TWSE:5388

Sercomm Corporation Annual Report 2023

http://www.sercomm.com

Table of Contents

I. Letter to Shareholders

Dear Shareholders,

In 2023, the global economy entered a new post-pandemic era, with broadband internet becoming a crucial infrastructure for the digital economy. Telecommunication broadband technologies ushered in a new era of competition, driving demand for upgrades in network equipment. Sercomm Corporation continues to deepen its deployment of telecommunications broadband products and technologies, actively responding to changes in the international landscape and supply chain. Leveraging its global layout advantage, Sercomm promptly meets customer demands, continuously expanding its direct telecommunications sales business, and achieving outstanding operational performances.

In terms of annual operations, Sercomm achieved a total consolidated revenue of NT$62.58 billion in 2023. Regarding its profitability, the company achieved an operating profit of NT$3.11 billion for the full year, with a year-on-year growth rate of 28.8%. The net profit attributable to the parent company after tax amounted to NT$2.39 billion, compared to NT$1.92 billion in 2022, marking a growth rate of 24.3%. This demonstrates an impressive performance. Based on approximately 260 million weighted average number of shares, the consolidated earnings per share (EPS) for 2023 amounted to NT$9.17 after tax, signifying a promising achievement in profitability.

Sercomm is committed to global expansion and has become the preferred technical partner for leading telecommunications operators worldwide. In May 2023, Sercomm's Southeast Asia regional manufacturing center was grandly inaugurated in the Philippines. Additionally, the manufacturing center in Mexico, serving the Americas region, officially commenced mass production and shipping in July. These facilities cater to telecommunications clients in Southeast Asia and North America, as well as Latin America, providing efficient localized services. Sercomm is actively expanding its global operational presence by leveraging the flexible production capacity of its five major manufacturing bases in the Philippines, China, India, Taiwan, and Mexico. This allows the company to deliver high-value-added products and diverse applications. Working alongside its customers, Sercomm embraces market demands to collectively create new value in the industry.

In addition to focusing on its technological expertise, Sercomm also fulfills its corporate social responsibilities by adhering to international sustainability standards that align with the United Nations Sustainable Development Goals (SDGs). The company pays attention to the three major sustainability dimensions: environmental, social, and governance (ESG). Its overall ESG performance has been recognized with the "Silver Medal" in the EcoVadis Corporate Sustainability Assessment. Additionally, the company is committed to improving the workplace environment and has been awarded the "Great Place To Work" certification for its outstanding workplace practices. Sercomm has also been proactive in issuing Corporate Sustainability Reports (renamed as Sustainability Reports in 2022) since 2017, ahead of regulatory requirements. For six consecutive years, the company has obtained assurance statements from third-party certification bodies based on international standards, demonstrating its commitment and achievements in actively pursuing sustainable growth through concrete actions.

Looking ahead, Sercomm will continue to further develop its expertise in the broadband technology sector and strengthen collaboration with partners within the telecommunications industry. It is anticipated that the benefits of next-generation broadband products such as high-speed fiber access equipment, DOCSIS Cable 4.0 products, WiFi 7 wireless devices, 5G FWA fixed wireless access equipment, streaming media devices, commercial networking equipment, and smart IoT devices will gradually become evident, leading to a promising overall growth in revenue. The company seizes market opportunities, adheres to sustainable business practices, and enhances long-term benefits for shareholders, customers, and employees, aiming to create sustainable corporate value.

James Wang

James Wang
Chairman
Sercomm Corporation

II. Company Highlight

2.1 Review of 2023 Business Results

Unit: Thousand NTD

Item	2022	2023	Year on Year Change (%)
Broadband CPE	41,864,871	40,158,735	-4.08
Enterprise Products	13,952,660	14,776,198	5.90
Infrastructure & IoT Products	7,022,199	5,890,090	-16.12
Others	1,733,990	1,759,470	1.47
Total Revenue	64,573,720	62,584,493	-3.08

2.1.1 Performance and Profitability Analysis

Item			2022	2023
Financial Structure	Debt over Equity (%)		77.86	72.33
	Long-term Funds to Fixed Assets Ratio (%)		357.22	361.92
Liquidity Analysis	Current Ratio (%)		140.14	142.07
	Quick Ratio (%)		74.68	78.12
Profitability	Return on Assets (%)		5.21	5.65
	Return on Equity (%)		21.15	20.76
	To Paid-in Capital (%)	Operating Income	93.42	115.93
		Pretax Income	89.23	111.25
	Profit Margin (%)		2.96	3.82
	Earnings per Share (NTD)		7.57	9.17

2.2 Research and Development Status

Leveraging years of accumulated R&D strengths, Sercomm has successfully mastered the key technologies and market trends of the telecommunications broadband industry. Our comprehensive product range covers various market sectors including residential, commercial, telecommunications, security monitoring, and cloud applications, offering customers a one-stop broadband product integration and design service. This includes providing telecom operators with one-stop solutions, focusing on access solutions from the fiber optic terminal to the household within a distance of 300 to 500 meters. Our mainstream products include Integrated Access Devices (IAD), Enterprise Products, FTTx Products, Cable DOCSIS Products, Small Cell, and Smart IoT Solutions, all of which are leaders in their respective genres. Our customers include first-tier telecom operators in Europe, the US, and emerging markets. Sercomm not only enhances the added value of hardware products with excellent software integration technology, but also invests R&D resources and works with customers in the early stage of design for many new technologies and products based on our commitment and responsibility toward our customers. At the same time, we strive to optimize efficiency and quality in manufacturing, quality control, and customer service, thereby comprehensively improving customer satisfaction.

In response to the new era of digital convergence, Sercomm will continue to engage in innovation and R&D, actively expand our global footprint, and integrate new broadband technologies into a wide variety of applications. We are committed to creating value differentiation and improving Sercomm's competitiveness through the blue ocean strategy, thus creating a brand new corporate value.

2.3 Summary of 2024 Business Plan

1. Business Direction
   (1) Deliver high performance in management to maintain the Company's high rate of growth and solid profitability.
   (2) Actively develop all kinds of specialized servers, maintain technical leadership and emphasize long-term cultivation of personnel.
   (3) Strengthen quality of service, continue the optimization of work processes and improve overall operational efficiency.
   (4) Consolidate existing gains in the Emerging markets while actively developing our distribution channels in other regions to establish a global distribution network.
   (5) Focus on cost and quality control while expanding our production capability to meet market demand.

