,401 | $ 13,874 |
| Retirement benefits | 373 | 457 |
| | $ 12,774 | $ 14,331 |

The remuneration to directors and the management is determined by the Remuneration Committee based on personal performances and market trends.

## XXXI. Pledged assets

The following assets of the Group have been provided for banks as collateral for loans:

| | Contents | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Investment property | Land, houses and buildings | $ 228,458 | $ 231,999 |
| Investments accounted for using the equity method | 8,400 thousand shares of Aurora Leasing (Note) | $ 179,845 | $ 183,056 |

Note: The shares have been offset due to consolidapion.

## XXXII. Significant contingent liabilities and unrecognized contract commitments

In addition to those disclosed in other Notes, information on significant commitments and contingent liabilities on the balance sheet date is as follows:

(I) As of December 31, 2023 and 2022, the Consolidated Company had unused letters of credit amounting to US$721 thousand and US$998 thousand, respectively. The performance bonds issued by financial institutions in favor of the consolidated company amounted to NT$11,700 thousand and NT$12,270 thousand, respectively.

(II) As of December 31, 2023 and 2022, the total amount of guaranteed notes issued by the consolidated company to financial institutions to meet short-term notes and bills and short-term and long-term borrowing lines was NT$6,030,000 thousand.

(III) Significant contracts of the Group are disclosed as follows:

| Type of contract | Contracting party | Contract duration Date | Contract content | Restrictions |
|---|---|---|---|---|
| Long-term supply/sales contracts | Ricoh Asia Pacific<br>Ricoh Taiwan | April 1, 2023~March 31, 2024 (Note) | Digital multi-function devices (Ricoh Asia Pacific); laser printers, projectors and other products (Ricoh Taiwan) | 1. Non-compete clauses are applied<br>2. Sales are only in Taiwan region |

Note: The term will be automatically extended for one year if no objection is raised by both parties.

XXXIII. Significant events after the balance sheet date: None.

XXXIV. Assets and liabilities denominated in foreign currencies with significant influence

The following information is aggregated by the foreign currencies other than the functional currency of the Group and the exchange rates between foreign currencies and the functional currency are disclosed. The significant impact on assets and liabilities denominated in foreign currencies is as follows:

| | December 31, 2023 | | |
|---|---|---|---|
| Foreign currency assets | Foreign currency | Exchange rate | NTD |
| Monetary items | | | |
| USD | $ 127 | 30.705 (USD:NTD) | $ 3,882 |

| | December 31, 2022 | | |
|---|---|---|---|
| Foreign currency assets | Foreign currency | Exchange rate | NTD |
| Monetary items | | | |
| USD | $ 666 | 30.710 (USD:NTD) | $ 20,405 |

Unrealized foreign exchange gains and losses that have significant impact are as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| Foreign currency | Exchange rate | Net unrealized foreign exchange gains (losses) | Exchange rate | Net unrealized foreign exchange gains (losses) |
| USD | 1：31.155(USD:NTD) | ( $ 159 ) | 1：29.805(USD:NTD) | ( $ 248 ) |

XXXV. Additional disclosures

(I) Significant transactions:

1. Financings provided to others: None.
2. Endorsement/guarantee provided to others: None.
3. Marketable securities held (excluding investments in subsidiaries): Please see Table 1.
4. Cumulative amount of the same marketable security purchased or sold reaching NT$300 million or more than 20% of the paid-in capital: See Table 2.
5. Acquisition amount of real estate reaching NT$300 million or more than 20% of the paid-in capital: None.
6. Amount on disposal of real estate reaching NT$300 million or more than 20% of the paid-in capital: None.
7. Purchase/sale amount of transactions with related parties reaching NT$100 million or more than 20% of the paid-in capital - Table 3.
8. Accounts receivable-related party reaching NT$100 million or more than 20% of the paid-in capital: None.
9. Information about the derivative financial instruments transaction: None.
10. Business Relationship and Circumstances of any Significant Transactions between the Parent and the Subsidiaries: Please see Table 4

(II) Information on the investment business: Please see Table 5.

(III) Information on investment in Mainland China:

1. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, shareholding, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 6.

2. Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: Please see Table 7.

(IV) Information on major shareholders: Names of shareholders with a shareholding ratio of more than 5%, number of shares held, and percentage: Table 8.

XXXVI. Segment information

(I) Segment revenues and business performance result

The information provided to the chief operating decision maker for allocating resources and evaluating departmental performance is focused on a company-specific measurement. The Group's reportable segments are Huxen Co., Ltd., Aurora Leasing Corporation. and Huxen (China) Co., Ltd.; each company is mainly engaged in the purchase, sale, import, repair and lease of multi-function printers, faxes and communication products.

The following was an analysis of the Group's revenue and business performance results from operations by reportable segment:

| | Huxen | Aurora Leasing | Huxen (China) | Elimination of inter-department revenue and profit or loss | Total |
|---|---|---|---|---|---|
| 2023 | | | | | |
| Revenues from external customers | $ 1,226,408 | $ 828,353 | $ 838,964 | $ - | $ 2,893,725 |
| Intersegment revenues | 202,790 | - | - | ( 202,790 ) | - |
| Total revenues | $ 1,429,198 | $ 828,353 | $ 838,964 | ($ 202,789 ) | $ 2,893,725 |
| Segment profits(losses) | $ 533,825 | $ 257,081 | $ 92,221 | ($ 271,794 ) | $ 611,333 |
| 2022 | | | | | |
| Revenues from external customers | $ 1,224,254 | $ 835,886 | $ 1,133,489 | $ - | $ 3,193,629 |
| Intersegment revenues | 191,382 | - | - | ( 191,382 ) | - |
| Total revenues | $ 1,415,636 | $ 835,886 | $ 1,133,489 | ($ 191,382 ) | $ 3,193,629 |
| Segment profits(losses) | $ 610,376 | $ 287,550 | $ 100,300 | ($ 307,743 ) | $ 690,483 |

Interdepartmental sales are based on market prices.

(II) Segment total assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Huxen | $ 2,014,246 | $ 2,030,723 |
| Aurora Leasing | 3,101,844 | 3,143,787 |
| Huxen (China) | 2,568,496 | 2,591,369 |
| Total consolidated assets | $ 7,684,586 | $ 7,765,879 |

Huxen Corporation and Subsidiaries

Marketable securities held at end of period

December 31, 2023

Table 1

Unit: NTD in Thousand/Thousand Shares

| Holding company | Type and name of marketable securities | Relationship with issuer of securities | Accounting subject | End of the period | | | | Remark |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares (in thousand shares or thousand units) | Carrying amount | Shareholding % | Fair value (Note 1) | |
| Huxen Corporation | Share | | | | | | | |
| | Aurora Corporation | Company with investment in the Company measured by the equity method | Financial assets at fair value through other comprehensive income – current | 9,435 | $ 717,074 | 3.99 | $ 717,074 | |
| Aurora Leasing Corporation | Share | | | | | | | |
| | Aurora Corporation | Aurora uses the equity method to evaluate its investment in the Company. Aurora Leasing Corporation is a subsidiary of the Company. | Financial assets at fair value through other comprehensive income – current | 12,610 | 958,351 | 5.34 | 958,351 | |
| | | | Financial assets at fair value through other comprehensive income – noncurrent | 8,181 | 621,786 | 3.46 | 621,786 | |
| Huxen (China) Co., Ltd. | Industrial Bank – large-denomination certificate of deposit | None | Financial assets at amortized cost – current | - | 237,895 | - | 237,895 | |
| | China Minsheng Bank large-denomination certificate of deposit | None | Financial assets at amortized cost – current | - | 231,147 | - | 231,147 | |
| | Cathay United Bank — large-denomination certificate of deposit | None | Financial assets at amortized cost – current | - | 223,309 | - | 223,309 | |
| | Bank SinoPac — large-denomination certificate of deposit | None | Financial assets at amortized cost – current | - | 354,074 | - | 354,074 | |

Note 1: It refers to the market price in the public market price, and refers to the closing price on December 31, 2023, in the case of stocks, while the fair value of wealth management products is valued based on the discounted cash flow.

Note 2: For information on investments in subsidiaries, please refer to Tables 5 and 6.

Huxen Corporation and Subsidiaries

Cumulative amount of the same marketable security purchased or sold reaching NT$300 million or more than 20% of the paid-in capital

January 1~December 31, 2023

Table 2

Unit: NTD in Thousands /Thousand Shares (unless stated otherwise)

| Company name | Type and name of marketable securities | Accounting subject | Counterparty | Relationship | Transaction currency | Beginning of period | | Reclassification of period | | Purchase | | Sale | | | | Increase/decrease of period | | End of the period | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Number of shares (in thousand shares or thousand units) | Amount | Number of shares (in thousand shares or thousand units) | Amount | Number of shares (in thousand shares or thousand units) | Amount | Number of shares (in thousand shares or thousand units) | Price | Carrying cost | Gains (losses) on disposal | Number of shares (in thousand shares or thousand units) | Amount | Number of shares | Amount |
| Huxen (China) Co., Ltd. | Liduoduo Stable Yield Structured Deposit | Financial assets at fair value through profit or loss – current | Shanghai Pudong Development Bank | None | RMB | - | $ - | - | $ - | - | $ 120,000 | - | $ 120,750 | $ 120,000 | $ 750 | - | $ - | - | $ - |
| | Structured deposits | Financial assets at fair value through profit or loss – current | Industrial Bank | None | RMB | - | - | - | - | - | 200,000 | - | 201,128 | 200,000 | 1,128 | - | - | - | - |

Huxen Corporation and Subsidiaries

Total purchases from or sales to related parties amounting to at least $100 million or 20% of the paid-in capital

January 1~December 31, 2023

Table 3 Unit: NTD in Thousands

| Company name | Counterparty | Relationship | Transaction situation | | | | Unusual transaction terms and reasons | | Notes and Accounts receivable (payable) | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases (Sales) | Amount | Percentage of total purchases (sales) (%) | Credit period | Unit price | Credit period | Balance | Percentage of Notes and Accounts receivable (payable) (%) (Note 6) | |
| Huxen Corporation | Aurora Leasing Corporation | Subsidiary | Sales | ( $ 202,789 ) | 14% | In principle, payments shall be collected in cash in next month. | Transaction prices are based on market conditions; hence there is no material difference. | In principle, payments shall be collected in cash in next month. | $ 33,747 | 19% | Note 7 |
| Aurora Leasing Corporation | Huxen Corporation | Subsidiary | Purchase | 202,789 | Note 1 | In principle, purchase payments shall be paid in cash in next month. | Transaction prices are based on market conditions; hence there is no material difference. | In principle, purchase payments shall be paid in cash in next month. | ( 33,747 ) | ( 27% ) | Note 7 |
| 〃 | Aurora Corporation | Company using the equity method for the investment in the Company | Purchase | 340,490 | Note 2 | 〃 | 〃 | 〃 | ( 55,773 ) | ( 44% ) | |
| 〃 | Aurora Office Automation Corporation | Subsidiary of Aurora Corporation | Purchase | 220,248 | Note 3 | 〃 | 〃 | 〃 | ( 35,991 ) | ( 29% ) | |
| Huxen (China) Co., Ltd. | Aurora Office Automation Sales Co., Ltd. | Sub-sub-sub-subsidiary of Aurora Corporation | Purchase | 485,738 | Note 4 | In principle, purchase payments shall all be paid within 4 months. | Transaction prices are based on market conditions; hence there is no material difference. | In principle, purchase payments shall all be paid within 4 months. | - | - | |
| 〃 | 〃 | 〃 | Purchase | 212,029 | Note 5 | 〃 | 〃 | 〃 | - | - | |

Note 1: The goods sold by the Company to Aurora Leasing Corporation. were recognized as property, plant and equipment by Aurora Leasing Corporation.

Note 2: The goods sold by Aurora Co., Ltd to Aurora Leasing Corporation. were recognized as property, plant and equipment by Aurora Leasing Corporation.

Note 3: The goods sold by Aurora Office Automation Corporation to Aurora Leasing Corporation were recognized as property, plant and equipment by Aurora Leasing Corporation.

Note 4: The goods sold by Aurora Office Automation Sales Co., Ltd. to Huxen (China) Co., Ltd. were recognized as property, plant and equipment by Huxen (China) Co., Ltd.

Note 5: The goods sold by Aurora Office Automation Sales Co., Ltd. to Huxen (China) Co., Ltd. were recognized as service cost by Huxen (China) Co., Ltd.

Note 6: The above percentage is calculated based on the ratio of the balance of notes and Accounts receivable (payable) with related parties to the balance of investee companies' notes and Accounts receivable (payable).

Note 7: When preparing the consolidated financial statements, the amounts were offset due to consolidation.

Huxen Corporation and Subsidiaries

Business Relationship and Circumstances of any Significant Transactions between the Parent and the Subsidiaries

January 1~December 31, 2023

Table 4

Unit: NTD in Thousands

| Number | Company name | Counterparty | Relationship | Transaction details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Accounting subject | Amount (Note) | Transaction terms | Percentage to consolidated total revenue or total assets |
| 0 | Huxen Corporation | Aurora Leasing Corporation | Subsidiary of the company | Sales revenue | $ 202,790 | Transaction prices are based on market conditions; hence there is no material difference. | 7% |
| | | | | Other income | 8,071 | Transaction prices are based on market conditions; hence there is no material difference. | - |
| | | | | Purchase | 33,677 | In principle, purchase payments shall be paid within 2 months. | 1% |
| | | | | Accounts receivable | 33,747 | In principle, payments shall be paid in cash in next month. | 1% |
| | | | | Accounts payable | 1,225 | In principle, payments shall be paid in cash in next month. | - |

Note: The above transactions have been offset due to consolidation when preparing the consolidated financial statements.

Huxen Corporation and Subsidiaries

Information on investee companies, locations thereof etc.

January 1~December 31, 2023

Table 5

Unit: NTD in Thousands

| Name of investor | Name of investee | Location | Main business activities | Initial investment amount | | Ending balance | | | Profit (loss) of investee for the period | Investment profit (loss) recognized for the period | Distribution of dividends by investee for the period | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance for the current period | Ending balance for the previous period | Number of shares | Ratio % | Carrying amount | | | Stock dividends | Cash dividends | |
| Huxen Corporation | Aurora Leasing Corporation | Taiwan, R.O.C. | (1) Import, export, lease and repair of multi-function printers; (2) The re-leasing business of the foregoing products; (3) Import and export of toner, metal powders, cards, rollers, and papers. | $ 865,491 | $ 865,491 | 119,237 | 100 | $2,552,878 | $ 224,954 | $ 224,954 | $ - | $ 226,550 | Subsidiary |

Note: The amounts have been offset due to consolidation.

Huxen Corporation and Subsidiaries

Investment in Mainland China

January 1~December 31, 2023

Table 6

1. Name of the investee company in Mainland China, main businesses, paid-in capital, investment method, capital remittance, shareholding ratio, investment gain or loss, carrying amounts of investment, and remittance of investment gain or loss:

Unit: NTD in Thousands, RMB thousand or USD thousand

| Investee company in mainland china | Main business activities | Paid-in capital | Method of investment | Accumulated outward remittance for investment from Taiwan as of the beginning of the period | Remittance of funds | | Accumulated outward remittance for investment from Taiwan as of the end of the period | Net income of investee of the period | Percentage of direct or indirect investment held by the Company (%) | Investment gains/losses recognized for the period (Note 2) | Carrying amount as of the end of the period | Accumulated repatriation of investment income to Taiwan as of the end of the period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | |
| Huxen (China) Co., Ltd. | Sales, repair services and leasing of multi-function printers | $ 1,922,054 ( RMB$ 400,000 ) | Note 1 (I) | $ 1,339,010 ( US$ 2,885 RMB$ 262,000 ) | $ - | $ - | $ 1,339,010 ( US$ 2,885 RMB$ 262,000 ) | $ 66,914 | 70 | $ 46,840 | $ 1,617,561 | $ - |

2. Limit on the amount of investment in the Mainland Area:

| Accumulated outward remittance for investment in Mainland China from Taiwan at the end of the period (Note 3) | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (Note 3) | Investment limit in Mainland China according to the Investment Commission of the Ministry of Economic Affairs (Note 4) |
|---|---|---|
| $ 1,339,010<br>( US$ 2,885)<br>( RMB$ 262,000 ) | $ 1,489,900<br>( RMB$ 310,000 ) | $ 2,716,924 |

Note 1: The following three types of investment methods are distinguished and can be labeled as follows:

(I) Direct investment in Mainland China.

(II) Indirect investment in companies of Mainland China through a third place.

(III) Other method (through third region remittance)

Note 2: In the column of investment income or loss recognized for the period:

(I) If it is in preparation, and there is no investment gains/losses, notes shall be made.

(II) The amounts of investment gain/loss were recognized on following three bases:

1. Financial statements audited by a ROC CPA firm cooperating with an international CPA firm
2. Financial statements reviewed by the independent auditors of the parent company in Taiwan.
3. Others

Note 3: The amount was calculated based on the exchange rate approved by the Investment Commission of the Ministry of Economic Affairs at the time. The accumulated outward remittance (Foreign currencies) for investment in Mainland China from Taiwan at the end of the period did not exceed the Investment amount (Foreign currencies) approved by the Investment Commission of the Ministry of Economic Affairs

Note 4: The net worth of the consolidated company as of December 31, 2023 was NT$4,528,207 thousand. In accordance with the "Principles Governing the Examination of Investments or Technical Cooperation in China," the calculation of the limit is NT$4,528,207 thousand × 60% = NT$2,716,924 thousand.