2. Projected Sales and Basis

   In 2023, the global economy entered a new post-pandemic era, with broadband networks becoming a crucial infrastructure for the digital economy. Telecommunications broadband technology has embarked on a new era of competition, with governments around the world allocating budgets to accelerate network equipment upgrades, resulting in strong demand in the networking industry. Moreover, Sercomm's global expansion efforts in recent years have borne fruit, actively exploring new markets in Southeast Asia, India, and Latin America, and deepening collaboration with global telecom clients to continue expanding its telecom market share. In response to changes in the international market, the company has maintained high production flexibility and operational agility to meet customer needs promptly, thereby strengthening its competitive edge.

   Looking ahead to 2024, Sercomm is confident in its operations, armed with next-generation communication core technologies and innovative applications. The company has long been deeply engaged in the telecommunications broadband sector, possessing outstanding software and hardware integration capabilities, and actively investing in cutting-edge technology research and development. This includes ultra-high-speed fiber optic access equipment, DOCSIS 4.0 Cable products, WiFi 7 wireless devices, 5G FWA fixed wireless access equipment, video streaming devices, commercial networking equipment, and smart IoT, among others. The benefits of these new products are gradually becoming apparent, with overall revenue growth expected.

3. Major Production and Marketing Policies
   (1) Carry out sound production and target management while improving production processes.
   (2) Closely monitor the quality and delivery times of key components as well as supply-and-demand and changes in pricing.
   (3) Dedicate resources to the development of new products and expand existing product ranges to quickly meet market demand.
   (4) Actively expand our marketing network and form strategic alliances with brand partners and telecom operators.
   (5) Strengthen sales management, consolidate market niches and expand developing markets.
   (6) Stay fully up-to-date on market distribution channels and demand. Strengthen collection of market intelligence.
   (7) Boost Sercomm's industry profile, establish a sound market reputation and provide high-quality service.
   (8) Continue to carry out production cost reduction plans to make products more price competitive.
   (9) Enrich the properties and regions of our clients to avoid the risk of over-concentration.

2.4 Future Development Strategy

1. Expand the Company's market value to benefit shareholders and employees.
2. Pay attention to intellectual property and cultivate outstanding personnel.
3. Strengthen technology research and development.
4. Improve market position and become the market leader.
5. Increase operational income and maximize profitability.

2.5 The Effects of External Competition, Regulation and the Overall Business Environment

With the gradual digitization of society and the global economy, there has been a significant increase in the prominence of broadband infrastructure. Governments of several Asian countries, including Mainland China, India, Vietnam, Indonesia, and others, have proposed policies to enhance their nations' digital connectivity and competitiveness by strengthening broadband infrastructure. Furthermore, countries in the Americas, such as Canada, Brazil, and Chile, have recently put forward policies aimed at subsidizing or constructing broadband infrastructure with the intention of enhancing the widespread accessibility of broadband services. In Europe, in view of the significant disparity in overall fiber optic penetration, the European Union has set broadband speed targets for 2025 and 2030. The aim is to promote the development of fiber optic infrastructure and improve the overall network quality and speed in the region. Countries like the United Kingdom, Germany, and Italy have also implemented broadband subsidy policies to encourage investment in fiber optic coverage.

Latest reports and analyses show that the rapid digital transformation, as well as impacts from the pandemic, have resulted in a growing demand for digital products and services, especially in emerging markets with rising broadband penetration rates. This highlights the significance of having a reliable broadband connection. As new technologies like generative AI continue to advance, communication service providers (CSPs) are under pressure to introduce innovative concepts to the market. This task not only necessitates a thorough understanding of data conditions, governance costs, and risks, but also the ability to deliver dependable connectivity and service quality amidst fierce competition. Moreover, in the United States, the Broadband Equity, Access, and Deployment (BEAD) program has propelled the broadband sector forward, reinvigorating its activities. All states have already taken a crucial step towards broadband infrastructure development by submitting preliminary proposals to the National Telecommunications and Information Administration (NTIA).

The ongoing emergence of new technologies, including 5G, high-performance computing, information centers, and automotive electronics, along with the development of global broadband infrastructure and policies, will continue to affect economic progress, innovation, and social welfare. Taiwan's "DIGI+" policy and the U.S.-Taiwan Initiative on 21st-Century Trade will also continue to advance digital transformation, bridge the digital divide, and establish a strong foundation for future digital economic growth. On the other hand, governments and CSPs worldwide are being confronted with the challenges and opportunities of incorporating new technologies into broadband services, especially to ensure dependable connectivity and deliver high-quality services.

In the face of these environmental and policy changes, we have closely monitored industry dynamics and policy shifts. With investments in technological innovation and talent development, as well the continuous expansion of collaborative opportunities and partners, we aim to make sure that the Company swiftly adapts to new market conditions, responds to external environmental changes with more appropriate strategies, and achieves a favorable market position.