Huxen Corporation and Subsidiaries

Major transactions with any investee company in mainland China directly or indirectly through a third region, and their prices, payment terms, unrealized gains (losses), and other information

January 1~December 31, 2023

Table 7

Unit: NTD in Thousands

| Investee company in mainland china | Relationship between the Group and related parties | Type of transaction | Amount | Transaction terms | | | Notes and Accounts receivable (payable) | | Unrealized gains or losses | Remark |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Price | Payment terms | Comparison with general transactions | Balance | Percentage (%) | | |
| Huxen (China) Co., Ltd. | Subsidiary | Purchase | $ 485,738 | Price is made based on market conditions | Payment is made within 4 months | No material discrepancy | $ - | - | $ - | |
| | | Purchase | 212,029 | 〃 | 〃 | 〃 | - | - | - | |

Note: The above percentage is calculated as the ratio of the balance of notes and Accounts receivable (payable) with related parties to the balance of total notes and Accounts receivable (payable) of the Group.

Huxen Corporation and Subsidiaries

Information on major shareholders

December 31, 2023

Table 8

| Name of major shareholders | Shares | |
|---|---|---|
| | Shares held | Shareholding (%) |
| Aurora Corporation | 47,010,591 | 32.53 |
| Aurora Holdings Incorporated | 39,359,689 | 27.23 |
| Aurora Office Automation Corporation | 11,170,023 | 7.73 |
| Ni Sheng Investment Co., Ltd. | 8,091,000 | 5.59 |

Note 1: The information on major shareholders herein is about shareholders who hold more than 5% of the common and preferred shares (including treasury shares) that were delivered without physical registration as calculated by the Taiwan Depository & Clearing Corporation on the last business day of the quarte. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.

Note 2: If a shareholder delivers its shareholding information to the trust, the foregoing information shall be disclosed by the individual trustee who opened the trust account. As for shareholders with a stake of 10% or more who make an insider stock declaration in accordance with the Securities and Exchange Act, the shares held include individual shareholding and shares declared trust in which the shareholder has the power to decide the allocation of trust assets. For information on insider stock declaration, please visit the Market Observation Post System.

## V. Parent Company only Financial Statements and Independent Auditors' Report for the most recent year

### Independent Auditors' Report

To Huxen Corporation:

**Opinion**

We have audited the accompanying consolidated financial statements of Huxen Corporation (the "Company") which comprise the parent company only balance sheets for the years ended December 31, 2023 and 2022, and the parent company only statements of comprehensive income, parent company only statements of changes in equity and parent company only statements of cash flows and notes to parent company only financial statements, including a summary of significant accounting policies, for the years ended December 21, 2023 and 2022.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years ended December 21, 2023 and 2022 in accordance with the regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

We are entrusted to conduct the audit in accordance with the Regulations Governing the Audit of Financial Statements and Auditing Standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for certified Public Accountant in Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the Company for the year ended December 31, 2023. These matters were addressed in the context of our audit of the Parent Company only Financial Report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

Key audit matters for the parent company only financial statements of the Company for the year ended December 31, 2023 are stated as follows:

Key audit matter: sales revenue

The main business of the Company is the purchase, sale and lease of multi-function printers. Revenue per transaction from the sale of multi-function printers, peripherals, and consumables is large and variable compared to rental revenue that is generally collected on a monthly basis. Hence, this type of revenue is expected to be highly risky and has a material impact on the financial statements. The primary risk is whether the revenue was actually earned and; accordingly, we have identified this as a key audit matter.

Please refer to Note 4 (12) for the accounting policy on operating revenue.

We understand and have tested the design, implementation and effectiveness of internal controls over the recognition of sales revenue. We also selected appropriate samples from sales transactions (revenue from sales of multi-function printers, peripherals and consumables) and reviewed the transaction applications, signed receipt documents from customers, and we has checked whether the recipients were the same as the counterparties in order to confirm whether there were material misstatements in sales revenue.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the auditing standards 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 this parent company only financial report.

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

1. Identify and assess the risks of material misstatement of the parent company only financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structures and contents of the parent company only financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within the Company to express an opinion on the parent company only financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the parent company only financial statements of the Company ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

| | |
|---|---|
| CPA Huang, Hai-Yue | CPA: Chih, Jui-Chuan |
| Approval Number of Securities and Futures Commission<br>Tai-Tsai-Cheng-Liu-Tzu number 0920131587 | Approval number of the Financial Supervisory Commission<br>Chin-Kuan-Cheng-Shen-Tzu number 1060023872 |

March 13, 2024

Huxen Corporation

Parent Company Only Balance Sheet

December 31, 2023 and 2022

Unit: NTD in Thousand

| Code | Assets | December 31, 2023 Amount | % | December 31, 2022 Amount | % |
|---|---|---|---|---|---|
| | Current assets | | | | |
| 1100 | Cash (Note 4 and 6) | $ 71,922 | 1 | $ 113,092 | 2 |
| 1120 | Financial assets at fair value through other comprehensive income – current (Note 4 & 7) | 717,074 | 12 | 735,001 | 12 |
| 1150 | Notes receivable (Note 4 & 8) | 53,205 | 1 | 64,847 | 1 |
| 1172 | Accounts receivable (Note 4 & 8) | 90,068 | 1 | 84,955 | 1 |
| 1180 | Accounts receivable – related parties (Note 4, 8 & 27) | 33,806 | 1 | 32,071 | 1 |
| 1200 | Other receivables (Note 4 & 27) | 2,555 | - | 3,550 | - |
| 130X | Inventories (Note 4 & 9) | 223,981 | 4 | 207,951 | 4 |
| 1479 | Other current assets | 1,923 | - | 887 | - |
| 11XX | Total current assets | 1,194,534 | 20 | 1,242,354 | 21 |
| | Non-current assets | | | | |
| 1550 | Investments accounted for using the equity method (Note 4, 10 & 28) | 4,170,439 | 70 | 4,199,299 | 70 |
| 1600 | Property, plant and equipment (Note 4, 11 & 27) | 301,108 | 5 | 263,689 | 4 |
| 1755 | Right-of-use assets (Notes 4, 12 & 27) | 34,780 | - | 37,401 | - |
| 1760 | Investment property (Note 4, 13 & 28) | 228,458 | 4 | 231,999 | 4 |
| 1821 | Other intangible assets (Note 4 & 14) | 581 | - | 600 | - |
| 1840 | Deferred income tax assets (Notes 4 & 22) | 39,801 | 1 | 38,599 | 1 |
| 1990 | Refundable deposits (Note 27) | 9,750 | - | 8,971 | - |
| 15XX | Total non-current assets | 4,784,917 | 80 | 4,780,558 | 79 |
| 1XXX | Total assets | $ 5,979,451 | 100 | $ 6,022,912 | 100 |
| Code | Liabilities and equity | | | | |
| | Current liabilities | | | | |
| 2100 | Short-term loans (Notes 15) | $ 600,000 | 10 | $ 400,000 | 7 |
| 2110 | Short-term bills payables (Notes 15) | - | - | 499,872 | 8 |
| 2170 | Accounts payable (Note 16) | 133,929 | 2 | 102,291 | 2 |
| 2180 | Accounts payable – related parties (Note 16 & 27) | 1,486 | - | 2,216 | - |
| 2219 | Other payables (Note 17 & 27) | 76,560 | 1 | 74,005 | 1 |
| 2230 | Current tax liabilities (Note 4 & 22) | 20,836 | 1 | 24,191 | - |
| 2280 | Lease liabilities – current (Note 4, 12 & 27) | 17,357 | - | 23,806 | - |
| 2300 | Other current liabilities (Note 17) | 22,720 | 1 | 33,482 | 1 |
| 21XX | Total current liabilities | 872,888 | 15 | 1,159,863 | 19 |
| | Non-current liabilities | | | | |
| 2540 | Long-term loans (Note 15) | 1,099,965 | 18 | 740,000 | 12 |
| 2570 | Deferred income tax liabilities (Note4 & 22) | 212 | - | 295 | - |
| 2580 | Lease liabilities – non-current (Note 4, 12 & 27) | 17,691 | - | 13,797 | - |
| 2640 | Net defined benefit liability – non-current (Note 4 & 18) | 150,154 | 3 | 149,589 | 3 |
| 2645 | Guarantee deposits (Note 27) | 3,574 | - | 4,140 | - |
| 25XX | Total non-current liabilities | 1,271,596 | 21 | 907,821 | 15 |
| 2XXX | Total liabilities | 2,144,484 | 36 | 2,067,684 | 34 |
| | Equity (Note 19) | | | | |
| | Capital stock | | | | |
| 3110 | Common stock | 1,444,960 | 24 | 1,444,960 | 24 |
| 3200 | Capital surplus | 42,643 | 1 | 42,643 | 1 |
| | Retained earnings | | | | |
| 3310 | Legal reserve | 992,009 | 17 | 934,760 | 15 |
| 3350 | Unappropriated earnings | 497,747 | 8 | 587,701 | 10 |
| 3300 | Total retained earnings | 1,489,756 | 25 | 1,522,461 | 25 |
| 3400 | Other equity | 857,608 | 14 | 945,164 | 16 |
| 3XXX | Total equity | 3,834,967 | 64 | 3,955,228 | 66 |
| | Total liabilities and equity | $ 5,979,451 | 100 | $ 6,022,912 | 100 |

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: Liao, Ching-Chang Manager: Weng, Kuo-Hua Comptroller: Hsieh, Shu-Hui

Huxen Corporation

Parent Company Only Statements of Comprehensive Income

January 1~December 31, 2023 and 2022

Unit: NTD in Thousand (Earnings per Share in Dollars)

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| Code | | Amount | % | Amount | % |
| | Operating revenue (Note 4, 20 & 27) | | | | |
| 4100 | Sales revenue | | | | |
| 4110 | Sales revenue | $ 1,433,864 | 100 | $ 1,422,424 | 100 |
| 4170 | Sales return | ( 4,081 ) | - | ( 6,270 ) | - |
| 4190 | Sales allowances | ( 585 ) | - | ( 517 ) | - |
| 4000 | Total operating revenue | 1,429,198 | 100 | 1,415,637 | 100 |
| 5000 | Operating costs (Note 4, 9, 21 & 27) | 755,282 | 53 | 739,381 | 52 |
| 5900 | Gross profit | 673,916 | 47 | 676,256 | 48 |
| 5910 | Unrealized sales profit from subsidiaries | ( 69,512 ) | ( 5 ) | ( 54,150 ) | ( 4 ) |
| 5920 | Realized sales profit from subsidiaries | 65,037 | 5 | 65,380 | 5 |
| 5950 | Realized gross profit | 669,441 | 47 | 687,486 | 49 |
| | Operating expenses (Note 4, 8, 12, 21 & 27) | | | | |
| 6100 | Marketing expenses | 320,248 | 23 | 323,850 | 23 |
| 6200 | Administrative expenses | 124,407 | 9 | 123,646 | 9 |
| 6450 | Expected credit loss | 1,322 | - | 749 | - |
| 6000 | Total operating expenses | 445,977 | 32 | 448,245 | 32 |
| 6900 | Net income from operations | 223,464 | 15 | 239,241 | 17 |
| | Non-operating income and expenses (Note 4, 10, 21 & 27) | | | | |
| 7100 | Interest income | 224 | - | 100 | - |
| 7010 | Other income | 68,143 | 5 | 84,615 | 6 |

(continued on next page)

(continued from previous page)

| Code | | 2023 Amount | 2023 % | 2022 Amount | 2022 % |
|---|---|---|---|---|---|
| 7020 | Other gain and loss | ($ 3,935) | - | ($ 4,476) | (1) |
| 7050 | Finance costs | (25,865) | (2) | (16,847) | (1) |
| 7070 | Share of profits/losses of subsidiaries | 271,794 | 19 | 307,743 | 22 |
| 7000 | Total non-operating income and expenses | 310,361 | 22 | 371,135 | 26 |
| 7900 | Net income before income tax | 533,825 | 37 | 610,376 | 43 |
| 7950 | Income tax expense (Note 4 & 22) | 43,536 | 3 | 49,201 | 3 |
| 8200 | Net income for the period | 490,289 | 34 | 561,175 | 40 |
| | Other comprehensive income (Note 4, 10, 18,19 & 22) | | | | |
| 8310 | Items not reclassified to profit/loss | | | | |
| 8311 | Remeasurements of defined benefit plans | (3,510) | - | 14,138 | 1 |
| 8316 | Unrealized gains/losses from investments in equity instruments measured at fair value through other comprehensive income | (17,927) | (1) | (112,279) | (8) |
| 8330 | Share of other comprehensive income of subsidiaries, associates and joint ventures | (39,503) | (3) | (247,416) | (18) |
| 8349 | Income tax related to items not reclassified to profit/loss | 702 | - | (2,828) | - |
| | | (60,238) | (4) | (348,385) | (25) |
| 8360 | Items that may be reclassified subsequently to profit/loss | | | | |
| 8361 | Exchange differences on translation of foreign operation's financial statements | (30,126) | (2) | 22,313 | 2 |
| 8300 | Total net other comprehensive income | (90,364) | (6) | (326,072) | (23) |
| 8500 | Total comprehensive income for the period | $ 399,925 | 28 | $ 235,103 | 17 |

(continued on next page)

(continued from previous page)

| Code | | 2023 Amount | 2023 % | 2022 Amount | 2022 % |
|---|---|---|---|---|---|
| | Earnings per share (Note 23) | | | | |
| 9710 | Basic | $ 3.39 | | $ 3.88 | |
| 9810 | Diluted | $ 3.39 | | $ 3.88 | |

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: Liao, Ching-Chang Manager: Weng, Kuo-Hua Comptroller: Hsieh, Shu-Hui

Huxen Corporation

Parent Company Only Statements of Changes in Equity

January 1~December 31, 2023 and 2022

Unit: NTD in Thousand

| | | | | Retained earnings | | Other equity | | |
|---|---|---|---|---|---|---|---|---|
| Code | | Capital stock | Capital surplus | Legal reserve | Unappropriated earnings | Exchange differences on translation of foreign operation's financial statements | Unrealized valuation gains/loss from financial assets measured at fair value through other comprehensive income | Total equity |
| A1 | Balance, January 1, 2021 | $ 1,444,960 | $ 42,643 | $ 879,732 | $ 575,980 | ($ 142,257) | $ 1,424,803 | $ 4,225,861 |
| | Appropriations of earnings for 2021 | | | | | | | |
| B1 | Legal reserve | - | - | 55,028 | ( 55,028) | - | - | - |
| B5 | Cash dividends to shareholders of the Company | - | - | - | ( 505,736) | - | - | ( 505,736) |
| D1 | Net income in 2022 | - | - | - | 561,175 | - | - | 561,175 |
| D3 | Other comprehensive income after tax in 2022 | - | - | - | 11,310 | 22,313 | ( 359,695) | ( 326,072) |
| D5 | Total comprehensive income in 2022 | - | - | - | 572,485 | 22,313 | ( 359,695) | 235,103 |
| Z1 | Balance, December 31, 2022 | 1,444,960 | 42,643 | 934,760 | 587,701 | ( 119,944) | 1,065,108 | 3,955,228 |
| | Appropriations of earnings for 2022 | | | | | | | |
| B1 | Legal reserve | - | - | 57,249 | ( 57,249) | - | - | - |
| B5 | Cash dividends to shareholders of the Company | - | - | - | ( 520,186) | - | - | ( 520,186) |
| D1 | Net income in 2023 | - | - | - | 490,289 | - | - | 490,289 |
| D3 | Other comprehensive income after tax in 2023 | - | - | - | ( 2,808) | ( 30,126) | ( 57,430) | ( 90,364) |
| D5 | Total comprehensive income in 2023 | - | - | - | 487,481 | ( 30,126) | ( 57,430) | 399,925 |
| Z1 | Balance on December 31, 2023 | $ 1,444,960 | $ 42,643 | $ 992,009 | $ 497,747 | ($ 150,070) | $ 1,007,678 | $ 3,834,967 |

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: Liao, Ching-Chang Manager: Weng, Kuo-Hua Comptroller: Hsieh, Shu-Hui

Huxen Corporation

Parent Company Only Statements of Cash Flows

January 1~December 31, 2023 and 2022

Unit: NTD in Thousand

| Code | | 2023 | 2022 |
|---|---|---|---|
| | Cash flows from operating activities | | |
| A00010 | Net income before income tax | $ 533,825 | $ 610,376 |
| A20010 | Gain/loss | | |
| A20100 | Depreciation expense | 175,162 | 168,517 |
| A20200 | Amortization expense | 504 | 312 |
| A20300 | Expected credit loss | 1,322 | 749 |
| A20900 | Finance costs | 25,865 | 16,847 |
| A21200 | Interest income | ( 224 ) | ( 100 ) |
| A21300 | Dividend income | ( 44,345 ) | ( 56,611 ) |
| A22300 | Share of profits/losses of subsidiaries | ( 271,794 ) | ( 307,743 ) |
| A29900 | Loss on modification of lease | 198 | - |
| A22500 | Loss on disposal of property, plant and equipment | 292 | 274 |
| A23900 | Unrealized (realized) profits/losses from Subsidiaries | 4,475 | ( 11,230 ) |
| A30000 | Changes in operating assets and liabilities, net | | |
| A31130 | Notes receivable | 11,642 | 3,701 |
| A31150 | Accounts receivable | ( 6,435 ) | 3,043 |
| A31160 | Accounts receivable – related parties | ( 1,735 ) | 2,632 |
| A31180 | Other receivables | 995 | 25,299 |
| A31200 | Inventories | ( 197,208 ) | ( 198,148 ) |
| A31240 | Other current assets | ( 1,036 ) | 61 |
| A32150 | Accounts payable | 31,638 | 5,504 |
| A32160 | Accounts payable – related parties | ( 730 ) | ( 228 ) |
| A32180 | Other payables | 1,898 | ( 31,296 ) |
| A32230 | Other current liabilities | ( 10,762 ) | 2,528 |
| A32240 | Net defined benefit liabilities | ( 2,945 ) | ( 3,843 ) |
| A33000 | Cash generated from operations | 250,602 | 230,644 |
| A33100 | Interest received | 224 | 100 |
| A33300 | Interest paid | ( 25,208 ) | ( 16,870 ) |
| A33500 | Income tax paid | ( 47,474 ) | ( 46,381 ) |
| AAAA | Net cash generated from operating activities | 178,144 | 167,493 |
| | Cash flows from investing activities | | |
| B02700 | Payments for property, plant and equipment | ( 2,078 ) | ( 685 ) |
| B02800 | Proceeds from disposal of property, plant and equipment | 1 | 1 |

(continued on next page)

(continued from previous page)

| Code | | 2023 | 2022 |
|---|---|---|---|
| B03700 | Increase in refundable deposits | (\$ 779) | (\$ 880) |
| B04500 | Payments for intangible assets | ( 485) | ( 508) |
| B07600 | Dividends received | 270,895 | 295,085 |
| BBBB | Net cash generated from investing activities | 267,554 | 293,013 |
| | Cash flows from financing activities | | |
| C00100 | Increase in short-term loans | 200,000 | - |
| C00200 | Decrease in short-term loans | - | ( 600,024) |
| C00500 | Proceeds from short-term bill payables | - | 499,872 |
| C00600 | Repayments of short-term bill payables | ( 499,872) | - |
| C01600 | Long-term loans | 359,965 | 240,000 |
| C03000 | Receipt of guarantee deposits | - | 13 |
| C03100 | Decrease in deposits received | ( 566) | - |
| C04020 | Repayment of lease liabilities | ( 26,209) | ( 28,836) |
| C04500 | Dividends paid | ( 520,186) | ( 505,736) |
| CCCC | Net cash used in financing activities | ( 486,868) | ( 394,711) |
| EEEE | Net increase (decrease) in cash | ( 41,170) | 65,795 |
| E00100 | Cash at beginning of year | 113,092 | 47,297 |
| E00200 | Cash at end of year | \$ 71,922 | \$ 113,092 |

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: Liao, Ching-Chang Manager: Weng, Kuo-Hua Comptroller: Hsieh, Shu-Hui

Huxen Corporation

Notes to Parent Company Only Financial Statements

January 1~December 31, 2023 and 2022

(Amounts Unit: NTD in Thousand, Unless Specified Otherwise)

I. Company Profile

Huxen Corporation (hereinafter referred to as the Company) was established in Taipei City in August 1984. The Company's main businesses are sales, import and export, repair and rental of multi-function printers, faxes and communication products.

The Company's shares have been listed and traded on the Taiwan Stock Exchange since September 2000.

The parent company only financial statements are presented in the Company's functional currency, the New Taiwan dollar.

II. Date of Authorization for Financial statements and Procedures for Authorization

The parent company only financial statements were approved by the Board of Directors on March 13, 2024.

III. Application of New Standards, Amendments and Interpretations

(I) The first-time adoption of any International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) that have been endorsed and issued into effect by the Financial Supervisory Commission (FSC) ("IFRSs")

The application of the amendments to the IFRSs endorsed and issued into effect by the FSC does not have material impact on the accounting policies of the Company.

(II) IFRSs approved by the FSC applicable in 2024

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB (Note1) |
|---|---|
| Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback" | Monday, January 1, 2024 (Note 2) |
| Amendment to IAS 1 "Classification of Liabilities as Current or Non-current" | Monday, January 1, 2024 |
| Amendment to IAS 1 "Non-current Liabilities with Covenants" | Monday, January 1, 2024 |
| Amendments to IAS 7 and IFRS 7 regarding "Supplier Finance Arrangements" | Monday, January 1, 2024 (Note 3) |

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

Note 2: Sellers and also lessees concurrently should apply the amendments to IFRS 16 retroactively to sale-and-leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: Certain requirements on the disclosure may be exempted at the time of the Company's first application of the amendments.

The Group has assessed that as of the publication date of this financial report, the amendments to other standards and interpretations will not have a material impact on its financial position and financial performance.

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

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB (Note1) |
|---|---|
| Amendment to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined |
| IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendment to IFRS 17 | January 1, 2023 |
| Amendment to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 – Comparative Information” | January 1, 2023 |
| Amendments to IAS No. 21 "Lack of Exchangeability | January 1, 2025 (Note 2) |

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

Note 2: Applicable for annual reporting periods beginning on or after January 1, 2025. When the amendment is first applied, the impact will be recognized in retained earnings as of the initial application date. When the Company adopts the non-functional currency as the presentation currency, the effects are adjusted into the exchange differences on translation of foreign financial statements under the equity title on the date of the first-time application.

Up to the date the parent company only financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance from the amendments to other standards and interpretations. The related impact will be disclosed when the Company completes its evaluation.

## IV. Summary of Significant Accounting Policies

### (I) Statement of compliance

The parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### (II) Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis, except for financial instruments which are measured at fair value and net defined benefit liabilities which are measurement at the present value of the defined benefit obligations less the fair value of the plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the materiality of the inputs, are described as follows:

1. Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that are available at the measurement date.
2. Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 inputs: unobservable inputs for the asset or liability.

The subsidiaries are incorporated in the parent company only financial statements under the equity method. To make profit/loss for the year, other comprehensive income and equity in the parent company only financial statements equal to those attributed to owners of the Company on parent company only financial statements, the effect of the differences between basis of parent company only and basis of consolidation are adjusted in the "investments accounted for using equity method," "share of profits/losses of subsidiaries," share of other comprehensive income of subsidiaries and related equity.

### (III) Criteria for classification of current and noncurrent assets and liabilities

Current assets include:

1. Assets held mainly for the purpose of trading;
2. Assets expected to be realized within 12 months after the reporting period; and
3. Cash and cash equivalents (notwithstanding, those restricted for exchange or settlement of liabilities exceeding 12 months after the balance sheet date are excluded).

Current liabilities include:

1. Liabilities held mainly for the purpose of trading;
2. Liabilities due to be settled within 12 months after the reporting period; and
3. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

All other assets and liabilities are classified as noncurrent.

(IV) Foreign Currencies

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

Monetary items denominated in foreign currencies are retranslated at the closing rate on the dates of balance sheet. Exchange differences resulting from the settlement or translation of monetary items are recognized in profit/loss in the period when these differences arise.

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

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

When preparing parent company only financial statements, the assets and liabilities of the foreign operations (including subsidiaries that operate in countries or use a currency different from that of the Company) are translated into New Taiwan dollars at exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income.

(V) Inventories

The inventories include merchandise and supplies. The cost of inventories is calculated by the weighted-average method, and the inventories are measured at the lower of cost or net realizable value. When comparing costs and net realizable value, the comparison is based on individual items, except for the same type of inventories.

Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale in normal circumstances.

(VI) Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries. A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary and distribution of dividends. In addition, the Company also recognizes the changes in the share of other equity of subsidiaries based on the shareholding ratios.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.

The Company assesses its investment for any impairment by comparing the carrying amount with the recoverable amount as assessed based on the entire financial statements of the cash generating unit. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; however, the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

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

(VII) Property, Plant and Equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost minus accumulated depreciation.

Depreciation of property, plant and equipment is recognized using the straight-line method and units of production method. Each material part of an item is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit and loss when property, plant, and equipment are derecognized.

(VIII) Investment property

Investment properties are properties held for the purpose of earning rentals or capital appreciation, or both.

Owned investment property is initially measured at cost (including transaction costs) and subsequently measured at cost less accumulated depreciation. Depreciation of investment property is based on the straight-line basis.

(IX) Intangible assets

1. Intangible assets acquired separately

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

2. Derecognition

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

(X) Impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets (except goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right of use assets, investment property and intangible assets (excluding goodwill) for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of each asset, the asset is tested for impairment in the context of the Cash generating unit (collectively referred to as CGUs) to which the asset belongs.

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

When impairment loss is reversed later, the carrying amount of the asset or CGU to the amount can be recovered to the recoverable amount. However, the increased carrying amount shall not exceed the carrying amount (minus amortization or depreciation) determined by the asset or CGU where the impairment loss was not recognized in the previous year. A reversal of an impairment loss is recognized in profit/loss.

(XI) Financial instruments

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

On initial recognition, financial assets and financial liabilities that are not measured at fair value through profit/loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

Regular trades of financial assets are recognized and derecognized on a trade date basis.

(1) Measurement category

The Company's financial assets are classified into financial assets at amortized cost and equity instruments at fair value through other comprehensive income.

A. Financial assets at amortized cost

The Company's financial assets are classified as financial assets at amortized cost if both of the following conditions are met:

a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Any exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate times the gross carrying amount of such a financial asset, except for:

a. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate times the amortized cost of such financial assets.

b. Financial asset that is not a purchased or originated credit-impaired financial asset but subsequently has become credit-impaired, interest income shall be calculated by applying the effective interest rate times the amortized cost balance from the next reporting period after the impairment.

B. Investments in equity instruments at fair value through other comprehensive income

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at fair value through other comprehensive income. Designation as at fair value through other comprehensive income is permitted if the equity investment is not held for trading or if it is not contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on the investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(2) Impairment of financial assets

The Company estimates impairment loss based on expected credit losses of financial assets at amortized cost on each balance sheet date.

Allowances for expected credit losses are recognized for Accounts receivable based on their lifetime. For all other financial assets, the Company recognizes lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition base on the lifetime. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for at an amount equal to 12-month expected credit loss.

Expected credit losses are the average credit losses weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from default events on a financial instrument that are possible within the 12 months after the reporting date, while the expected credit loss over the lifetime of the financial instrument represents the expected credit loss resulting from all default events on a financial instrument that are possible over the expected life.

For internal credit risk management purposes, the Company determines, without considering the collateral held, whether there is internal or external information indicating that debtors are unlikely to settle their debts, which means that the financial assets are in default.

The Company recognizes impairment losses in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through loss allowance accounts.

(3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

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

2. Financial liabilities

(1) Subsequent measurement

Financial liabilities are measured at the amortized costs through effective interest rate.

(2) Derecognition of financial liability

When derecognizing the financial liability, the difference between its carrying amount and the consideration (including any non-cash asset transferred or the liability borne) paid will be recognized as income.

(XII) Income recognition

The Company allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes income when each performance obligation is satisfied.

1. Revenue from merchandise sales

Revenues from merchandise sales consist of sales of multi-function printers, faxes and communication products. When multi-function printers, faxes and communication products are shipped to the customers' designated locations, the customers have the right to set the prices, use the products, bear the primary responsibility for re-selling the products and bear the risk of obsolescence; therefore, the Company recognizes income and Accounts receivable at this point of time.

2. Service revenue

Service revenue is from equipment maintenance services, and the related revenue is recognized when the services are rendered.

(XIII) Leases

The Company assesses whether a contract is (or contains) a lease at the contract inception date.

1. The Company as lessor

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms. When a lease asset is derecognized, the difference between the net proceeds of disposal and the carrying amount of the asset is recognized in operating costs.

2. The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. Lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; and (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

(XIV) Retirement benefits

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

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

Net defined benefit liability represents the actual deficit in the Company’s defined benefit plan.

(XV) Income tax

The expense is the sum of the current income tax and deferred income tax.

1. Current income tax

The Company’s income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

Income tax on undistributed earnings calculated in accordance with the R.O.C. Income Tax Act is recognized in the year when the shareholders resolve to retain the earnings.

Adjustments to prior years' income tax payable are included in the current year's income tax.

2. Deferred tax

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

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

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

A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, on the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax for the year

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

## V. Major accounting judgments and key sources of estimation and uncertainty

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

The management reviews the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Regarding the Company's accounting policies, estimates and underlying assumptions, there were no significant uncertainties in the accounting judgments, estimates and assumptions based on the assessment of the management of the Company.

## VI. Cash

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash on hand and working fund | $ 945 | $ 960 |
| Checking accounts and demand deposits | 70,977 | 112,132 |
| | $ 71,922 | $ 113,092 |

## VII. Financial assets at fair value through other comprehensive income

Investments in equity instruments

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current | | |
| Domestic listed shares | | |
| Aurora Corporation | $ 717,074 | $ 735,001 |

The Company has invested in the common shares of Aurora Corporation for strategic purposes and expects to earn a profit from these investments. Accordingly, the management elected to designate these investments in equity instruments as at fair value through other comprehensive income as they believe that recognizing fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments.

VIII. Notes receivable and Accounts receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Notes receivable | | |
| Total carrying amount measured at amortized cost | $ 53,205 | $ 64,847 |
| Less: Allowance for impairment loss | - | - |
| | $ 53,205 | $ 64,847 |
| Accounts receivable | | |
| Total carrying amount measured at amortized cost | $ 92,631 | $ 86,312 |
| Less: Allowance for impairment loss | ( 2,563 ) | ( 1,357 ) |
| | $ 90,068 | $ 84,955 |
| Accounts receivable – related parties | | |
| Total carrying amount measured at amortized cost | $ 33,806 | $ 32,071 |
| Less: Allowance for impairment loss | - | - |
| | $ 33,806 | $ 32,071 |
| Accounts receivable | | |
| Accounts receivable | $ 1,708 | $ 1,764 |
| Less: Allowance for impairment loss | ( 1,708 ) | ( 1,764 ) |
| | $ - | $ - |

Accounts receivable

The average credit period for the Company's merchandise sales is 60–90 days. To mitigate credit risk, the management of the Company has assigned a dedicated team for other monitoring procedures to ensure that appropriate actions are taken to collect overdue receivables. In addition, the Company reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses are recognized for uncollectible receivables. Accordingly, the Company's management believes that the Company's credit risk is significantly reduced.

The Company recognizes loss allowance for lease payment receivable based on lifetime expected credit losses. The lifetime expected credit losses are calculated using a provision matrix, which takes into account the customer's past default history and current financial position, as well as the GDP forecast. As the Company's credit loss history shows that there is no significant difference in the loss patterns of different customer segments. Therefore, the reserve matrix does not further differentiate between customer segments, but only sets the expected credit loss rate based on the overdue days of Accounts receivable.

If there is evidence that the transaction counterparties are facing serious financial difficulties, and the Company cannot reasonably expect the recoverable amount, the Company will write off the relevant Accounts receivable but will continue to pursue collection, and the collected amount will be recognized in the profit and loss.

The Company's loss allowance for Accounts receivable based on the provision matrix is as follows:

December 31, 2023

| | Not past due | Overdue for 1~30 days | Past due Over 31 days | Total |
|---|---|---|---|---|
| Expected credit loss rate | 1.53% | 50.52% | 100% | |
| Total carrying amount | $ 90,813 | $ 1,305 | $ 513 | $ 92,631 |
| Loss allowance (expected credit losses during the period) | ( 1,390 ) | ( 660 ) | ( 513 ) | ( 2,563 ) |
| Amortized cost | $ 89,423 | $ 645 | $ - | $ 90,068 |

December 31, 2022

| | Not past due | Overdue for 1~30 days | Past due Over 31 days | Total |
|---|---|---|---|---|
| Expected credit loss rate | 0.31% | 10.57% | 26.17%~100% | |
| Total carrying amount | $ 82,457 | $ 1,667 | $ 2,188 | $ 86,312 |
| Loss allowance (expected credit losses during the period) | ( 254 ) | ( 176 ) | ( 927 ) | ( 1,357 ) |
| Amortized cost | $ 82,203 | $ 1,491 | $ 1,261 | $ 84,955 |

Information on the changes in the loss allowance for receivables (Accounts receivable and nonaccrual loan) is as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance – beginning of year | $ 3,121 | $ 2,562 |
| Plus: recognized impairment loss of the current year | 1,322 | 749 |
| Less: write-off in the current year | ( 172) | ( 190) |
| Balance – end of year | $ 4,271 | $ 3,121 |

IX. Inventories

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Merchandise | $ 156,797 | $ 146,338 |
| Supplies | 66,871 | 56,875 |
| Inventory in transit | 313 | 4,738 |
| | $ 223,981 | $ 207,951 |

The operating costs related to inventories were NT$610,934 thousand and NT$604,436 thousand in 2023 and 2022, respectively.

X. Investments accounted for using the equity method

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Investments in subsidiaries | | |
| Non listed (OTC) Company | | |
| Aurora Leasing Corporation | $ 2,552,878 | $ 2,598,452 |
| Huxen (China) Co., Ltd. | 1,617,561 | 1,600,847 |
| | $ 4,170,439 | $ 4,199,299 |

The percentage of the Company's equity and voting rights in subsidiaries as of the balance sheet date are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Aurora Leasing Corporation | 100% | 100% |
| Huxen (China) Co., Ltd. | 70% | 70% |

Aurora Leasing Corporation

Aurora Leasing Corporation (hereinafter referred to as Aurora Leasing Co.) was established on January 15, 1986 under the approval of the Ministry of Economic Affairs with the original name of "Chien Hsing Co., Ltd." In May 2006, the Company's name was changed to Aurora Leasing Corporation. and at the same time, the main business items were changed to the following: (I) Leasing business. (II) Wholesale, retail and service of multi-function printers (III) Wholesale, retail and service of computer software; developing capital type and operating type office equipment leasing business proactively.

Huxen (China) Co., Ltd.

Huxen (China) Co., Ltd. (hereinafter referred to as Huxen (China)) is a foreign-invested limited liability company established in Shanghai, China in November 2012. As of December 31, 2023, its paid-in capital amounted to RMB400,000 thousand, and it primarily engaged in the business lines including office machine sales, maintenance services and rental. The main operating risks are the political risk arising from the changes in governmental regulations and cross-strait relations, and exchange risk.