III. Company Overview

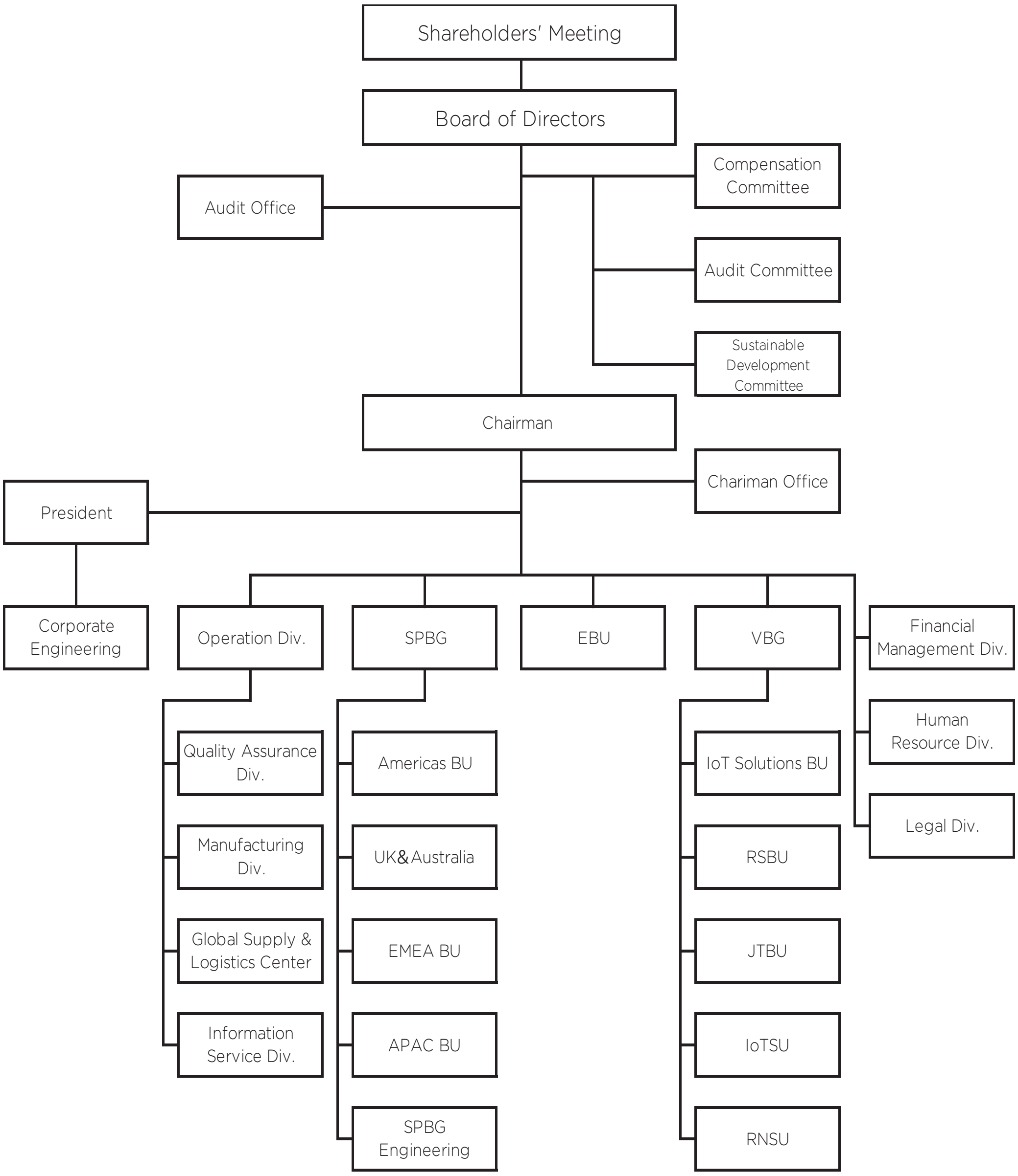
3.1 Recent Achievements

Date of Establishment: July 29, 1992

2023/01	Sercomm participated in CES 2023 Consumer Electronics Show, exhibiting a full range of AIoT and ultra-broadband telecom networking solutions
2023/02	Sercomm exhibited innovative 5G, O-RAN, Mobile IoT and cloud broadband analysis solutions in MWC 2023
2023/03	Sercomm was ranked 46th among the Top 5000 Manufacturing Companies and 146th in the consolidated financial statements, according to the China Credit Information Service in 2022.
2023/03	Exercised employee stock option 80,000 shares, changing the capital amount to NT$2,588,757,670
2023/03	Established a subsidiary in Mexico named Sctek Manufacturing.
2023/04	Awarded the silver award for "Best Technology Company" in Taiwan by FinanceAsia magazine.
2023/05	The Board of Directors resolved to establish a Sustainable Development Committee.
2023/05	Received a credit rating of "twA-/twA-2" from Taiwan Ratings Corporation; liquidity upgraded from "adequate" to "robust with a stable outlook".
2023/05	Sercomm Philippines holds grand opening of state-of-the-art and green facility in Carmelray Industrial Park 1.
2023/06	At the Annual General Meeting, an additional independent director was elected, with Mr. Paul Yang assuming the position.
2023/07	Sercomm unveils new manufacturing facility in Mexico strengthening global production footprint strategy
2023/08	Issuance of restricted share awards and conversion of convertible bond totaling 2,763,367 shares, changing the capital amount to NT$2,616,391,340.
2023/12	Issued the 7th domestic unsecured convertible bonds with a total face value of NT$3,000,000,000, issued at 103% of the face value.
2023/12	Exercised employee stock option and conversion of convertible bond totaling 6,938,938 shares, changing the capital amount to NT$2,685,780,720.
2023/12	Established a subsidiary in India named Scnet (India) Private Limited.
2024/01	Sercomm unveils cutting-edge innovations at CES 2024, paving the way for 10G vision
2024/02	Sercomm unveils vision of future city at MWC Barcelona 2024, showcasing smart solutions and innovations
2024/03	Conversion of convertible bond 27,347,208 shares, changing the capital amount to NT$2,959,252,800.

3.2 Organization

3.2.1 Organization Chart



3.2.2 Major Corporate Functions

Department	Main Responsibilities
Chairman Office	Responsible for the formulation, planning, execution, and supervision of the company's overall operational plan.
Corporate Engineering	Responsible for the research and development of new products, as well as the formulation, planning, and execution of the technical development roadmap.
Operation Div.	Responsible for the execution of product development projects, customer support, and services.
Quality Assurance Div.	Responsible for planning, promoting, executing, and supervising the company's quality systems.
Manufacturing Div.	Responsible for the execution of production, maintenance of product testing equipment, and other related tasks, as well as product quality control management.
Global Supply & Logistics Center	Responsible for the planning, procurement, management, and control of production materials and inventory.
Information Service Div.	Responsible for the company's network management, information system implementation, planning, execution, and supervision.
SPBG	Responsible for business promotion and execution, customer support, and services.
EBU	Responsible for business promotion and execution, customer support, and services.
VBG	Responsible for business promotion and execution, customer support, and services.
Financial Management Div.	Responsible for the company's finance, accounting, and stock affairs related businesses.
Human Resources Div.	Responsible for establishing strategic human resource-related systems, such as recruitment, salary and benefits, education and training, performance management, and general affairs.
Legal Div.	Responsible for contract review, litigation, and intellectual property rights related affairs.
Audit Office	Responsible for the audit, maintenance, improvement, suggestion, and assistance in solving problems for internal control systems, improving operations, and enhancing work efficiency.