The breakdown of the shares profit/loss and other comprehensive income of the Company's investments in subsidiaries accounted for using equity method is as follows:

(I) Investments in subsidiaries accounted for using equity method

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Other comprehensive income of subsidiaries of the period | Other comprehensive income(loss) recognized by the Company | Other comprehensive income of subsidiaries of the period | Other comprehensive income(loss) recognized by the Company |
| Aurora Leasing Corporation | $ 224,954 | $ 224,954 | $ 254,960 | $ 254,960 |
| Huxen (China) Co., Ltd. | 66,914 | 46,840 | 75,404 | 52,783 |
| | | $ 271,794 | | $ 307,743 |

(II) Share of other comprehensive income of subsidiaries for using equity method

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Other comprehensive income of subsidiaries of the period | Other comprehensive income(loss) recognized by the Company | Other comprehensive income of subsidiaries of the period | Other comprehensive income(loss) recognized by the Company |
| Aurora Leasing Corporation | ( $ 39,503 ) | ( $ 39,503 ) | ( $ 247,416 ) | ( $ 247,416 ) |
| Huxen (China) Co., Ltd. | ( 43,037 ) | ( 30,126 ) | 31,858 | 22,313 |
| | | ( $ 69,629 ) | | ( $ 225,103 ) |

The share of profit and loss and other comprehensive income of the subsidiaries accounted for using the equity method in 2023 and 2022 was based on the financial statements of each subsidiary that have been audited by the external auditors for the same periods.

Please refer to Notes 15 and 28 for the pledge of the shares of the invested subsidiary, Aurora Development Co., Ltd., as collateral for the borrowings.

For the main businesses, principal place of business and registered nationalities information of the above subsidiaries, please refer to Tables 4 and 5 of Note 32.

XI. Property, plant and equipment

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Assets for own use | $ 19,813 | $ 18,799 |
| Assets for leases | 281,295 | 244,890 |

| | | |
|---|---|---|
| | $ 301,108 | $ 263,689 |

(I) Assets for own use

| | Own land | House and buildings | Office equipment | Total |
|---|---|---|---|---|
| Cost | | | | |
| Balance on January 1, 2023 | $ 11,927 | $ 9,946 | $ 4,348 | $ 26,221 |
| Additions | - | - | 2,078 | 2,078 |
| Inventories transferred to property, plant and equipment | - | - | 132 | 132 |
| Disposals | - | - | ( 1,526 ) | ( 1,526 ) |
| Balance on December 31, 2023 | 11,927 | 9,946 | 5,032 | 26,905 |
| Accumulated depreciation | | | | |
| Balance on January 1, 2023 | - | 5,032 | 2,390 | 7,422 |
| Depreciation expense | - | 177 | 1,019 | 1,196 |
| Disposals | - | ( - ) | ( 1,526 ) | ( 1,526 ) |
| Balance on December 31, 2023 | - | 5,209 | 1,883 | 7,092 |
| Net on December 31, 2023 | $ 11,927 | $ 4,737 | $ 3,149 | $ 19,813 |
| Cost | | | | |
| Balance, January 1, 2021 | $ 11,927 | $ 9,946 | $ 6,694 | $ 28,567 |
| Additions | - | - | 685 | 685 |
| Inventories transferred to property, plant and equipment | - | - | 30 | 30 |
| Disposals | - | - | ( 3,061 ) | ( 3,061 ) |
| Balance, December 31, 2022 | 11,927 | 9,946 | 4,348 | 26,221 |
| Accumulated depreciation | | | | |
| Balance, January 1, 2021 | - | 4,855 | 4,070 | 8,925 |
| Depreciation expense | - | 177 | 1,381 | 1,558 |
| Disposals | - | - | ( 3,061 ) | ( 3,061 ) |
| Balance, December 31, 2022 | - | 5,032 | 2,390 | 7,422 |
| Carrying amounts, December 31, 2022 | $ 11,927 | $ 4,914 | $ 1,958 | $ 18,799 |

No indication of impairment was found according to the evaluation in 2023 and 2022.

Depreciation expenses are recognized on a straight-line method based on the following useful lives:

| | |
|---|---|
| House and buildings | 55 years |
| Office equipment | 1–5 years |

(II) Office equipment – operating lease

| | 2023 | 2022 |
|---|---|---|
| Cost | | |
| Balance – beginning of year | $ 874,589 | $ 865,837 |
| Inventories transferred to property, plant and equipment | 189,051 | 131,789 |
| Property, plant and equipment transferred to inventories | ( 70,364 ) | ( 72,539 ) |
| Disposals | ( 43,322 ) | ( 50,498 ) |
| Balance – end of year | 949,954 | 874,589 |
| Accumulated depreciation | | |
| Balance – beginning of year | 629,699 | 611,863 |
| Depreciation expense | 144,348 | 134,945 |
| Property, plant and equipment transferred to inventories | ( 62,359 ) | ( 66,886 ) |
| Disposals | ( 43,029 ) | ( 50,223 ) |
| Balance – end of year | 668,659 | 629,699 |
| Carrying amounts – end of year | $ 281,295 | $ 244,890 |

The Company leases business machines under operating leases; lease terms are from 1 to 6 years. At the end of the lease period, lessees do not have bargain purchase options for the leased multi-function printers.

The total future lease payments to be received under operating leases (excluding paper-based income) are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Year 1 | $ 69,872 | $ 59,183 |
| Year 2 | 49,421 | 41,498 |
| Year 3 | 30,369 | 27,140 |
| Year 4 | 16,661 | 15,890 |
| Year 5 | 5,501 | 5,223 |
| More than 5 years | 409 | 538 |
| | $ 172,233 | $ 149,472 |

Depreciation expenses are recognized on a straight-line method based on the following useful lives:

| | |
|---|---|
| Lease assets (multi-function printers) | |
| Used machines | 1–2 years |
| New machines | 3–5 years |

XII. Lease arrangements

(I) Right-of-use assets

| | Land and buildings | Vehicles | Total |
|---|---|---|---|
| Cost | | | |
| Balance on January 1, 2023 | $ 65,432 | $ 5,035 | $ 70,467 |
| Additions | 25,849 | 2,291 | 28,140 |
| Disposals | ( 35,085 ) | ( 2,592 ) | ( 37,677 ) |
| Balance on December 31, 2023 | 56,196 | 4,734 | 60,930 |
| Accumulated depreciation | | | |
| Balance on January 1, 2023 | 30,263 | 2,803 | 33,066 |
| Depreciation expense | 24,035 | 2,042 | 26,077 |
| Disposals | ( 30,401 ) | ( 2,592 ) | ( 32,993 ) |
| Balance on December 31, 2023 | 23,897 | 2,253 | 26,150 |
| Net on December 31, 2023 | $ 32,299 | $ 2,481 | $ 34,780 |
| | | | |
| Cost | | | |
| Balance, January 1, 2021 | $ 59,517 | $ 5,091 | $ 64,608 |
| Additions | 11,818 | 1,508 | 13,326 |
| Disposals | ( 5,903 ) | ( 1,564 ) | ( 7,467 ) |
| Balance, December 31, 2022 | 65,432 | 5,035 | 70,467 |
| Accumulated depreciation | | | |
| Balance, January 1, 2021 | 9,700 | 2,360 | 12,060 |
| Depreciation expense | 26,466 | 2,007 | 28,473 |
| Disposals | ( 5,903 ) | ( 1,564 ) | ( 7,467 ) |
| Balance, December 31, 2022 | 30,263 | 2,803 | 33,066 |
| Carrying amounts, December 31, 2022 | $ 35,169 | $ 2,232 | $ 37,401 |

(II) Lease liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Carrying amounts of lease liabilities | | |
| Current | $ 17,357 | $ 23,806 |
| Non-current | $ 17,691 | $ 13,797 |

Range of discount rate for lease liabilities is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Buildings | 0.702%~1.631% | 0.702%~0.823% |
| Vehicles | 0.702%~1.631% | 0.702%~0.829% |

(III) Material leasing activities and terms

The Company leases land, buildings and vehicles for operating purposes for periods ranging from 1 to 6 years. Upon termination of the lease period, the Company does not have bargain purchase options to acquire the leased vehicles and business premises.

(IV) Other lease information

For the Company's properties, plant and equipment, and investment properties leased out under operating leases, please refer to Note 11 and Note 13 respectively.

| | 2023 | 2022 |
|---|---|---|
| Total cash outflow for leases | | |
| -Principal repayment | ($ 26,209) | ($ 28,836) |
| -Interest payments | ( 420) | ( 340) |
| | ($ 26,629) | ($ 29,176) |

Lease commitments for the lease period commencing after the balance sheet date are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Lease commitment | $ 14,852 | $ 2,782 |

## XIII. Investment properties

| | Land | House and buildings | Total |
|---|---|---|---|
| Cost | | | |
| Balance on January 1, 2023 | $ 188,071 | $ 106,795 | $ 294,866 |
| Balance on December 31, 2023 | 188,071 | 106,795 | 294,866 |
| Accumulated depreciation | | | |
| Balance on January 1, 2023 | - | 62,867 | 62,867 |
| Depreciation expense | - | 3,541 | 3,541 |
| Balance on December 31, 2023 | - | 66,408 | 66,408 |
| Net on December 31, 2023 | $ 188,071 | $ 40,387 | $ 228,458 |
| | | | |
| Cost | | | |
| Balance, January 1, 2021 | $ 188,071 | $ 106,795 | $ 294,866 |
| Balance, December 31, 2022 | 188,071 | 106,795 | 294,866 |
| Accumulated depreciation | | | |
| Balance, January 1, 2021 | - | 59,326 | 59,326 |
| Depreciation expense | - | 3,541 | 3,541 |
| Balance, December 31, 2022 | - | 62,867 | 62,867 |
| Carrying amounts, December 31, 2022 | $ 188,071 | $ 43,928 | $ 231,999 |

The lease periods for investment properties are 4 to 5 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

The total lease payments to be received in the future for investment property leased under operating leases are as follows

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Year 1 | $ 12,049 | $ 13,552 |
| Year 2 | 8,748 | 12,049 |
| Year 3 | - | 8,748 |
| Year 4 | - | - |
| Year 5 | - | - |
| | $ 20,797 | $ 34,349 |

Depreciation expenses are recognized on a straight-line method based on the following useful lives:

| | |
|---|---|
| House and buildings | |
| Main Buildings | 55 years |
| Decoration works | 10 years |

For the amount of investment property pledged as collateral for loans, please refer to Note 28.

The fair values of investment properties were evaluated by the management itself based on local market information as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Fair values | $ 357,980 | $ 371,750 |

## XIV. Other intangible assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Computer software | $ 581 | $ 600 |

| | 2023 | 2022 |
|---|---|---|
| Cost | | |
| Balance – beginning of year | $ 1,149 | $ 734 |
| Additions | 485 | 508 |
| Disposals | ( 672 ) | ( 93 ) |
| Balance – end of year | 962 | 1,149 |
| Accumulated amortization | | |
| Balance – beginning of year | 549 | 330 |
| Amortization expense | 504 | 312 |
| Disposals | ( 672 ) | ( 93 ) |
| Balance – end of year | 381 | 549 |
| Carrying amounts – end of year | $ 581 | $ 600 |

No indication of impairment on said assets was found in 2023 and 2022.

Amortization expenses are recognized on a straight-line method for periods of 1–3 years.

## XV. Loans

### (I) Short-term loans

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Unsecured loans | | |
| - Line of credit loans | $ 600,000 | $ 400,000 |
| | | |
| Credit loan | | |
| NTD | 1.55%～1.68% | 1.57%～1.80% |

(II) Short-term bills payable

December 31, 2022

| Guarantor/ accepting institution | Face amount | Discount amount | Carrying amount | Interest rate range | Name of collateral |
|---|---|---|---|---|---|
| Commercial paper payable | | | | | |
| Dah Chung Bills Finance | $ 200,000 | ( $ 31 ) | $ 199,969 | 1.928% | None |
| Taiwan Finance Corporation | 100,000 | ( 16 ) | 99,984 | 1.928% | None |
| Mega Bills | 100,000 | ( 21 ) | 99,979 | 1.928% | None |
| Bank of Taiwan | 100,000 | ( 60 ) | 99,940 | 1.820% | None |
| | $ 500,000 | ( $ 128 ) | $ 499,872 | | |

For the guaranteed notes issued by the Company to financial institutions for said issuance of commercial paper, please refer to Note 29.

(III) Long-term loans

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Secured loans | | |
| Bank loans | $ 499,970 | $ 440,000 |
| Unsecured loans | | |
| Bank loans | 599,995 | 300,000 |
| | $ 1,099,965 | $ 740,000 |

The bank loans are secured by pledges of the Company's own land and buildings and the issuance of guarantee notes (see Notes 28 and 29), which bear interest at floating rates. As of December 31, 2023 and 2022, the effective interest rates were 1.53% and 1.50% per annum, with interest payable monthly and principal repaid at maturity.

The unsecured loans were borrowed from banks at floating interest rates. The effective interest rates as of December 31, 2023 and 2022 were 1.585%~1.65% and 1.48% per annum, respectively, with interest payable monthly. The principal amount of the loan as of December 31, 2022 was repaid in 2023 and then renewed.

XVI. Accounts payable

The average payment period is 2 months, and the Group has established a financial risk management policy to ensure that all payables are repaid within the agreed credit periods.

## XVII. Other liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Other payables | | |
| Salaries and bonuses payable | $ 53,521 | $ 53,666 |
| Labor remuneration payable | 4,748 | 4,121 |
| Business tax payable | 1,898 | 4,132 |
| Interest payable | 1,197 | 823 |
| Leave payment payables | 149 | 418 |
| Others | 15,047 | 10,845 |
| | $ 76,560 | $ 74,005 |
| | | |
| Other current liabilities | | |
| Temporary receipts | $ 21,459 | $ 32,218 |
| Others | 1,261 | 1,264 |
| | $ 22,720 | $ 33,482 |

## XVIII. Retirement benefit plans

(I) Defined contribution plans

The Company adopts a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan and shall make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

(II) Defined benefit plans

The Company's pension plan under the Labor Standards Act is a defined benefit pension plan administered by the government. Employees' pension payments are calculated based on the service years and average salary for the six months prior to the approved retirement date. The Company allocates 5% the total monthly salary of employees to the employees' pension fund, and submits it to the Labor Pension Reserve Committee to deposit in a special account with Bank of Taiwan. By the end of the year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor; the Company has no right to influence the pension fund investment policy and strategy.

The amounts included in the parent company only balance sheets of the Company's defined benefit plans are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Present value of the defined benefit obligation | $ 170,934 | $ 169,977 |
| Fair value of plan assets | ( 20,780 ) | ( 20,388 ) |
| Net defined benefit liabilities | $ 150,154 | $ 149,589 |

Changes in net defined benefit liability (asset) are as follows:

| | Present value of the defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities (assets) |
|---|---|---|---|
| January 1, 2023 | $ 169,977 | ($ 20,388) | $ 149,589 |
| Service cost | | | |
| Current service cost | 78 | - | 78 |
| Interest expense (income) | 2,125 | ( 286) | 1,839 |
| Recognized in profit or loss | 2,203 | ( 286) | 1,917 |
| Remeasurement | | | |
| Return on plan assets (excluding interest income calculated at discount rate) | - | ( 186) | ( 186) |
| Actuarial loss – changes in financial assumptions | 1,605 | - | 1,605 |
| Actuarial gain – experience adjustments | 2,091 | - | 2,091 |
| Recognized in other comprehensive income | 3,696 | ( 186) | 3,510 |
| Contributions from the employer | - | ( 4,862) | ( 4,862) |
| Payment of benefits | ( 4,942) | 4,942 | - |
| December 31, 2023 | $ 170,934 | ($ 20,780) | $ 150,154 |
| | | | |
| January 1, 2022 | $ 191,390 | ($ 23,820) | $ 167,570 |
| Service cost | | | |
| Current service cost | 189 | - | 189 |
| Interest expense (income) | 1,196 | ( 166) | 1,030 |
| Recognized in profit or loss | 1,385 | ( 166) | 1,219 |
| Remeasurement | | | |
| Return on plan assets (excluding interest income calculated at discount rate) | - | ( 1,492) | ( 1,492) |
| Actuarial loss – changes in demographic assumptions | 193 | - | 193 |
| Actuarial loss – changes in financial assumptions | ( 9,053) | - | ( 9,053) |
| Actuarial gain – experience adjustments | ( 3,786) | - | ( 3,786) |
| Recognized in other comprehensive income | ( 12,646) | ( 1,492) | ( 14,138) |
| Contributions from the employer | - | ( 5,062) | ( 5,062) |
| Payment of benefits | ( 10,152) | 10,152 | - |
| December 31, 2022 | $ 169,977 | ($ 20,388) | $ 149,589 |

The Company is exposed to the following risks as a result of the Labor Standards Act pension scheme:

1. Investment risk: The Bureau of Labor Funds of the Ministry of Labor invests the Labor Retirement Fund in domestic and foreign equity and debt securities and bank deposits at its own discretion and on a discretionary basis, provided that the amount of the Company's plan assets to be allocated is based on the earnings at an interest rate not less than the local bank's two-year time deposit rate.
2. Interest risk: Interest risk: A decrease in the government bonds/corporate bonds interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
3. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. Hence, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The present value of the Company's defined benefit obligation was actuarially determined by a qualified actuary. The significant assumptions at the measurement date are as follows.

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | 1.125% | 1.250% |
| Long-term average salary adjustment rate | 2.000% | 2.000% |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | | |
| Increase by 0.25% | ($ 3,187) | ($ 3,434) |
| Decrease by 0.25% | $ 3,281 | $ 3,539 |
| Expected rate of salary increase | | |
| Increase by 0.25% | $ 3,194 | $ 3,449 |
| Decrease by 0.25% | ($ 3,119) | ($ 3,364) |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Expected contributions to the plan within one year | $ 5,049 | $ 4,959 |
| Average duration of the defined benefit obligation | 7.5 years | 8.2 years |

## XIX. Equity

### (I) Capital stock

Common stock

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Number of shares authorized (in thousands) | 190,000 | 190,000 |
| Authorized Capital | $ 1,900,000 | $ 1,900,000 |
| Number of shares issued and fully paid (in thousand) | 144,496 | 144,496 |
| Issued capital stock | $ 1,444,960 | $ 1,444,960 |

### (II) Capital surplus

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Capital surplus which can be used to offset losses, to distribute cash dividends or to supply share capital (1) | | |
| Capital surplus from merger | $ 36,172 | $ 36,172 |
| Capital surplus which can only be used to offset losses | | |
| Dividends unclaimed by shareholders with claim period elapsed | 1,490 | 1,490 |
| Changes in ownership interests in subsidiaries (2) | 4,981 | 4,981 |
| | $ 42,643 | $ 42,643 |

1. Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital. However, the capital contributions shall be limited to a certain percentage of the paid-in capital each year.

2. This type of capital surplus represents the effect of equity transactions recognized for changes in the Company's equity when the Company has not actually acquired or disposed of shares in a subsidiary or adjustments to the capital surplus recognized by the equity method for the Company's subsidiaries.

(III) Retained earnings and dividend policy

The Company's shareholders' meeting on June 8, 2022 resolved to amend the Articles of Incorporation. The Board of Directors is authorized to resolve, with at least two-thirds of the directors present and the consent of a majority of the directors, that all or part of the dividends and bonuses, capital surplus or legal reserve to be distributed shall be paid in cash and reported to the shareholders' meeting.

According to the earnings distribution policy under the Company’s Articles of Incorporation before the amendment, if there is a profit in the Company's annual final accounts, it shall first pay tax and make up for the accumulated losses of the past years, and then appropriate 10% as the legal reserve. Meanwhile, the special reserve shall be appropriated or reversed in accordance with laws. If there is any surplus, the remaining balance, plus the accumulated undistributed earnings in previous years, shall be distributed based on the distribution proposal drafted by the Board of Directors and resolved by a shareholders’ meeting. For the policy of employee remuneration estimation and distribution, please refer to Note 21(6) Employee Remuneration.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company’s paid-in capital. The legal reserve may be used to offset deficits. If he Company suffers no loss, the amount of legal reserve in excess of 25% of the paid-in capital may be appropriated as the share capital and distributed in cash.

When special reserve is provided for the net decrease in other equity accumulated in prior periods, only the undistributed earnings of prior periods are provided for.

The Company’s industry is now in a stable growth stage, and its capital requirements have been eased; as a result, the Company will endeavor to return operating results to its shareholders in the future. In order to balance the Company's business development, capital and financial status, capital expansion and shareholders' equity, the Company's dividend policy will adopt the principle of combining stock dividends and cash dividends, of which the cash dividend ratio shall be no less than 10% of the dividends distributed for the year.

The appropriations of earnings for 2022 and 2021 approved in the annual general meetings of the Company held on June 16, 2023 and June 8, 2022 respectively are stated as follows:

| | Appropriation of earnings | | Dividends per share ($) | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | $ 57,249 | $ 55,028 | | |
| Cash dividends | 520,186 | 505,736 | $ 3.6 | $ 3.5 |

The 2023 earnings distribution and dividend per share proposed by the Board of Directors on March 13, 2024 are as follows:

| | Appropriation of earnings | Dividends per share ($) |
|---|---|---|
| Legal reserve | $ 48,748 | |
| Cash dividends | 433,488 | $ 3.0 |

The 2023 earnings distribution proposal is still pending a resolution at the shareholders' meeting to be held on June 18, 2024.

(IV) Others equity

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Exchange differences on translation of foreign operation's financial statements | | |
| Attributable to the Company | ($ 150,070) | ($ 119,944) |
| Unrealized valuation gains/loss from financial assets measured at fair value through other comprehensive income | | |
| Attributable to the Company | 274,348 | 292,275 |
| Subsidiaries recognized under the equity method | 733,330 | 772,833 |
| | 1,007,678 | 1,065,108 |
| | $ 857,608 | $ 945,164 |

1. Exchange differences on translating foreign operation's financial statements

Exchange differences arising from the translation of the net assets of foreign operations from their functional currency into the presentation currency of the Company (NTD) are recognized directly as exchange differences on translating the financial statements of foreign operations under other comprehensive income.

The accumulated exchange differences on translating the financial statements of foreign operations will be reclassified to profit or loss when the foreign operations are disposed of.

2. Unrealized gain/loss on financial assets at fair value through other comprehensive income

| | 2023 | 2022 |
|---|---|---|
| Balance – beginning of year | $ 1,065,108 | $ 1,424,803 |
| Generated in the current year | | |
| Unrealized gains or losses | | |
| Equity instruments | ( 17,927 ) | ( 112,279 ) |
| Share of the subsidiaries accounted for using equity method | ( 39,503 ) | ( 247,416 ) |
| Other comprehensive income in the current year | ( 57,430 ) | ( 359,695 ) |
| Balance – end of year | $ 1,007,678 | $ 1,065,108 |

XX. Revenue

Disaggregation of revenue

| Product type | 2023 | 2022 |
|---|---|---|
| Multi-function printers, peripherals and consumables | $ 816,836 | $ 815,880 |
| Machine rental income, paper-based income, etc. | 612,362 | 599,757 |
| | $ 1,429,198 | $ 1,415,637 |

| Region | 2023 | 2022 |
|---|---|---|
| Asia | $ 1,429,198 | $ 1,415,637 |

XXI. Net income

(I) Other income

| | 2023 | 2022 |
|---|---|---|
| Lease income | | |
| Lease income from operating leases | | |
| – Investment property | $ 14,322 | $ 16,103 |
| Dividend income | 44,345 | 56,611 |
| Miscellaneous income | 9,476 | 11,901 |
| | $ 68,143 | $ 84,615 |

(II) Other gains and losses

| | 2023 | 2022 |
|---|---|---|
| Net foreign exchange gain (loss) | $ 88 | ($ 608 ) |

| | | |
|---|---|---|
| Loss from lease modification | ( 198) | - |
| Miscellaneous expenses | ( 3,825) | ( 3,868) |
| | ($ 3,935) | ($ 4,476) |

(III) Finance costs

| | 2023 | 2022 |
|---|---|---|
| Interest on bank loans | $ 25,393 | $ 16,475 |
| Interest on lease liabilities | 420 | 340 |
| Accrued interest on guarantee deposits | 52 | 32 |
| | $ 25,865 | $ 16,847 |

(IV) Depreciation and amortization

| | 2023 | 2022 |
|---|---|---|
| Property, plant and equipment | $ 145,544 | $ 136,503 |
| Right-of-use asset | 26,077 | 28,473 |
| Investment property | 3,541 | 3,541 |
| Intangible asset | 504 | 312 |
| | $ 175,666 | $ 168,829 |
| Summary of depreciation by functions | | |
| Operating costs | $ 144,348 | $ 134,945 |
| Operating expenses | 27,273 | 30,031 |
| Non-operating expenses and losses | 3,541 | 3,541 |
| | $ 175,162 | $ 168,517 |
| Summary of amortization by functions | | |
| Operating expenses | $ 504 | $ 312 |

(V) Employee benefit expense

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | $ 317,536 | $ 324,247 |
| Retirement benefits (Note18) | | |
| Defined contribution plans | 12,786 | 12,916 |
| Defined benefit plans | 1,917 | 1,219 |
| Total employee benefit expenses | $ 332,239 | $ 338,382 |
| Summary by function | | |
| Operating expenses | $ 332,239 | $ 338,382 |

(VI) Remuneration to employees

According to the Company's Articles of Incorporation, the Company appropriates 1%~10% of the profit before tax before the distribution of employee remuneration for the current year as the employee remuneration. The remuneration of employees for the years 2022 and 2021 were resolved by the Board of Directors on March 10, 2023 and March 14, 2022, respectively, as follows:

Estimated ratio

| | 2023 | 2022 |
|---|---|---|
| Remuneration to employees | 1% | 1% |

Amount

| | 2023 | 2022 |
|---|---|---|
| Remuneration to employees | $ 5,393 | $ 6,166 |

If there is any change in the annual parent company only financial statements after the date of adoption, the change in accounting estimate will be treated as an adjustment and recognized in the following year.

There is no difference between the actual amount of employee remuneration distributed in 2022 and 2021 and the amount recognized in 2022 and 2021 parent company only financial statements.

Information on the remuneration to employees approved by the Company's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## XXII. Income tax

(I) Major components of tax expense (gain) recognized under profit or loss are as follows:

| | 2023 | 2022 |
|---|---|---|
| Current tax | | |
| Tax expense generated in the current year | $ 44,119 | $ 46,400 |
| Deferred income tax | | |
| Tax expense generated in the current year | ( 583 ) | 2,801 |
| Income tax expense recognized in profit or loss | $ 43,536 | $ 49,201 |

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

| | 2023 | 2022 |
|---|---|---|
| Net income before income tax | $ 533,825 | $ 610,376 |
| Income tax expense calculated at the statutory rate | $ 106,765 | $ 122,075 |

| | 2023 | 2022 |
|---|---|---|
| Nondeductible expenses in determining taxable income | - | - |
| Tax-exempt income | ( 53,861 ) | ( 62,317 ) |
| Unrecognized deductible temporary differences | ( 9,368 ) | ( 10,557 ) |
| Income tax expense recognized in profit or loss | $ 43,536 | $ 49,201 |

(II) Income tax expense recognized in other comprehensive income

| | 2023 | 2022 |
|---|---|---|
| Deferred income tax | | |
| Remeasurement of defined benefit plans in respect of the current year | ($ 702 ) | $ 2,828 |

(III) Current tax liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current tax liabilities | | |
| Income tax payables | $ 20,836 | $ 24,191 |

(IV) Deferred income tax assets and liabilities

The changes in deferred income tax assets and liabilities are as follows:

2023

| Deferred income tax assets | Balance – beginning of year | Recognized in profit or loss | Recognized in other comprehensive income | Balance – end of year |
|---|---|---|---|---|
| Temporary differences | | | | |
| Deferred income | $ 17,651 | $ 895 | $ - | $ 18,546 |
| Allowance for losses | 254 | 238 | - | 492 |
| Allowance for inventory write-down | 681 | 29 | - | 710 |
| Leave payment payables | 85 | ( 55 ) | - | 30 |
| Book-tax difference in pensions | 1,324 | ( 589 ) | - | 735 |
| Defined benefit plans | 18,554 | - | 702 | 19,256 |
| Unrealized exchange losses | 50 | ( 18 ) | - | 32 |
| | $ 38,599 | $ 500 | $ 702 | $ 39,801 |

| Deferred income tax liabilities | Balance – beginning of year | Recognized in profit or loss | Recognized in other comprehensive income | Balance – end of year |
|---|---|---|---|---|
| Temporary differences | | | | |
| Lease receivables | $ 295 | ( $ 83 ) | $ - | $ 212 |

2022

| Deferred income tax assets | Balance – beginning of year | Recognized in profit or loss | Recognized in other comprehensive income | Balance – end of year |
|---|---|---|---|---|
| Temporary differences | | | | |
| Deferred income | $ 19,897 | ( $ 2,246 ) | $ - | $ 17,651 |
| Allowance for losses | 123 | 131 | - | 254 |
| Allowance for inventory write-down | 689 | ( 8 ) | - | 681 |
| Leave payment payables | 51 | 34 | - | 85 |
| Book-tax difference in pensions | 2,093 | ( 769 ) | - | 1,324 |
| Defined benefit plans | 21,382 | - | ( 2,828 ) | 18,554 |
| Unrealized exchange losses | 72 | ( 22 ) | - | 50 |
| | $ 44,307 | ( $ 2,880 ) | ( $ 2,828 ) | $ 38,599 |

| Deferred income tax liabilities | Balance – beginning of year | Recognized in profit or loss | Recognized in other comprehensive income | Balance – end of year |
|---|---|---|---|---|
| Temporary differences | | | | |
| Lease receivables | $ 374 | ( $ 79 ) | $ - | $ 295 |

(V) Amount of temporary differences in unrecognized deferred income tax liabilities related to investments

As of December 31, 2022 and 2021, the taxable temporary differences related to the investment in subsidiaries not recognized as deferred income tax liabilities amounted to NT$84,439 thousand and NT$75,071 thousand, respectively.

(VI) Income tax assessment

The Company's profit-seeking enterprise income tax return has been assessed by the tax authority through 2021, and the assessment result is no different from the return.

XXIII. Earnings per share

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

Net income for the period

| | 2023 | 2022 |
|---|---|---|
| Net income for the period | $ 490,289 | $ 561,175 |

Number of shares

Unit: Thousands of shares

| | 2023 | 2022 |
|---|---|---|
| Weighted average number of common shares used for calculation of basic earnings per share | 144,496 | 144,496 |
| Effect of potentially dilutive common shares: | | |
| Remuneration to employees | 128 | 153 |
| Weighted average number of common shares used for calculation of diluted earnings per share | 144,624 | 144,649 |

If the Company chooses to offer employee compensation or share profits in the form of cash or stock, while calculating diluted earnings per share, and assuming that the compensation is paid in the form of stock, the dilutive potential common shares will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The dilutive effect of such potential common shares shall continue to be considered when calculating diluted earnings per share before the number of shares to be distributed as employee compensation is approved in the following year.

XXIV. Cash flow information

(I) Non-cash transactions

The investing activities transactions of the Company's purchase of property, plant and equipment in 2023 and 2022 that affect both cash and non-cash items are as follows:

| | 2023 | 2022 |
|---|---|---|
| Inventories transferred to property, plant and equipment | $ 189,183 | $ 131,819 |
| Property, plant and equipment transferred to inventories | $ 8,005 | $ 5,653 |

(II) Changes in liabilities from financing activities

2023

| | January 1, 2023 | Cash flow | Non-cash flow changes: New leasehold | Non-cash flow changes: Interest expenses | Others | December 31, 2023 |
|---|---|---|---|---|---|---|
| Short-term borrowings | $ 400,000 | $ 200,000 | $ - | $ - | $ - | $ 600,000 |
| Short-term notes and bills payable | 499,872 | ( 499,872 ) | - | - | - | - |
| Long-term borrowings | 740,000 | 359,965 | - | - | - | 1,099,965 |
| Guarantee deposits | 4,140 | ( 566 ) | - | - | - | 3,574 |
| Lease liabilities | 37,603 | ( 26,209 ) | 28,140 | 420 | ( 4,906 ) | 35,048 |
| | $ 1,681,615 | $ 33,318 | $ 28,140 | $ 420 | ( $ 4,906 ) | $ 1,738,587 |

2022

| | January 1, 2022 | Cash flow | Non-cash flow changes: New leasehold | Non-cash flow changes: Interest expenses | Others | December 31, 2022 |
|---|---|---|---|---|---|---|
| Short-term borrowings | $ 1,000,024 | ( $ 600,024 ) | $ - | $ - | $ - | $ 400,000 |
| Short-term notes and bills payable | 96,787 | 499,872 | - | - | - | 499,872 |
| Long-term borrowings | 500,000 | 240,000 | - | - | - | 740,000 |
| Guarantee deposits | 4,127 | 13 | - | - | - | 4,140 |
| Lease liabilities | 53,113 | ( 28,836 ) | 13,326 | 340 | ( 340 ) | 37,603 |
| | $ 1,557,264 | $ 111,025 | $ 13,326 | $ 340 | ( $ 340 ) | $ 1,681,615 |

XXV. Capital risk management

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

The management reviews the capital structure of the Company from time to time in light of the economic environment and business considerations. According to the management's opinions and statutory requirements, the Company balances the overall capital structure through the payment of dividends, issuance of shares, and financing.

XXVI. Financial instruments

(I) Information on fair value

1. Financial instruments not measured at fair value

The management of the Company considers that the carrying amounts of financial assets and financial liabilities not measured at fair value are close to their fair value.

2. Financial instruments measured at fair value on a recurring basis

The following financial instruments of the Company have an observable level of fair value in Level 1.

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial assets measured at fair value through other comprehensive income | | |
| Investments in equity instruments | | |
| -Domestic listed securities | $ 717,074 | $ 735,001 |

There were no transfers between Level 1 and Level 2 fair value measurements in 2023 and 2022.

(II) Types of financial instruments

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial assets | | |
| Financial assets at amortized cost (Note 1) | $ 261,306 | $ 307,486 |
| Financial assets measured at fair value through other comprehensive income – investments in equity instruments | 717,074 | 735,001 |
| Financial liabilities | | |
| Measured at amortized cost (Note 2) | 1,859,945 | 1,764,308 |

Note 1: The balance includes cash, Accounts receivable, other receivables, refundable deposits and other financial assets measured at amortized cost.

Note 2: The balance includes short-term loans, short-term notes and bills payable, accounts payable, other payables (excluding employee benefits payable and business tax payable), long-term loans, guarantee deposits received, and other financial liabilities measured at amortized cost.

(III) Financial risk management objectives and policies

The main financial instruments of the Company include equity instrument investments, Accounts receivable, accounts payable, loans, and lease liabilities. The financial management department of the Company provides services to each business division, coordinates domestic and international market operations, supervises and manages financial risks related to the operation of the Company by analyzing the internal risk reports of the risks according to the level and scope of risks. Such risk includes market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk.

1. Market risk

The main financial risks the Company exposed to in the business activities are foreign exchange risk, interest rate risk and other price risk.

Market risk in relation to the Company's financial instruments and its management and measurement approaches remain unchanged.

(1) Exchange risk

For the monetary assets and liabilities of the Company denominated in non-functional currencies on the balance sheet date, please refer to Note 31.

Sensitivity analysis

The Company is mainly impacted by the exchange rate fluctuations in USD.

The following sensitivity analysis shows that when the exchange rate of NTD (the functional currency) appreciates by 3% against each relevant foreign currency in 2023 and 2022, exchange losses/gains will arise from the monetary amount of financial assets/liabilities and thereby result in decrease/increase in the net profit before tax. When the exchange rate depreciates, its impact on the net profit before tax is the same amount in the reverse. Said 3% is the sensitivity rate used when the Company reports exchange rate risk to the consolidated company's key management, and also represents management's assessment on the reasonable and possible range of changes in foreign currency exchange rates.

| | Impact of USD | |
|---|---|---|
| | 2023 | 2022 |
| Gain or loss | (\$ 116) | (\$ 612) |

The impact of profit or loss was mainly attributable to the demand deposits and loans for material purchasing denominated in USD that were still outstanding and not hedged in cash flows on the balance sheet date. The Company's sensitivity to the exchange rate of USD increased in the current period due to the increase in the net liability denominated in USD held by the Company.