3.3 Board Members

3.3.1 Information Regarding Board Members

As of April 2, 2024

Position	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Education & Experience	Current Position
						Shares	%	Shares	%	Shares	%		
Chairman	Zhuo Jian Investment Co., Ltd.	-	2022.6.8	3	2013.6.20	4,197,094	1.66	4,197,094	1.42	-	-	-	-
	Representative: James Wang	Male 51-60	-	3	2001.5.28	-	-	2,571,006	0.87	0	0	Harvard Business School, MBA Carnegie-Melon University, ME President of Sercomm Corp.	Note 1
Director	Pacific Venture Partners Co. Ltd.	-	2022.6.8	3	2004.6.11	3,671,926	1.45	3,671,926	1.24	-	-	-	-
	Representative: Paul Wang	Male 81-90	-	3	1992.7.29	-	-	0	0	4,809,322	1.63	Carnegie Melon University, PhD in Physics Chairman of Sercomm Corp.	Note 2
Director	Zhen Bang Investment Co., Ltd.	-	2022.6.8	3	2019.6.12	1,826,000	0.72	1,826,000	0.62	-	-	-	-
	Representative: Ben Lin	Male 61-70	-	-	2004.6.11	-	-	1,682,201	0.57	736,896	0.25	Tsing Hua University, MS President of Sercomm Corp.	Note 3
Director	Yun Zhou Investment Co., Ltd.	-	2022.6.8	3	2019.6.12	3,090,000	1.22	3,090,000	1.04	-	-	-	-
	Representative: Charles Chu	Male 61-70	-	3	-	0	0	0	0.00	0	0.00	Master of Mechanical Engineering, University of Michigan Senior Vice President of Sercomm Corp.	Note 4
Independent Director	Chin-Tay Shih	Male 71-80	2022.6.8	3	2013.6.20	0	0	0	0.00	0	0.00	Princeton University, PhD in Electrical Engineering Stanford University, MS in Management Science and Engineering Dean of the College of Technology Management of Tsing Hua University	Note 5

Position	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Education & Experience	Current Position
						Shares	%	Shares	%	Shares	%		
Independent Director	Steve K. Chen	Male 61-70	2022.6.8	3	2014.6.17	0	0	0	0.00	0	0.00	Harvard University, PhD in Law Attorney in New York State	Note 6
Independent Director	Rose Tsou	Female 51-60	2022.6.8	3	2017.6.22	0	0	0	0.00	0	0.00	Northwestern University, Kellogg School of Management, MBA Boston University MS in Mass Communication Head of International, Verizon Media	Note 7
Independent Director	Paul Yang	Male 51-60	2023.6.13	3	2023.6.13	0	0	0	0.00	0	0.00	Harvard Business School, MBA Massachusetts Institute of Technology, MS in ME	Note 8

Note 1：Chairman of Sercomm Investment, Zhao Jian Investment, Yun Zhou Investment, Yun Li, Chao Yue Investment; Company Representative of Sercomm Trading Co., Ltd., Zealous Investments Ltd., Servercom (India) Private Limited, Scnet (India) Private Limited; Director at Sercomm Japan Corp., Sercomm Russia LLC., Sercomm Technology Inc., Sercomm Philippines Inc., Moso Labs Inc.

Note 2：Company Representative of Sercomm USA Inc.; Independent Director of UPC Technology Corp.; Director of Prosperity Dielectrics Co., Ltd., Taiwan Cement Co., Ltd

Note 3：Company Representative of Smart Trade Inc.; Director of Sercomm Investment, Sercomm USA Inc., Sercomm Japan Corp., Sercomm Russia LLC., Sercomm Technology Inc., Nanjing Femtel Communications Co., Ltd; Supervisor of Yun Zhou Investment

Note 4：Director of DWNet Technology (Suzhou) Co., Ltd.; Supervisor of Sernet (Suzhou) Technologies Corp., Sercomm Japan Corp.

Note 5：Independent Director of Vanguard International Semiconductor Corporation, FocalTech Systems Co., Ltd., Taiwan Union Technology Corporation; Director of Qualife System Technology Corp.; Supervisor of TEN Incubation Corporation

Note 6：Business Partner of TriMax & Companies LLC, SHC LLC; Chairman of EZconn Corporation, eGtran Corporation, Oak Analytics Inc., Spatial Digital Systems Inc..; Independent Director of Taishin Life Insurance Co., Ltd.; Director of StemBios Technologies, Inc., Bloominous Inc., Surge Motion Inc.

Note 7：Chairman of World Vision Taiwan; Independent Director of Delta Electronics, Inc.; Director of Easycard Corporation, Hong Kong Television Entertainment Company Limited, FN Capital, FundRich Securities Co., Ltd.; Honorary Director of Taiwan Women on Boards Association

Note 8：Chairman of KGI International Holdings Limited; Vice Chairman of CDIB Capital International (Hong Kong) Corporation Limited, China Development Financial Holding Corp.; Director of CDIB Capital Group, Asian Equity Limited, DHC One Dalton (HK) Limited, Carlton Holdings (Cayman) Limited, Henwell Limited, Harvard University Alumni Association Scholarship Foundation

Note 9：Considering the scale of operations and assets of our company, the chairman also serves as the CEO to respond to the overall operations of Sercomm group and the integration of global resources. Furthermore, to enhance the objectivity and independence of the board's decisions, our company added an independent director seat at the 2023 annual shareholders' meeting, with the proportion of directors serving as executives being only 25% of the total board seats.

3.3.2 Major Institutional Shareholders

As of April 2, 2024

Name of Institutional Shareholder	Primary Shareholder of Institutional Shareholder	Shareholding
Zhuo Jian Investment Co., Ltd.	Yun Li Investment Co., Ltd.	44.85%
	Jiou Bang Investment Co., Ltd.	24.23%
	Zhen Bang Investment Co., Ltd.	13.84%
Pacific Venture Partners Co. Ltd.	Su Yi	62.50%
	Da Yuan Management Consulting Co. Ltd.	35.00%
Yun Zhou Investment Co., Ltd.	Yun Li Investment Co., Ltd.	60.47%
	Zhen Bang Investment Co., Ltd.	29.13%
Zhen Bang Investment Co., Ltd.	Ben Lin	83.23%
	Yu-Mei Zhang	0.003%

3.3.3 Major Shareholders of the Major Shareholders that Are Juridical Persons

As of April 2, 2024

Name of Juridical Persons	Major Shareholders of the Juridical Persons	Shareholding
Yun Li Investment Co., Ltd.	James Wang	56.16%
	Zhu-Xian Lin	6.05%
Jiou Bang Investment Co., Ltd.	Ben Lin	70.30%
	Yu-Mei Zhang	7.21%
Da Yuan Management Consulting Co. Ltd.	Honesty Ventures Limited	75.00%
	5388 Sunrise Inc.	25.00%

3.3.4 Directors' Professional Qualifications and Independent Directors' Independence Status

Criteria / Name/Title	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Chairman Zhuo Jian Investment Co., Ltd. Representative: James Wang	James Wang holds the MBA Degree of Harvard University and the Master's Degree of Carnegie-Melon University. With approximately 30 years of experience in the technology industry and the field of network communications, he has accumulated comprehensive industrial, academic and management experience, and has served as President in Sercomm since 2000. Under James' leadership, the Company was managed to grow exponentially in the past decades. Sercomm was presented the award for the "Best Managed Company" by Asiamoney and FinanceAsia respectively. In addition, James also received "2014 Entrepreneur of The Year Award" and "Strategy Excellence Paradigm Entrepreneur of The Year" by Ernst & Young. He is not involved in any circumstances specified under Article 30 of the Company Act.	He or his spouse, minor child or anyone else acting on his behalf does not hold more than 1% of the Company's outstanding shares, and none of them is a natural person shareholder ranked TOP 10 in shareholding in the Company. He has no conjugal or kinship within the second degree with any other directors. He is not involved in any circumstances specified under Subclauses 3 and 4, Clause 3, Article 26 of the Securities Exchange Act.	0
Honorary Chariman/ Director Pacific Venture Partners Co. Ltd. Representative: Paul Wang	Paul Wang holds the PhD and Master's Degree in Physics from Carnegie Mellon University and the Bachelor's Degree in Physics from National Taiwan University. Before his establishment of Sercomm, he had been employed in IBM for 20 years and acted as a senior supervisor in several departments. With more than 40 years of experience in the technology industry and venture capital, he has profound understanding about development of the high-tech industry. In 1990, he founded Pacific Venture Partners Co. Ltd. He was an outstanding and talented person who was engaged in venture capital and private fund in Asia-Pacific. In 1992, he co-founded Sercomm Corporation with several high-tech experts. So far, he has served as Chairman of Sercomm. In 2013, Paul received the "Pan Wen Yuan Prize", the highest honor in technology industry. From 1997 to 2005, he also served as Chairman of the Taiwan Venture Capital Association (TVCA). He is not involved in any circumstances specified under Article 30 of the Company Act.	He or his spouse, minor child or anyone else acting on his behalf does not hold more than 1% of the Company's outstanding shares, and none of them is a natural person shareholder ranked TOP 10 in shareholding in the Company. He has no conjugal or kinship within the second degree with any other directors. He is not involved in any circumstances specified under Subclauses 3 and 4, Clause 3, Article 26 of the Securities Exchange Act.	1

Criteria / Name/Title	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Director Zhen Bang Investment Co., Ltd. Representative: Ben Lin	Ben Lin holds the Master's Degree of National Tsing Hua University in Power Machinery. Accumulated over 10 years' experience in the Industrial Technology Research Institute and International Integrated Systems Inc., Ben joined Sercomm as one of the founders in 1992, leading the research team in developing various core technologies, including Internet communications software/firmware integration services and R&D of Internet Protocols, which later proved to be the foundation stone of Sercomm's success as a leader in broadband telecommunications domain. He is not involved in any circumstances specified under Article 30 of the Company Act.	He or his spouse, minor child or anyone else acting on his behalf does not hold more than 1% of the Company's outstanding shares, and none of them is a natural person shareholder ranked TOP 10 in shareholding in the Company. He has no conjugal or kinship within the second degree with any other directors. He is not involved in any circumstances specified under Subclauses 3 and 4, Clause 3, Article 26 of the Securities Exchange Act.	0
Director Yun Zhou Investment Co., Ltd Representative: Charles Chu	Charles Chu graduated from the University of Michigan with a master's degree in mechanical engineering. He joined the company in 2000 and retired in 2018. During this period, he served as the chief operating officer of the company, established Zhunan factory and Suzhou factory, introduced automated manufacturing processes, and introduced Oracle ERP system, etc., accompany the company's growth all the way, and have a deep understanding of the company's business and operations. He is not involved in any circumstances specified under Article 30 of the Company Act.	He or his spouse, minor child or anyone else acting on his behalf does not hold more than 1% of the Company's outstanding shares, and none of them is a natural person shareholder ranked TOP 10 in shareholding in the Company. He has no conjugal or kinship within the second degree with any other directors. He is not involved in any circumstances specified under Subclauses 3 and 4, Clause 3, Article 26 of the Securities Exchange Act.	0
Independent Directors, Audit Committee and Compensation Committee Members Chin-Tay Shih	As a pioneer who has promoted development of Taiwan semiconductor industry, Chin-Tay Shih received further education in Princeton University following his graduation from the Department of Electrical Engineering, National Taiwan University. He obtained the PhD Degree in electrical engineering in 1975 and the master's degree of Stanford University in Management Science in 1985. When he was 30 years old, he returned to Taiwan upon completion of his education and joined the Industrial Technology Research Institute. He ever got involved in introducing the first	He is not an employee, director or supervisor of the Company or its affiliates. He or his spouse, minor child or anyone else acting on his behalf does not hold more than 1% of the Company's outstanding shares, and none of them is a natural person shareholder ranked TOP 10 in shareholding in the Company. He has no conjugal or kinship within the second	3

Criteria / Name/Title	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
	semiconductor technologies. He assisted with establishment of companies such as UMC, TSMC and VIS. He ever acted as President and director of the Industrial Technology Research Institute. He was solicited by National Tsing Hua University to serve as Dean of the College of Science & Technology Management. With prominent contributions to Taiwan industries and cultivation of management talents, he has been granted Honorary Doctoral Degree in Engineering of National Tsing Hua University and Honorary Doctoral Degree of National Chiao Tung University. He is not involved in any circumstances specified under Article 30 of the Company Act.	degree with any other directors. He is not involved in any circumstances specified under Subclauses 3 and 4, Clause 3, Article 26 of the Securities Exchange Act. He has not been elected as government, legal person or by proxy as stipulated under Article 27 of the Company Act.	
Independent Directors, Audit Committee and Compensation Committee Members Steve K. Chen	Steve K. Chen is an American born Chinese, a juris doctor of Harvard University and a New York lawyer. He works as investment and asset management consultant in the United States. From 2007, he acted as Chairman of Ezconn. From 2013 to 2015, he led Ezconn's public offering and listing. In 2020, he procured Ezconn to cooperate with Chang Gung University to commercialize technologies and deepen industry-university cooperation. He is not involved in any circumstances specified under Article 30 of the Company Act.	He is not an employee, director or supervisor of the Company or its affiliates. He or his spouse, minor child or anyone else acting on his behalf does not hold more than 1% of the Company's outstanding shares, and none of them is a natural person shareholder ranked TOP 10 in shareholding in the Company. He has no conjugal or kinship within the second degree with any other directors. He is not involved in any circumstances specified under Subclauses 3 and 4, Clause 3, Article 26 of the Securities Exchange Act. He has not been elected as government, legal person or by proxy as stipulated under Article 27 of the Company Act.	1
Independent Directors, Audit Committee and Compensation Committee Members	After graduating from the Library Department of National Taiwan University, Rose Tsou ever studied for the MBA Degree in Northwestern University and the master's degree in mass communication of Boston University. She had served as Yahoo's Head of Asia-Pacific for 10 years. In Asia-Pacific	She is not an employee, director or supervisor of the Company or its affiliates. She or his spouse, minor child or anyone else acting on his behalf does not hold more than 1% of the	1

Criteria / Name/Title	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Rose Tsou	regions such as Japan, HK, Taiwan, Southeast Asia, India, New Zealand and Australia, she took charge of media, digital advertisements and electronic commerce. From 2018 to 2020, she served as Head of International in Verizon Media. In that period, she was primarily in charge of business operations in all global markets other than American and Canadian markets. She led teams of Asia-Pacific, Europe and Latin America to enhance exchanges on operational experience and talents across regions. She focused on developing and promoting mobile products. She also created new opportunities for expanding market cooperation and assisted with Verizon Media's faster growth in the international markets. She is not involved in any circumstances specified under Article 30 of the Company Act.	Company's outstanding shares, and none of them is a natural person shareholder ranked TOP 10 in shareholding in the Company. She has no conjugal or kinship within the second degree with any other directors. He is not involved in any circumstances specified under Subclauses 3 and 4, Clause 3, Article 26 of the Securities Exchange Act. She has not been elected as government, legal person or by proxy as stipulated under Article 27 of the Company Act.	
Independent Directors, Audit Committee Member Paul Yang	Paul Yang serves as a director at China Development Financial Holding Corporation and holds the position of director at China Development Capital. He was previously a partner and the CEO for Greater China at KKR Asia Limited. He has also held the positions of President at China Development Financial Holding Corporation, President at China Development Industrial Bank, and Chairman at China Development Capital. Before joining the China Development Financial Holding Group, he served as Managing Director at DBS Bank, responsible for the bank's Asian private equity business. Additionally, he managed direct investment business at Goldman Sachs, stationed in New York and Hong Kong, and later served as Managing Director at ICG Asia Ltd. He has also worked at General Atlantic Partners and Boston Consulting Group, making significant contributions as a leading expert in international financial institutions over the years. He is not involved in any circumstances specified under Article 30 of the Company Act.	He is not an employee, director or supervisor of the Company or its affiliates. He or his spouse, minor child, or anyone else acting on his behalf does not hold more than 1% of the Company's outstanding shares, and none of them is a natural person shareholder ranked TOP 10 in shareholding in the Company. He has no conjugal or kinship within the second degree with any other directors. He is not involved in any circumstances specified under Subclauses 3 and 4, Clause 3, Article 26 of the Securities Exchange Act. He has not been elected as government, legal person or by proxy as stipulated under Article 27 of the Company Act.	0

Board Diversity and Independence

Board Diversity

To improve corporate governance and ensure the sound development of the Board of Directors, the Company follows Article 20 of the Corporate Governance Best Practice Principles in considering Board composition and diversity, and plan suitable policies based on its operations, business model, and developmental requirements. The considered aspects include but are not limited to the following two:

1. Basic criteria and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

Board members should have the knowledge, skills, and qualities required to fulfill their responsibilities. To achieve the desired objectives of corporate governance, the Board of Directors should possess the following capabilities:

1. Capabilities of operational judgment
2. Capabilities of accounting and financial analysis
3. Capabilities of operations management
4. Capabilities of crisis handling
5. Industrial knowledge
6. International market outlooks
7. Leadership skills
8. Decision-making capabilities

The Company's Board diversity policy aims to incorporate diverse perspectives and understandings of the members, in order to mitigate groupthink and improve the quality, effectiveness, and performance of Board decision-making in its dynamic operations. Summary of factors at the center of the Company's specific management objectives regarding the Board diversity policy, and their implementation status:

1. For comprehensive information on experiences and professional capabilities across various industries:

Title	Name	Industry Experience	Media	Legal	Technology	Accounting	Investment	Operation
Chairman	James Wang Representative of Zhuo Jian Investment Co., Ltd.	✓			✓	✓		✓
Director	Paul Wang Representative of Pacific Venture Partners Co. Ltd.	✓					✓	✓
	Ben Lin Representative of Zhen Bang Investment Co., Ltd.	✓			✓		✓	✓
	Charles Chu Representative of Yun Zhou Investment Co., Ltd.	✓			✓			✓
Independent Director	Chin-Tay Shih	✓			✓	✓		✓
	Steve K. Shen	✓		✓			✓	✓
	Rose Tsou	✓	✓			✓		✓
	Paul Yang	✓				✓	✓	✓

2. Gender: There was one female independent director in 2017, and the number of female director positions will be increased to be over 12.5%, in the future.
3. Age: Two seats are occupied by individuals aged 51-60 (25%), four by those aged 61-70 (50%), and two by those aged 71 and above (25%).
4. Nationality: One seat is held by a foreign national (12.5%), and seven seats are held by domestic nationals (87.5%).
5. Education: Three seats are occupied by individuals with a doctoral degree (37.5%), and five seats are occupied by those with a master's degree (62.5%).
6. Balanced Board structure:
   (1) Independent Directors: 4 seat (50%). An additional Independent Director was elected in 2023. Furthermore, in line with the principle of maintaining independence, some Independent Directors have longer tenures, with the hope that their substantial understanding of the Company's medium to long-term operations, along with their rich experience and capabilities, will enhance the quality of board decision-making.
   (2) General Directors: 2 seats (25%).
   (3) Directors who concurrently serve as managers: 2 seats (25%). Considering the company's operations and asset scale, the Chairman also assumes the role of CEO to oversee the overall operations of the Group and facilitate the integration of global resources. To enhance the objectivity and independence of the Board's decision-making, an additional Independent Director was elected during the shareholders' meeting on June 13, 2023. The proportion of directors who are also managers is 25%, meeting the requirement of not exceeding one-third of the total number of directors.

Title	Name	Gender	Age	Nationality	Education	Executives	Tenure of Independent Director
Chairman	James Wang Representative of Zhuo Jian Investment Co., Ltd.	Male	51-60	Taiwan	Master	V	
Director	Paul Wang Representative of Pacific Venture Partners Co. Ltd.	Male	81-90	Taiwan	PhD		
	Ben Lin Representative of Zhen Bang Investment Co., Ltd.	Male	61-70	Taiwan	Master	V	
	Charles Chu Representative of Yun Zhou Investment Co., Ltd.	Male	61-70	Taiwan	Master		
Independent Director	Chin-Tay Shih	Male	71-80	Taiwan	PhD		2013-2025
	Steve K. Shen	Male	61-70	USA	PhD		2014-2025

	Rose Tsou	Female	51-60	Taiwan	Master	2017-2025
	Paul Yang	Male	51-60	Taiwan	Master	2023-2025

Board Independence

At present, the Company has 8 Board of Directors members, including 4 independent directors, accounting for 50% of all the directors. After checking the second-degree kinship form provided by the directors, it is confirmed that no conjugal relationship or kinship within the second degree exists among the directors of the Company.

The Board of Directors is committed to continuously evaluating independence of directors, where it considers all relevant factors. In addition to compliance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, whether relevant directors can continue raising constructive questions for the management and other directors or express views independent of the management or other directors, and if their conducts are appropriate inside and outside the Board of Directors are also taken into account. In terms of their conducts, all of our directors who are not our employees can meet expectations and exhibit the foregoing traits if appropriate.

Criteria / me	Independence Criteria (Note)											
	1	2	3	4	5	6	7	8	9	10	11	12
James Wang Representative of Zhuo Jian Investment Co., Ltd.			✓	✓		✓		✓	✓	✓	✓	
Paul Wang Representative of Pacific Venture Partners Co. Ltd.	✓					✓	✓	✓	✓	✓	✓	
Ben Lin Representative of Zhen Bang Investment Co., Ltd.			✓	✓	✓	✓		✓	✓	✓	✓	
Charles Chu Representative of Yun Zhou Investment Co., Ltd.	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	
Shih, Chin-Tay	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Steve K. Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Rose Tsou	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Paul Yang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Note：Directors, during the two years before being elected and during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

1. Not an employee of the Company or any of its affiliates;

2. Not a director or supervisor of the Company or any of its affiliates;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the Company, ranks as of its top five shareholders, or has representative director(s) serving on the Company's board based on Article 27 of the Company Law;
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the Company;
7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the Company's chairman or CEO (or equivalent);
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the Company;
9. Other than serving as a compensation committee member of the Company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000";
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company;
11. Not been a person of any conditions defined in Article 30 of the Company Law; and
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law

3.3.5 Remuneration to Directors

Unit: Thousand NTD

Title	Name	Base Compensation (A)		Bonus to Directors (C)		Allowances (D)		Total Amount and Ratio of total remuneration to Net Income (%) A+C+D		Salary, Bonuses & Allowances (E)		Severance Pay (F)		Profit Sharing-Employee Bonus (G)				Total Amount and Ratio of Compensation to Net Income (%) A+C+D+E+F+G	
		Sercomm	Consolidated Subsidiaries	Sercomm	Consolidated Subsidiaries	Sercomm	Consolidated Subsidiaries	Sercomm	Consolidated Subsidiaries	Sercomm	Consolidated Subsidiaries	Sercomm	Consolidated Subsidiaries	Sercomm		Consolidated Subsidiaries		Sercomm	Consolidated Subsidiaries
														Cash Bonuses	Stock Bonuses	Cash Bonuses	Stock Bonuses		
Chairman	James Wang Representative of Zhuo Jian Investment Co., Ltd.	0	0	18,000	18,000	0	0	18,000 0.75%	18,000 0.75%	0	0	0	0	0	0	0	0	18,000 0.75%	18,000 0.75%
Director	Paul Wang Representative of Pacific Venture Partners Co. Ltd.	0	0	7,200	7,200	0	0	7,200 0.30%	7,200 0.30%	0	0	0	0	0	0	0	0	7,200 0.30%	7,200 0.30%
Director	Ben Lin Representative of Zhen Bang Investment Co., Ltd.	0	0	7,200	7,200	0	0	7,200 0.30%	7,200 0.30%	0	0	0	0	0	0	0	0	7,200 0.30%	7,200 0.30%
Director	Charles Chu Representative of Yun Zhou Investment Co., Ltd.	0	0	7,200	7,200	0	0	7,200 0.30%	7,200 0.30%	0	0	0	0	0	0	0	0	7,200 0.30%	7,200 0.30%
Independent Director	Chin-Tay Shih	3,000	3,000	0	0	24	24	3,024 0.13%	3,024 0.13%	0	0	0	0	0	0	0	0	3,024 0.13%	3,024 0.13%
Independent Director	Steve K. Chen	3,000	3,000	0	0	24	24	3,024 0.13%	3,024 0.13%	0	0	0	0	0	0	0	0	3,024 0.13%	3,024 0.13%
Independent Director	Rose Tsou	3,000	3,000	0	0	24	24	3,024 0.13%	3,024 0.13%	0	0	0	0	0	0	0	0	3,024 0.13%	3,024 0.13%
Independent Director	Paul Yang	1,176	1,176	0	0	12	12	1,188 0.05%	1,188 0.05%	0	0	0	0	0	0	0	0	1,188 0.05%	1,188 0.05%

3.4 Management Team

3.4.1 Information Regarding Management Team

As of April 2, 2024

Name / Position	Nationality	Gender	Elected Date	Current Shareholding		Spouse & Minor & in the Name of Others Shareholding		Education & Experience	Current Position
				Shares	%	Shares	%		
James Wang CEO	Taiwan	Male	2000.1.24	2,571,006	0.87	0	0.00	Harvard Business School, MBA Carnegie-Melon University, ME President, Sercomm Corp.	Note 1
Ben Lin President	Taiwan	Male	1992.7.29	1,682,201	0.57	736,896	0.25	Tsing Hua University, MS President, Sercomm Corp.	Note 2
Dean Wang Senior VP	Taiwan	Male	2018.7.16	975,000	0.33	0	0.00	State University of New York, Dual M.S. Field of Study Mechanical Engineering & Management and Policy President, Foxconn (Shenzhen) Technology Group	Director of Sercomm Philippines Inc., Sctek Manufacturing, Scnet (India) Private Limited
Michael Lee Senior VP	Taiwan	Male	2022.3.9	734,890	0.25	1,100,000	0.37	National Taiwan University MS in ME Director, Hitron Technologies Inc.	Note 3
Jemmy Lee VP	Taiwan	Male	2002.4.24	220,000	0.07	0	0.00	VP, Proview Company China	-
Colette Chen VP	Taiwan	Female	2013.2.1	114,000	0.04	0	0.00	Tamkang University, MS in European Studies Sales Manager, Veccom Co., Ltd.	-
Vicky Lin VP	Malaysia	Female	2013.2.1	464,000	0.16	0	0.00	Taiwan University BS in Economics Sales VP, Ayecom Technology	-
Alex Liou VP	Taiwan	Male	2022.11.10	300,000	0.10	0	0.00	MBA, New York University Senior AVP, Qisda Corporation	Director of First Hi-tec Enterprise Co. Ltd.

Name / Position	Nationality	Gender	Elected Date	Current Shareholding		Spouse & Minor & in the Name of Others Shareholding		Education & Experience	Current Position
				Shares	%	Shares	%		
Nicole Lee VP	Taiwan	Female	2023.02.01	50,000	0.02	0	0.00	Taiwan University Master of Management Chief officer of HR, HTC Corporation	
David Huang VP	Taiwan	Male	2023.03.01	0	0.00	0	0.00	Cornell University LL.M. Partner at KPMG	
Arthur Hsu VP	Taiwan	Male	2023.05.02	59,000	0.02	0	0.00	MBA, New York University Procurement VP, HP	
Winnie Hsieh Director Audit Office	Taiwan	Female	2007.06.15	84,406	0.03	0	0.00	Tamkang University, BS in Finance and Banking Special Assistant, WeiTai Corp.	-
Max Cheng Accounting Officer	Taiwan	Male	2020.11.13	46,000	0.02	0	0.00	Chengchi University, EMBA Assistant Finance Manager, NEC Taiwan	Note 4
Raymond Ho Corporate Governance Officer	Taiwan	Male	2023.07.28	0	0.00	0	0.00	MBA, Chung Cheng University Finance & Information VP, United Biopharma Inc.	

Note 1： Chairman of Sercomm Investment, Zhao Jian Investment, Yun Zhou Investment, Yun Li, Chao Yue Investment; Company Representative of Sercomm Trading Co., Ltd., Zealous Investments Ltd., Servercom (India) Private Limited, Scnet (India) Private Limited; Director of Sercomm Japan Corp., Sercomm Russia LLC., Sercomm Technology Inc., Sercomm Philippines Inc., Moso Labs Inc.

Note 2： Company Representative of Smart Trade Inc.; Director of Sercomm Investment, Sercomm USA Inc., Sercomm Japan Corp., Sercomm Russia LLC., Sercomm Technology Inc., Nanjing Femtel Communications Co., Ltd; Supervisor of Yun Zhou Investment

Note 3： Company Representative of Sercomm France SARL, Sercomm Italia SRL, Sercomm Deutschland GmbH, Sercomm Britain Limited, Sernet Technology Mexico S. de R.L. de C.V., Sercomm Brazil Ltda; Director of Sercomm Japan Corp., Sercomm Russia LLC.

Note 4： Company Representative of Refinement Property Holding Inc.; Supervisor of Sercomm Investments Ltd.

Note 5： Considering the company’s operations and asset scale, the Chairman also assumes the role of CEO to oversee the overall operations of the Group and facilitate the integration of global resources. To enhance the objectivity and independence of the Board’s decision-making, an additional Independent Director was elected during the shareholders’ meeting on June 13, 2023. The proportion of directors who are also managers is 25%, meeting the requirement of not exceeding one-third of the total number of directors.

3.4.2 Compensation of President and Vice President

Unit: Thousand NTD

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary(A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonuses and Allowances (C)</th><th colspan="4">Profit Sharing- Employee Bonus (D)</th><th colspan="2">Total Amount and Ratio of total compensation (A+B+C+D) to net income (%)</th></tr>
<tr><th rowspan="2">Sercomm</th><th rowspan="2">Consolidated Subsidiaries</th><th rowspan="2">Sercomm</th><th rowspan="2">Consolidated Subsidiaries</th><th rowspan="2">Sercomm</th><th rowspan="2">Consolidated Subsidiaries</th><th colspan="2">Sercomm</th><th colspan="2">Consolidated Subsidiaries</th><th rowspan="2">Sercomm</th><th rowspan="2">Consolidated Subsidiaries</th></tr>
<tr><th>Cash Bonuses</th><th>Stock Bonuses</th><th>Cash Bonuses</th><th>Stock Bonuses</th></tr>
<tr><td>CEO</td><td>James Wang</td><td rowspan="12">31,798</td><td rowspan="12">41,528</td><td rowspan="12">1,419</td><td rowspan="12">1,419</td><td rowspan="12">16,941</td><td rowspan="12">26,077</td><td rowspan="12">Note1</td><td rowspan="12">0</td><td rowspan="12">Note1</td><td rowspan="12">0</td><td rowspan="12">50,158
2.10%</td><td rowspan="12">69,024
2.89%</td></tr>
<tr><td>President</td><td>Ben Lin</td></tr>
<tr><td rowspan="2">Senior VP</td><td>Dean