(2) Interest rate risk

The carrying amounts of financial assets and financial liabilities of the Company exposed to interest rate risk on the balance sheet date are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Fair value interest rate risk | | |
| - Financial liabilities | $ 35,048 | $ 537,475 |
| Cash flow interest rate risk | | |
| - Financial assets | 30,326 | 64,949 |
| - Financial liabilities | 1,099,965 | 740,000 |

Sensitivity analysis

The sensitivity analysis below is prepared based on the risk exposure of non-derivative instruments to the interest rates at balance sheet date. The rate of change adopted is 25 basis points increase/decrease in the interest rate, which also represents the management's assessment on the reasonably possible scope of the interest rate.

If interest rates increase/decrease by 25 base points, with all other variables remaining unchanged, the consolidated company's net profit before tax would decrease/increase by NT$2,674 thousand and NT$1,688 thousand in 2023 and 2022, respectively, mainly due to the exposure to interest rate risk on demand deposits and long-term borrowings of the Company.

(3) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities.

Sensitivity analysis

The following sensitivity analysis was performed based on the risk exposure of equity prices as of the balance sheet date.

If the equity price increases/decreases by 5%, other comprehensive income before tax would increase/decrease by NT$35,854 thousand and NT$36,750 thousand in 2023 and 2022, respectively, due to the change in fair value of financial assets at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to risk that causes the financial loss of the Company due to a counterparty's delay in performing contractual obligations. As of the balance sheet date, the Company's largest credit risk exposure from a counterparty's failure to fulfill obligations came from the carrying amount of financial assets recognized in the parent company only balance sheets.

The Company uses obtainable financial information and past transaction records to grade main customers while monitoring its credit risk exposure and credit ratings of the counterparties constantly.

The Company's credit risk is not concentrated in the Company's major customers, except for related parties.

3. Liquidity risk

The Company supports the operations and reduces the impact of fluctuating cash flows by managing and maintaining sufficient cash. The management of the Company supervises the use of the credit line from banks and ensures compliance with the terms of the loan contracts.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to repay.

December 31, 2023

| | Weighted average effective rate (%) | Payment on sight or within 1 month | 1–3 months | 3–12 months | 1–5 years |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Zero-interest-bearing liabilities | | $ 50,762 | $ 102,921 | $ 3,774 | $ 2,524 |
| Lease liabilities | | 1,607 | 3,184 | 12,820 | 18,099 |
| Variable-rate instruments | 1.565% | - | - | - | 1,100,000 |
| Instruments with fixed interest rates | 1.503% | 600,000 | - | - | - |
| | | $ 652,369 | $ 106,105 | $ 16,594 | $ 1,120,623 |

December 31, 2022

| | Weighted average effective rate (%) | Payment on sight or within 1 month | 1–3 months | 3–12 months | 1–5 years |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Zero-interest-bearing liabilities | | $ 10,289 | $ 108,918 | $ 1,089 | $ 4,140 |
| Lease liabilities | | 2,336 | 4,428 | 17,228 | 13,896 |
| Variable-rate instruments | 1.008% | - | - | - | 740,000 |
| Instruments with fixed interest rates | 1.201% | 499,872 | 250,000 | 150,000 | - |
| | | $ 512,497 | $ 363,346 | $ 168,317 | $ 758,036 |

Line of credit

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Unsecured bank line | | |
| - Amount utilized | $ 1,234,285 | $ 1,242,959 |
| - Amount not utilized | 2,695,715 | 3,007,041 |
| | $ 3,930,000 | $ 4,250,000 |
| Secured bank line | | |
| - Amount utilized | $ 500,000 | $ 440,000 |
| - Amount not utilized | - | - |
| | $ 500,000 | $ 440,000 |

XXVII. Related parties transactions

Details of transactions between the Company and its related parties are disclosed below.

(I) Names and relations of related parties

| Name of related parties | Relationship with the Company |
|---|---|
| Aurora Corporation (Aurora) | Investor of significant influence |
| Aurora Leasing Corporation (Aurora Leasing) | Subsidiary |
| Aurora Development Corp. (Aurora Development) | Other related parties |
| Aurora Holdings Incorporated (Aurora Holdings) | Other related parties |
| Aurora Telecom Corporation (Aurora Telecom) | Other related parties |
| Aurora Office Automation Corporation (Aurora Office Automation) | Other related parties |
| KM Developing Solutions Co., Ltd. (KM Developing) | Other related parties |
| General Integration Technology Co., Ltd. (General Integration) | Other related parties |
| Aurora Interior Design Co., Ltd. (Aurora Interior Design) | Other related parties |

(II) Operating income

| Type/name of related parties | 2023 | 2022 |
|---|---|---|
| Aurora Leasing | $ 202,790 | $ 191,383 |
| Investor of significant influence | 821 | 797 |
| Other related parties | 765 | 1,985 |
| | $ 204,376 | $ 194,165 |

Sales by the Company to related parties are made based on the market price, with payments collected within 1–2 months.

(III) Purchase of goods

| Type/name of related parties | 2023 | 2022 |
|---|---|---|
| Subsidiary | $ 33,677 | $ 27,308 |
| Investor of significant influence | 5,822 | 5,947 |
| Other related parties | 87 | 2,684 |
| | $ 39,586 | $ 35,939 |

Purchased by the Company from related parties are made based on the market price, with payments collected within 1–2 months.

(IV) Operating expenses

| Type/name of related parties | 2023 | 2022 |
|---|---|---|
| Investor of significant influence | $ 39,077 | $ 39,291 |
| Other related parties | 633 | 709 |
| | $ 39,710 | $ 40,000 |

Operating expenses represent expenses paid to related parties for marketing expenditures of operational consulting and service fees.

(V) Other income

| Type/name of related parties | 2023 | 2022 |
|---|---|---|
| Subsidiary | $ 8,071 | $ 8,737 |
| Investor of significant influence | 18 | - |
| | $ 8,089 | $ 8,737 |

Other income is mainly from commissioned services for rental equipment maintenance and warranty services received from its subsidiaries based on their operating incomes. Other receivables from commissioned services are collected on a monthly basis.

(VI) Lease agreements

Assets for operating leases

The operating lease receivables are summarized as follows:

| Type/name of related parties | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Investor of significant influence | $ - | $ 35 |

The total lease payments to be received in the future are as follows:

| Type/name of related parties | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Investor of significant influence | $ - | $ 2,200 |
| Other related parties | 110 | 230 |
| | $ 110 | $ 2,430 |

Lease incomes are summarized as follows:

| Type/name of related parties | 2023 | 2022 |
|---|---|---|
| Investor of significant influence | $ 600 | $ 2,404 |
| Other related parties | 120 | 120 |
| | $ 720 | $ 2,524 |

The Company leases the right of use of office spaces to related parties under operating leases. The rent are charged based on the standard rates of similar assets; and the fixed lease payments are received on a monthly basis in accordance with the lease agreements.

(VII) Receivables from related parties

| Accounting subject | Type/name of related parties | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Accounts receivable | Aurora Leasing | $ 33,747 | $ 31,870 |
| | Other related parties | 55 | 188 |
| | Investor of significant influence | 4 | 13 |
| | | $ 33,806 | $ 32,071 |
| Other receivables | Other related parties | $ 36 | $ 17 |

No guarantee is received for outstanding accounts receivable from related parties. No allowance for loss has been provided for accounts receivable from related parties in 2023 and 2022.

(VIII) Payables to related parties

| Accounting subject | Type/name of related parties | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Accounts payable | Aurora Leasing | $ 1,225 | $ 2,193 |
| | Investor of significant influence | 261 | 23 |
| | | $ 1,486 | $ 2,216 |
| Other payables | Investor of significant influence | $ 3,535 | $ 3,479 |

The outstanding balance of related party accounts payable is not guaranteed.

(IX) Acquisition of property, plant, and equipment

| | 2023 | 2022 |
|---|---|---|
| Investor of significant influence | $ 413 | $ 2 |

The transaction prices are determined according to market conditions.

(X) Lease agreements

| Type/name of related parties | 2023 | 2022 |
|---|---|---|
| Acquisition of right-of-use assets | | |
| Aurora Holdings | $ 12,227 | $ 968 |
| Investor of significant influence | 1,609 | - |
| | $ 13,836 | $ 968 |

| Accounting subject | Type/name of related parties | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Lease liabilities – current | Aurora Holdings | $ 4,058 | $ 9,401 |
| | Investor of significant influence | 531 | - |
| | | $ 4,589 | $ 9,401 |
| Lease liabilities – non-current | Aurora Holdings | $ 6,213 | $ - |
| | Investor of significant influence | 859 | - |
| | | $ 7,072 | $ - |

| Type/name of related parties | 2023 | 2022 |
| --- | --- | --- |
| Interest expenses | | |
| Aurora Holdings | $ 118 | $ 101 |
| Investor of significant influence | 10 | - |
| | $ 128 | $ 101 |

The Company rented offices from related parties in 2023 and 2022, respectively, for the lease term of 3 years. The rent was paid on a monthly basis, and based on the terms and conditions with no significant different from those of the general customers.

(XI) Others

| Accounting subject | Type/name of related parties | December 31, 2023 | December 31, 2022 |
| --- | --- | --- | --- |
| Refundable deposits | Aurora Holdings | $ 2,322 | $ 1,642 |
| Guarantee deposits | General Integration | $ 21 | $ 21 |
| | Aurora | - | 566 |
| | | $ 21 | $ 587 |

(XII) Remuneration to the management

| | 2023 | 2022 |
| --- | --- | --- |
| Short-term employee benefits | $ 12,401 | $ 13,874 |
| Retirement benefits | 373 | 457 |
| | $ 12,774 | $ 14,331 |

The remuneration to directors and the management is determined by the Remuneration Committee based on personal performances and market trends.

XXVIII. Pledged assets

The following assets of the Company have been provided for banks as collateral for loans:

| | Contents | December 31, 2023 | December 31, 2022 |
| --- | --- | --- | --- |
| Investment property | Land, houses and buildings | $ 228,458 | $ 231,999 |
| Investments accounted for using the equity method | 8,400 thousand shares of Aurora Leasing | $ 179,845 | $ 183,056 |

XXIX. Significant contingent liabilities and unrecognized contract commitments

In addition to those disclosed in other Notes, information on significant commitments and contingent liabilities on the balance sheet date is as follows:

(I) As of December 31, 2023 and 2022, the Company had unused letters of credit amounting to US$721 thousand and US$998 thousand, respectively. The performance bonds issued by financial institutions in favor of the consolidated company amounted to NT$11,700 thousand and NT$12,270 thousand, respectively.

(II) As of December 31, 2023 and 2022, the total amount of guaranteed notes issued by the Company to financial institutions to meet short-term notes and bills and short-term and long-term borrowing lines was NT$4,230,000 thousand.

(III) Significant contracts of the Group are disclosed as follows:

| Type of contract | Contracting party | Contract duration Date | Contract content | Restrictions |
|---|---|---|---|---|
| Long-term supply/sales contracts | Ricoh Asia Pacific Ricoh Taiwan | April 1, 2023~ March 31, 2024 (Note) | Digital multi-function devices (Ricoh Asia Pacific); laser printers, projectors and other products (Ricoh Taiwan) | 1. Non-compete clauses are applied<br>2. Sales are only in Taiwan region |

Note: The term will be automatically extended for one year if no objection is raised by both parties.

XXX. Significant events after the balance sheet date: None.

## XXXI. Assets and liabilities denominated in foreign currencies with significant influence

The following information is aggregated by the foreign currencies other than the functional currency of the Group, and the exchange rates disclosed are the rates at which these foreign currencies are exchanged for the functional currency. The significant impact on assets and liabilities denominated in foreign currencies is as follows:

Unit: various Foreign currencies/NTD Thousand

| | December 31, 2023 | | |
|---|---|---|---|
| | Foreign currency | Exchange rate | Carrying amount |
| Foreign currency assets | | | |
| Monetary items | | | |
| USD | $ 127 | 30.705 (USD:NTD) | $ 3,882 |
| Non-monetary items | | | |
| Subsidiaries accounted for using the equity method | | | |
| RMB | 373,830 | 4.327 (RMB:NTD) | 1,617,561 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Foreign currency | Exchange rate | Carrying amount |
| Foreign currency assets | | | |
| Monetary items | | | |
| USD | $ 666 | 30.710 (USD:NTD) | $ 20,405 |
| Non-monetary items | | | |
| Subsidiaries accounted for using the equity method | | | |
| RMB | 363,169 | 4.408 (RMB:NTD) | 1,600,847 |

Unrealized foreign exchange gains and losses that have significant impact are as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| Foreign currency | Exchange rate | Net unrealized foreign exchange gains (losses) | Exchange rate | Net unrealized foreign exchange gains (losses) |
| USD | 1：31.155(USD:NTD) | ( $ 159 ) | 1：29.805(USD:NTD) | ( $ 248 ) |

XXXII. Additional disclosures

(I) Significant transactions:

1. Financings provided to others: None.
2. Endorsement/guarantee provided to others: None.
3. Marketable securities held (excluding investments in subsidiaries): Please see Table 1.
4. Cumulative amount of the same marketable security purchased or sold reaching NT$300 million or more than 20% of the paid-in capital: See Table 2.
5. Acquisition amount of real estate reaching NT$300 million or more than 20% of the paid-in capital: None.
6. Amount on disposal of real estate reaching NT$300 million or more than 20% of the paid-in capital: None.
7. Purchase/sale amount of transactions with related parties reaching NT$100 million or more than 20% of the paid-in capital - Table 3.
8. Accounts receivable-related party reaching NT$100 million or more than 20% of the paid-in capital: None.
9. Information about the derivative financial instruments transaction: None.

(II) Information on the investment business: Please see Table 4.

(III) Information on investment in Mainland China:

1. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, shareholding, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 5
2. Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: Please see Table 6.

(IV) Information on major shareholders: Names of shareholders with a shareholding ratio of more than 5%, number of shares held, and percentage: Table 7.

Huxen Corporation

Marketable securities held at end of period

December 31, 2023

Table 1

Unit: NTD in Thousand/Thousand Shares

| Holding company | Type and name of marketable securities | Relationship with issuer of securities | Accounting subject | End of the period | | | | Remark |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares | Carrying amount | Shareholding % | Market price (Note1) | |
| Huxen Corporation | Share | | | | | | | |
| | Aurora Corporation | Company with investment in the Company measured by the equity method | Financial assets at fair value through other comprehensive income – current | 9,435 | $ 717,074 | 3.99 | $ 717,074 | |
| Aurora Leasing Corporation | Share | | | | | | | |
| | Aurora Corporation | Aurora uses the equity method to evaluate its investment in the Company. Aurora Leasing Corporation is a subsidiary of the Company. | Financial assets at fair value through other comprehensive income – current | 12,610 | 958,351 | 5.34 | 958,351 | |
| | | | Financial assets at fair value through other comprehensive income – noncurrent | 8,181 | 621,786 | 3.46 | 621,786 | |
| Huxen (China) Co., Ltd. | Industrial Bank – large-denomination certificate of deposit | None | Financial assets at amortized cost – current | - | 237,895 | - | 237,895 | |
| | China Minsheng Bank large-denomination □ certificate of deposit | None | Financial assets at amortized cost – current | - | 231,147 | - | 231,147 | |
| | Cathay United Bank — large-denomination certificate of deposit | None | Financial assets at amortized cost – current | - | 223,309 | - | 223,309 | |
| | Bank SinoPac — large-denomination certificate of deposit | None | Financial assets at amortized cost – current | - | 354,074 | - | 354,074 | |

Note 1: It refers to the market price in the public market price, and refers to the closing price on December 31, 2023, in the case of stocks, while the fair value of wealth management products is valued based on the discounted cash flow.

Note 2: For information on investments in subsidiaries, please refer to Tables 4 and 5.

Huxen Corporation

Cumulative amount of the same marketable security purchased or sold reaching NT$300 million or more than 20% of the paid-in capital

January 1~December 31, 2023

Table 2

Unit: NTD in Thousands /Thousand Shares (unless stated otherwise)

| Company name | Type and name of marketable securities | Accounting subject | Counterparty | Relationship | Transaction currency | Beginning of period | | Reclassification of period | | Purchase | | Sale | | | | Increase/decrease of period | | End of the period | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Number of shares (in thousand shares or thousand units) | Amount | Number of shares (in thousand shares or thousand units) | Amount | Number of shares (in thousand shares or thousand units) | Amount | Number of shares (in thousand shares or thousand units) | Price | Carrying cost | Gains (losses) on disposal | Number of shares (in thousand shares or thousand units) | Amount | Number of shares | Amount |
| Huxen (China) Co., Ltd. | Liduoduo Stable Yield Structured Deposit | Financial assets at fair value through profit or loss – current | Shanghai Pudong Development Bank | None | RMB | - | $ - | - | $ - | - | $ 120,000 | - | $ 120,750 | $ 120,000 | $ 750 | - | $ - | - | $ - |
| | Structured deposits | Financial assets at fair value through profit or loss – current | Industrial Bank | None | RMB | - | - | - | - | - | 200,000 | - | 201,128 | 200,000 | 1,128 | - | - | - | - |

Huxen Corporation

Total purchases from or sales to related parties amounting to at least $100 million or 20% of the paid-in capital

January 1~December 31, 2023

Table 3 Unit: NTD in Thousands

| Company name | Counterparty | Relationship | Transaction situation | | | | Unusual transaction terms and reasons | | Notes and Accounts receivable (payable) | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases (Sales) | Amount | Percentage of total purchases (sales) (%) | Credit period | Unit price | Credit period | Balance | To the notes/accounts receivable (payable) (%) (Note 6) | |
| Huxen Corporation | Aurora Leasing Corporation | Subsidiary | Sales | ( $ 202,789 ) | 14% | In principle, payments shall be collected in cash in next month. | Transaction prices are based on market conditions; hence there is no material difference. | In principle, payments shall be collected in cash in next month. | $ 33,747 | 19% | |
| Aurora Leasing Corporation | Huxen Corporation | Subsidiary | Purchase | 202,789 | Note 1 | In principle, purchase payments shall be paid in cash in next month. | Transaction prices are based on market conditions; hence there is no material difference. | In principle, purchase payments shall be paid in cash in next month. | ( 33,747 ) | ( 27% ) | |
| 〃 | Aurora Corporation | Company using the equity method for the investment in the Company | Purchase | 340,490 | Note 2 | 〃 | 〃 | 〃 | ( 55,773 ) | ( 44% ) | |
| 〃 | Aurora Office Automation Corporation | Subsidiary of Aurora Corporation | Purchase | 220,248 | Note 3 | 〃 | 〃 | 〃 | ( 35,991 ) | ( 29% ) | |
| Huxen (China) Co., Ltd. | Aurora Office Automation Sales Co., Ltd. | Sub-sub-sub-subsidiary of Aurora Corporation | Purchase | 485,738 | Note 4 | In principle, purchase payments shall all be paid within 4 months. | Transaction prices are based on market conditions; hence there is no material difference. | In principle, purchase payments shall all be paid within 4 months. | - | - | |
| 〃 | 〃 | 〃 | Purchase | 212,030 | Note 5 | 〃 | 〃 | 〃 | - | - | |

Note 1: The goods sold by the Company to Aurora Leasing Corporation. were recognized as property, plant and equipment by Aurora Leasing Corporation.

Note 2: The goods sold by Aurora Co., Ltd to Aurora Leasing Corporation. were recognized as property, plant and equipment by Aurora Leasing Corporation.

Note 3: The goods sold by Aurora Office Automation Corporation to Aurora Leasing Corporation were recognized as property, plant and equipment by Aurora Leasing Corporation.

Note 4: The goods sold by Aurora Office Automation Sales Co., Ltd. to Huxen (China) Co., Ltd. were recognized as property, plant and equipment by Huxen (China) Co., Ltd.

Note 5: The goods sold by Aurora Office Automation Sales Co., Ltd. to Huxen (China) Co., Ltd. were recognized as service cost by Huxen (China) Co., Ltd.

Note 6: The above percentage is calculated based on the ratio of the balance of notes and Accounts receivable (payable) with related parties to the balance of investee companies' notes and Accounts receivable (payable).

Huxen Corporation

Information on investee companies, locations thereof etc.

January 1~December 31, 2023

Table 4

Unit: NTD in Thousands/Thousand Shares

| Name of investor | Name of investee | Location | Main business activities | Initial investment amount | | Ending balance | | | Profit (loss) of investee for the period | Investment profit (loss) recognized for the period | Distribution of dividends by investee for the period | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance for the current period | Ending balance for the previous period | Number of shares | Ratio % | Carrying amount | | | Stock dividends | Cash dividends | |
| Huxen Corporation | Aurora Leasing Corporation | Taiwan, R.O.C. | (1) Import, export, lease and repair of multi-function printers; (2) The re-leasing business of the foregoing products; (3) Import and export of toner, metal powders, cards, rollers, and papers. | $ 865,491 | $ 865,491 | 119,237 | 100 | $2,552,878 | $ 224,954 | $ 224,954 | $ - | $ 226,550 | Subsidiary |

Note: The amounts have been offset due to consolidation.

Huxen Corporation

Investment in Mainland China

January 1~December 31, 2023

Table 5

1. Name of the investee company in Mainland China, main businesses, paid-in capital, investment method, capital remittance, shareholding ratio, investment gain or loss, carrying amounts of investment, and remittance of investment gain or loss:

Unit: NTD in Thousands, RMB thousand or USD thousand

| Investee company in mainland china | Main business activities | Paid-in capital | Method of investment | Accumulated outward remittance for investment from Taiwan as of the beginning of the period | Remittance of funds | | Accumulated outward remittance for investment from Taiwan as of the end of the period | Net income of investee of the period | The Company's Shareholding % of direct or indirect investment | Investment gains/losses recognized for the period (Note 2) | Carrying amount as of the end of the period | Accumulated repatriation of investment income to Taiwan as of the end of the period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | |
| Huxen (China) Co., Ltd. | Sales, repair services and leasing of multi-function printers | $ 1,922,054 ( RMB$ 400,000 ) | Note 1 (I) | $ 1,339,010 ( US$ 2,885 RMB$ 262,000 ) | $ - | $ - | $ 1,339,010 ( US$ 2,885 RMB$ 262,000 ) | $ 66,914 | 70 | $ 46,840 | $ 1,617,561 | $ - |

2. Limit on the amount of investment in the Mainland Area:

| Accumulated outward remittance for investment in Mainland China from Taiwan at the end of the period (Note 3) | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (Note 3) | Investment limit in Mainland China according to the Investment Commission of the Ministry of Economic Affairs (Note 4) |
|---|---|---|
| $ 1,339,010 ( US$ 2,885 ) ( RMB$ 262,000 ) | $ 1,489,900 ( RMB$ 310,000 ) | $ 2,716,924 |

Note 1: The following three types of investment methods are distinguished and can be labeled as follows:
(I) Direct investment in Mainland China.
(II) Indirect investment in companies of Mainland China through a third place.
(III) Other method (through third region remittance)

Note 2: In the column of investment income or loss recognized for the period:
(I) If it is in preparation, and there is no investment gains/losses, notes shall be made.
(II) The amounts of investment gain/loss were recognized on following three bases:
1. Financial statements audited by a ROC CPA firm cooperating with an international CPA firm
2. Financial statements audited by the auditor of parent company.
3. Others

Note 3: The amount was calculated based on the exchange rate approved by the Investment Commission of the Ministry of Economic Affairs at the time. The accumulated outward remittance (Foreign currencies) for investment in Mainland China from Taiwan at the end of the period did not exceed the Investment amount (Foreign currencies) approved by the Investment Commission of the Ministry of Economic Affairs

Note 4: The net worth of the consolidated company as of December 31, 2023 was NT$4,528,208 thousand. In accordance with the "Principles Governing the Examination of Investments or Technical Cooperation in China," the calculation of the limit is NT$4,528,207 thousand × 60% = NT$2,716,924 thousand.

Huxen Corporation

Major transactions with any investee company in mainland China directly or indirectly through a third region, and their prices, payment terms, unrealized gains (losses), and other information

January 1~December 31, 2023

Table 6

Unit: Thousand NTD

| Investee company in mainland china | Relationship between the Group and related parties | Type of transaction | Amount | Transaction terms | | | Notes and Accounts receivable (payable) | | Unrealized gains or losses | Remark |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Price | Payment terms | Comparison with the general transactions | Balance | Percentage (%) (Note) | | |
| Huxen (China) Co., Ltd. | Subsidiary | Purchase | $ 485,738 | Price is made based on market conditions | Payment is made within 4 months | No material discrepancy | $ - | - | $ - | |
| | | Purchase | 212,030 | 〃 | 〃 | 〃 | - | - | - | |

Note: The above percentage is calculated as the ratio of the balance of notes and Accounts receivable (payable) with related parties to the balance of total notes and Accounts receivable (payable) of the Group.

Huxen Corporation

Information on major shareholders

December 31, 2023

Table 7

| Name of major shareholders | Shares | |
|---|---|---|
| | Shares held | Shareholding (%) |
| Aurora Corporation | 47,010,591 | 32.53 |
| Aurora Holdings Incorporated | 39,359,689 | 27.23 |
| Aurora Office Automation Corporation | 11,170,023 | 7.73 |
| Ni Sheng Investment Co., Ltd. | 8,091,000 | 5.59 |

Note 1: The information on major shareholders herein is about shareholders who hold more than 5% of the common and preferred shares (including treasury shares) that were delivered without physical registration as calculated by the Taiwan Depository & Clearing Corporation on the last business day of the quarte. Share capital indicated in the Company's financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.

Note 2: If a shareholder delivers its shareholding information to the trust, the foregoing information shall be disclosed by the individual trustee who opened the trust account. As for shareholders with a stake of 10% or more who make an insider stock declaration in accordance with the Securities and Exchange Act, the shares held include individual shareholding and shares declared trust in which the shareholder has the power to decide the allocation of trust assets. For information on insider stock declaration, please visit the Market Observation Post System.

# § STATEMENTS OF SIGNIFICANT ACCOUNTING SUBJECTS§

Huxen Corporation

Statement of Financial Assets Measured at Fair Value through Other Comprehensive Income – Current

December 31, 2023

Statement 1

Unit: NTD in Thousands/Thousand Shares (unless stated otherwise)

| Name of financial instrument | Summary | Number of shares | Face value | Total | Interest rate (%) | Acquisition cost | Accumulated impairment | Fair values | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Unit price ($) | Total |
| Current | | | | | | | | | |
| Aurora Corporation | Share | 9,435 | 94,350 | $ 717,074 | - | $ 442,726 | Not applicable | 76.00 | $ 717,074 |

Note: The unrealized valuation gain on the financial assets at fair value through other comprehensive income - current amounted to NT$274,348 thousand at the end of the period.

Huxen Corporation

Statement of Notes Receivable

December 31, 2023

Statement 2 | Unit: NTD in Thousand

| ITEM | Summary | Amount |
|---|---|---|
| Company A | Payment | $ 7,189 |
| Others (Note) | 〃 | 46,016 |
| Less: Allowance for impairment loss | | - |
| | | $ 53,205 |

Note: The balance of each item does not exceed 5% of the balance of this account.

Huxen Corporation

Statement of Accounts receivable/Accounts receivable – Related Parties

December 31, 2023

Statement 3 Unit: NTD in Thousand

| ITEM | Summary | Amount |
|---|---|---|
| Non-related parties | | |
| Others (Note) | Payment | $ 92,631 |
| Less: Allowance for impairment loss | | ( 2,563 ) |
| | | $ 90,068 |
| | | |
| Related parties | | |
| Aurora Leasing Corporation | Payment | $ 33,747 |
| Others (Note) | 〃 | 59 |
| | | $ 33,806 |

Note: The balance of each item does not exceed 5% of the balance of this account.

Huxen Corporation

Statement of Changes in Investments Accounted for Using the Equity Method

January 1~December 31, 2023

Statement 4

Unit: NTD in Thousands/Thousand Shares (unless stated otherwise)

| | Beginning balance | | Increase of the period | | Decrease of the period | | Gain (loss) on investments | | Exchange differences on translation of foreign operation's financial statements | Investment gains/losses financial instrument of the period | Ending balance | | | Market Value/Net Equity Value (Note 4 & 5) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount (Note 1) | (Note 2) | Deferred Realized gross profit | | (Note 3) | Number of shares | Shareholding (%) | Amount | Unit price ($) | Total | Guarantee or pledge |
| Unlisted companies | | | | | | | | | | | | | | | | |
| Aurora Leasing Corporation | 119,237,000 | $ 2,598,452 | - | $ - | - | ($ 226,550) | $ 224,954 | ($ 4,475) | $ - | ($ 39,503) | 119,237,000 | 100.00 | $ 2,552,878 | 20.18 | $ 2,406,625 | Note 6 |
| Huxen (China) Co., Ltd. | 280,000,000 | 1,600,847 | - | - | - | - | 46,840 | - | ( 30,126) | - | 280,000,000 | 70.00 | 1,617,561 | 5.78 | 1,617,561 | |
| | | $ 4,199,299 | | $ - | | ($ 226,550) | $ 271,794 | ($ 4,475) | ($ 30,126) | ($ 39,503) | | | $ 4,170,439 | | $ 4,024,186 | |

Note 1: The decrease of the period is due to the cash dividends paid by Aurora Leasing.

Note 2: The calculation is based on the financial statements audited by the independent auditors.

Note 3: Unrealized gains or losses on financial instruments are recognized in accordance with the shareholding percentage in the investee company.

Note 4: These are the net equity of the investee company based on the financial statements audited by independent auditors for the same period.

Note 5: The difference between the ending balance of investment in AURORA LEASING and its net equity is NT$146,253 thousand, which represents the investment premium of NT$238,980 thousand and the deferred gross profit of NT$92,727 thousand.

Note 6: As of the end of the period, 8,400 thousand shares of investments held under the equity method were pledged as collateral for financing.

Huxen Corporation

Statement of Short-term Loans

December 31, 2023

Statement 5

Unit: NTD in Thousand

| Type of loans | Creditor | Ending balance | Loan period | Interest rate range | Line of credit | Pledge or guarantee |
|---|---|---|---|---|---|---|
| Credit loan | Taishin Bank | $ 150,000 | December 13, 2023~January 12, 2024 | 1.68% | $ 250,000 | None |
| | First Bank | 100,000 | December 20, 2023~January 19, 2024 | 1.65% | 200,000 | 〃 |
| | Bank of Communications | 100,000 | November 3, 2023~January 3, 2024 | 1.55% | 150,000 | 〃 |
| | HSBC | 250,000 | December 28, 2023~January 17, 2024 | 1.65% | 250,000 | 〃 |
| | | $ 600,000 | | | $ 850,000 | |

Huxen Corporation

Statement of Accounts Payable

December 31, 2023

Statement 6 | Unit: NTD in Thousand

| ITEM | Summary | Amount |
|---|---|---|
| Non-related parties | | |
| Company B | Payment | $ 18,079 |
| Company C | 〃 | 13,003 |
| Company D | 〃 | 9,804 |
| Company E | 〃 | 6,834 |
| Company F | 〃 | 6,498 |
| Company G | | 6,450 |
| Company H | | 5,999 |
| Others (Note) | | 67,262 |
| | | $ 133,929 |
| Related parties | | |
| Aurora Leasing Corporation | Payment | $ 1,225 |
| Aurora Corporation | 〃 | 261 |
| | | $ 1,486 |

Note: The balance of each item does not exceed 5% of the balance of this account.

Huxen Corporation

Statement of Long-term Loans

December 31, 2023

Statement 7

Unit: NTD in Thousand

| Creditor | Summary | Borrowing amount | Contract period | Interest rate % | Pledge or guarantee |
|---|---|---|---|---|---|
| Yuanta Bank | Credit loans (interest payable on a monthly basis, principal repayable in one lump sum on maturity) | $ 299,995 | November 2, 2023~June 15, 2025 | 1.585% | None |
| Yuanta Bank | Guaranteed Borrowings (interest payable on a monthly basis, principal repayable in one lump sum on maturity) | 64,000 | November 29, 2023~June 15, 2025 | 1.53% | Please refer to Note 28 |
| Yuanta Bank | Guaranteed Borrowings (interest payable on a monthly basis, principal repayable in one lump sum on maturity) | 435,970 | November 29, 2023~June 15, 2025 | 1.53% | Please refer to Note 28 |
| Mega Bank | Credit loans (interest payable on a monthly basis, principal repayable in one lump sum on maturity) | 250,000 | December 8, 2023~June 30, 2025 | 1.65% | None |
| Mega Bank | Credit loans (interest payable on a monthly basis, principal repayable in one lump sum on maturity) | 50,000 | December 20, 2023~June 30, 2025 | 1.65% | None |
| | | $ 1,099,965 | | | |

Huxen Corporation

Statement of Operating Income

January 1~December 31, 2023

Statement 8 Unit: NTD in Thousand

| ITEM | Quantity (thousand sets) | Amount |
|---|---|---|
| Multi-function printers, peripherals and consumables | 7,092 | $ 816,836 |
| Machine rental income, paper-based income, etc. | | 612,362 |
| | | $ 1,429,198 |

Huxen Corporation

Statement of Operating Costs

January 1~December 31, 2023

Statement 9 Unit: NTD in Thousand

| ITEM | Amount |
|---|---|
| Beginning inventory | $ 207,951 |
| Net purchases for the period | 807,945 |
| Property, plant and equipment transferred to inventories | 8,005 |
| Others | 197 |
| Less: Ending inventory | ( 223,981 ) |
| Those reclassified to property, plant and equipment | ( 189,183 ) |
| Machine rental cost (depreciation) | 144,348 |
| Operating costs | $ 755,282 |

Huxen Corporation

Statement of Operating Expenses

January 1~December 31, 2023

Statement 10 Unit: NTD in Thousand

| | Amount | |
|---|---|---|
| ITEM | Marketing expenses | Administrative and general expenses |
| Salary expenses | $ 225,668 | $ 50,459 |
| Insurance expenses | 25,088 | 4,887 |
| Depreciation expense | 17,572 | 9,701 |
| Service expense | 40 | 41,997 |
| Miscellaneous expenses | 51,880 | 17,363 |
| | $ 320,248 | $ 124,407 |

Note: If the balance of each account exceeds 5% of the account, it is listed as above.

Huxen Corporation

Summary Statement of Current Period Employee Benefits, Depreciation, Depletion and Amortization Expenses by Function

January 1~December 31, 2023 and 2022

Statement 11 Unit: NTD in Thousand

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Operation costs | Operation expenses | Non-operation expenses | Total | Operation costs | Operation expenses | Non-operation expenses | Total |
| Employee benefits | | | | | | | | |
| Salaries | $ - | $ 241,175 | $ - | $ 241,175 | $ - | $ 245,592 | $ - | $ 245,592 |
| Labor and health insurance | - | 29,432 | - | 29,432 | - | 29,433 | - | 29,433 |
| Pensions | - | 14,703 | - | 14,703 | - | 14,135 | - | 14,135 |
| Remuneration paid to directors | - | 6,680 | - | 6,680 | - | 6,680 | - | 6,680 |
| Other employee benefits | - | 40,249 | - | 40,249 | - | 42,542 | - | 42,542 |
| | $ - | $ 332,239 | $ - | $ 332,239 | $ - | $ 338,382 | $ - | $ 338,382 |
| Depreciation | $ 144,348 | $ 27,273 | $ 3,541 | $ 175,162 | $ 134,945 | $ 30,031 | $ 3,541 | $ 168,517 |
| Amortization | $ - | $ 504 | $ - | $ 504 | $ - | $ 312 | $ - | $ 312 |

Note 1: As of December 31, 2023 and 2022, the number of employees of the Company is 401 and 410, respectively, among which the number of directors who are not concurrently employees is 6 and 7.

Note 2: Companies whose shares are listed on the Taiwan Stock Exchange or traded over-the-counter on the Taipei Exchange should disclose additional information on the following:

(1) The Company’s average employee benefit expense for the current year was NT$824 thousand ("Total employee benefit expense for the current year - total directors' remuneration"/"Number of employees for the current year - number of directors who did not also serve as employees").
The Company’s average employee benefit expense for the previous year was NT$802 thousand ("Total employee benefit expense for the previous year - total directors' remuneration" / "Number of employees for the previous year - number of directors who did not also serve as employees").

(2) The average employee salary expense for the current year was NT$611 thousand (total salary expense for the current year / "number of employees for the current year - number of directors who did not also serve as employees").
The average employee salary expense for the previous year was NT$609 thousand (total salary expense for the previous year / "number of employees for the previous year - number of directors who did not also serve as employees").

(3) Change in average employee salary expense was 2.18% ("Average employee salary cost for the current year - Average employee salary cost for the previous year"/ Average employee salary cost for the previous year).

(4) The remuneration of the independent directors for both the current and the previous year was NT$0 thousand.

Note 3: The Company’s salary and compensation policy:

(1) Directors and independent directors: All are subject to the relevant provisions of the Company's Articles of Incorporation and the remuneration shall be approved in accordance with the principles of fairness and impartiality and the performance of each employee and paid based on the resolution of the Board of Directors.

(2) Managerial officers: The payment standard and combination are divided into fixed and variable remuneration. Fixed remuneration is ratified based on the responsibility of the position and the Company’s operational goals, while variable remuneration is paid based on the achieved operating performance and contribution.

(3) Employees: Their salary consists of fixed and variable salary. Fixed salary is determined based on the value created by the job positions, their level of professionalism and skills, and their experience in their job positions, etc., with reference to the salary level of the industry.
The variable salary includes year-end bonuses, appraisal bonuses, and profits distributed to the employees, which are allocated by the Board of Directors based on the Company’s annual profitability.

(4) Employee salary adjustment: In accordance with the Company’s performance appraisal rules, the salary adjustment range is determined by factors, such as the assessment indicators of the employees’ job responsibilities and the degree of accomplishment of the work plan every year. The accountable managers of the employees are tasked to perform comprehensive assessment to decide the range of salary adjustment while considering the Company’s operating environment.

Relationship between operating performance and remuneration

Remuneration of the Company is based on the results of operating performance to align individual performances with the overall operating performance.

**VI. Effect of financial insolvency of the company and affiliates in the latest year and as of the date of the publication of the annual report on the company's finance**: None.

# Seven. Financial Status, Review and Analysis of Financial Performance, and Risk Items

## I. Financial Status

Statement for Comparative Analysis of Financial Position

Unit: NTD in Thousand

| Item \ Year | 2023 | 2022 | Increase (Decrease) | |
|---|---|---|---|---|
| | | | Amount | % |
| Current assets | 3,923,678 | 3,920,890 | 2,788 | 0.1 |
| Funds and Long-term Investments | 621,786 | 637,331 | (15,545) | (2.4) |
| Property, plant and equipment | 2,473,487 | 2,532,608 | (59,121) | (2.3) |
| Intangible asset | 239,560 | 239,579 | (19) | - |
| Other Assets | 426,075 | 435,471 | (9,396) | (2.2) |
| **Total assets** | 7,684,586 | 7,765,879 | (81,293) | (1.0) |
| Current liabilities | 1,642,038 | 1,932,467 | (290,429) | (15.0) |
| Non-current liabilities | 1,514,341 | 1,192,107 | 322,234 | 27.0 |
| **Total liabilities** | 3,156,379 | 3,124,574 | 31,805 | 1.0 |
| Capital stock | 1,444,960 | 1,444,960 | - | - |
| Capital surplus | 42,643 | 42,643 | - | - |
| Retained earnings | 1,489,756 | 1,522,461 | (32,705) | (2.1) |
| Other Equity | 1,550,848 | 1,631,241 | (80,393) | (4.9) |
| **Total equity** | 4,528,207 | 4,641,305 | (113,098) | (2.4) |

- Analysis of changes in the percentage of increase or decrease of more than 20%: Increase in non-current liabilities: mainly due to the increase of long-term borrowings to repay short-term borrowings.

- Effect of changes in financial position: There is no significant effect on the financial position.

- Future response plan: Not applicable.

## II. Financial Performance

Statement for Comparative Analysis of Financial Performance

Unit: NTD in Thousand

| Item \ Year | 2023 | 2022 | Increase (Decrease) | |
|---|---|---|---|---|
| | | | Amount | % |
| Operating revenue | 2,893,725 | 3,193,629 | (299,904) | (9.4) |
| Operating costs | 1,902,465 | 2,162,017 | (259,552) | (12.0) |
| Gross margin from Operations | 991,260 | 1,031,612 | (40,352) | (3.9) |
| Operating expenses | 550,386 | 557,918 | (7,532) | (1.4) |
| Net income from operations | 440,874 | 473,694 | (32,820) | (6.9) |
| Non-Operating Income and Expenses | 170,459 | 216,789 | (46,330) | (21.4) |
| Net income before income tax | 611,333 | 690,483 | (79,150) | (11.5) |
| Income Tax Expenses | 100,970 | 106,687 | (5,717) | (5.4) |
| Net income for the period | 510,363 | 583,796 | (73,433) | (12.6) |

- Analysis of changes in the percentage of increase or decrease of more than 20%:
  Decrease in non-operating income and expenses: Mainly due to the decrease in dividend income.

- The expected sales volume and its basis, the impact on the Company’s future financial operations and the corresponding plan: Please refer to the “Report to Shareholders.”

## III. Cash Flow:

(I) Cash flow analysis for the current year

Unit: NTD in Thousand

| Item | 2023 | 2022 | Increase (decrease) in amount | Change (%) |
|---|---|---|---|---|
| Cash and cash equivalents at beginning of year | 689,960 | 690,520 | (560) | (0.1) |
| Net cash generated from operating activities | 1,417,197 | 1,501,679 | (84,482) | (5.6) |
| Net cash used in from investing activities | (1,017,354) | (1,034,898) | (17,544) | (1.7) |
| Net cash used in financing activities | (528,523) | (476,111) | 52,412 | 11.0 |
| Effect of exchange rate changes on cash and cash equivalents | (25,215) | 8,770 | (33,985) | (387.5) |
| Cash and cash equivalents at end of year | 536,065 | 689,960 | (153,895) | (22.3) |

(II) Improvement plan and liquidity analysis for illiquidity**:** There is no illiquidity situation of cash.

(III) Cash liquidity analysis for future years

| Cash at Beginning of Year | Net Cash Flows from Operating Activities in the Year | Cash Outflow in the Year | Cash Surplus (Deficit) | Remedies for Insufficient Cash | |
|---|---|---|---|---|---|
| | | | | Investment Plan | Financing Plan |
| 536,065 | 518,016 | (784,565) | 269,516 | — | — |

## IV. Effect of significant capital expenditures on financial operations in the most recent year: None.

## V. The most recent annual reinvestment policy, the main reasons for its profit or loss, the improvement plan and the investment plan for the next year:

(I) The Company's equity investment policy

According to the Company's equity investment policy, the Company mainly invests in businesses which closely correlate to the Company's major lines of business or high-performing businesses with promising prospects. The Company's overall investment evaluation, implementation and control are in accordance with the Company's the "Procedures for Acquisition or Disposal of Assets"

(II) Future investment plans for the coming year

The Company will continue to focus on its core business operations. It has no investment plans for the coming year, except for capital expenditures to expand the scale of operations.

## VI. Analysis and assessment of risk matters for the most recent year and as of the date of publication of the annual report:

The Company's analysis and assessment of risk matters for the most recent year and as of the date of publication of the annual report are as follows:

(I) The impact of interest rate, exchange rate changes and inflation on the company's profit/loss and future countermeasures:

1. Interest rate changes: The interest rate of borrowings is negotiated on a case-by-case basis based on market changes. The Company pays close attention to market trends at all times to reduce the impact of interest rate changes on the Company.
2. Exchange rate movements: The Company's foreign currency liabilities are mainly denominated in United States dollars. It will closely observe the exchange rate market dynamics and hedge currencies properly.
3. Inflation: The Company's sales are mainly in the domestic market. The Accounting Office predicts that the economic growth rate in 2024 will be about 2.12%. The price level is expected to be stable. Hence, inflationary pressures should be effectively controlled without significantly affecting the Company's profit or loss.

(II) Policies, main causes of profit/loss and action plans with respect to high-risk, high-leveraged investment, lending or endorsement guarantee, and derivatives transactions

1. The Company has not engaged in high-risk, high-risk investment.
2. The Company has the "Procedure for Lending Funds to Other Parties," the "Procedures for Endorsement and Guarantee" and the "Procedures for Acquisition or Disposal of Assets," which are actually handled in accordance with the regulations when performing such operations, while the risk control and internal audit are also conducted.

(III) Future R&D plans and estimated R&D expenses:

The Company is mainly engaged in the marketing of office equipment and communication products; hence, there is no need to make investment on R&D.

(IV) The impact of important domestic and foreign policies and legal changes on the Company's financial business and countermeasures thereof:

There were no impact of important domestic and foreign policies and legal changes on the Company's financial business in the Company.

(V) Effects of technology (including information security risks) and industrial changes on corporate finance and sales and countermeasures thereof:

There were no effects of technology (including information security risks) and industrial changes on corporate finance and sales in the Company.

(VI) The impact of corporate image change on corporate crisis management and countermeasures thereof:

There is no impact of corporate image change on corporate crisis management of the Company.

(VII) Expected benefits, possible risks and countermeasures of merger: The Company has not made any mergers and acquisitions; therefore, it is not applicable.

(VIII) Expected Benefits, Possible Risks and Countermeasures for Plant Expansion: The Company did not engage in any plant expansion; therefore, it is not applicable.

(IX) Risks and countermeasures faced by the Company due to centralized purchase or sale:

1. Purchase:
   (1) Japan's RICOH is the main supplier in Taiwan. RICOH has a long-term and good cooperative relationship with RICOH and has stable business. In addition, the branch offices throughout Taiwan have been well received by customers for their irreplaceable advantages, so there is no risk of interruption.
   (2) The main supplier in in Mainland China is Aurora Office Automation Sales Co.,Ltd. The main leasing business is to purchase photocopier assets and lease them to customers; Mainland China is Shanghai AURORA Office Automation Sales Co., Ltd. The main leasing business is to purchase photocopier assets and lease them to customers.
2. Sales:
   Among the consolidated income, office automation products accounted for 38%, and leasing income accounted for 62%. There is no concentration of sales, and hence the risk impact is not significant.

(X) Effect upon and risk to the company if a major quantity of shares belonging to a Director, Supervisor, or Shareholder holding greater than a 10 percent shares in the Company has been transferred or has otherwise changed hands, and measures to be adopted in response:

None of major quantity of shares belonging to a Director, Supervisor, or Shareholder holding greater than a 10 percent shares in the Company has been transferred or has otherwise changed hands.

(XI) Effect upon and risk to the Company associated with any change in governance personnel or top management, and measures to be adopted in response: There is no change in governance in the Company.

(XII) Litigious and non-litigious matters:

None of the Director, Supervisors, or General Manager or Shareholders holding greater than a 10 percent shares in the Company is still engaged in significant litigious and non-litigious matters.

(XIII) Other vital risks and measures to be adopted in response

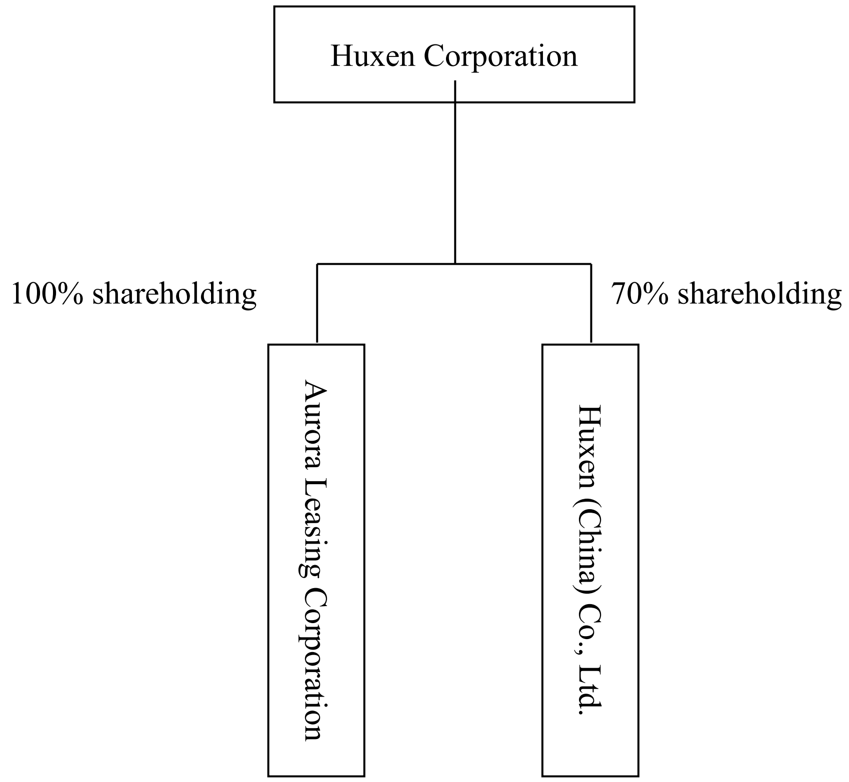
## VII. Other important matters: None.

# Eight. Other Items Deserving Special Mention

## I. Information on affiliates

### (I) Consolidated Business Reports of Affiliates

1. Organizational chart of affiliates



2. Information on affiliates

December 31, 2023

Unit: NTD in Thousand

| Company name | Date of establishment | Address | Paid-in capital | Main business or products |
|---|---|---|---|---|
| Subordinate company: Aurora Leasing Corporation | January 1986 | 16F., No. 2, Sec. 5, Xinyi Rd., Taipei City | 1,192,369 | Lease, re-lease and repair of multi-function printers, import and export of toners, iron powders, cards, rollers and papers. |
| Subordinate company: Huxen (China) Co., Ltd. | October 2012 | 3rd floor, Building 4, No. 399 Jiaxin Road, Malu Town, Jiading District, Shanghai | 1,922,054 (RMB$400,000) | Sales, repair services and leasing of multi-function printers |

3. Information on shareholder whose companies presumed to have a relationship of control and subordination with the Company: None.

4. Industries covered by the business operated by the affiliates overall: Sales, importing, exporting, repairing, and leasing of multi-function printers, faxes, and communication products.

5. Information on directors, supervisors and general managers of affiliates

December 31, 2023

Unit: Thousand Shares; %

| Company name | Title | Name or Representative | Shareholding | |
|---|---|---|---|---|
| | | | Number of shares | Shareholding ratio |
| Aurora Leasing Corporation | Chairperson<br>Supervisor | Representative of Huxen Corporation: Liao, Ching-Chang<br>Representative of Huxen Corporation: Chen, Li-Chen | 119,237 | 100 |
| Huxen (China) Co., Ltd. | Chairperson<br>Director<br>Director<br>Supervisor | Representative of Huxen Corporation: Luo Wan-Ren<br>Representative of Huxen Corporation: Yuan, Hui-Hua<br>Representative of Aurora Office Automation Corporation : Wu Jun<br>Representative of Huxen Corporation: Ma, Chih-Hsien | RMB280,000 | 70 |

6. Summarized Operation Results of Affiliated Enterprises

December 31, 2023

Unit: NTD in Thousand

| Company name | Capital | Total Assets | Total Liabilities | Net Worth | Operating revenue | Operating Income | Profit/ Loss of the Period (After -tax) | Earnings per share (NT$) (after tax) |
|---|---|---|---|---|---|---|---|---|
| Aurora Leasing Corporation | 1,192,369 | 3,195,796 | 789,171 | 2,406,625 | 828,353 | 162,420 | 224,954 | 1.89 |
| Huxen (China) Co., Ltd. | 1,922,054 | 2,568,496 | 257,694 | 2,310,802 | 838,964 | 46,984 | 66,914 | 0.17 |

## (II) Declaration of Consolidated Financial Statements of Affiliated Enterprises

### Declaration

The companies to be included in the consolidated financial statements of the affiliates for 2023 (from January 1, 2023 to December 31, 2023) according to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as the companies required to be included in the consolidated financial statements of the affiliates and parent company according to the “International Financial Reporting Standards 10 (IFRS 10)” approved by the Financial Supervisory Commission. Furthermore, all relevant information required to be disclosed in the consolidated financial statements of the affiliates has been completely disclosed in the consolidated financial statements of affiliates and parent company. Therefore, no separate consolidated financial statements of the affiliates are provided.

Sincerely,

Name of Company: Huxen Corporation

Person in charge: Liao, Ching-Chang

March 13, 2024

## (III) Relations Report: None.

**II. Private placement of marketable securities in the latest year and as of the publication date of this annual report:** None.

**III. Status of the Company's shares acquired, disposed of, and held by subsidiaries in the latest year and as of the publication date of this annual report:** None.

**IV. Other necessary supplementary information:** None.

**V. Any events in the latest year and as of the publication date of this annual report that had material impacts on shareholders' interests or securities prices as stated in Subparagraph 2 of paragraph 3 of article 36 of the Securities and Exchange Act:** None.

Huxen Corporation

Chairperson: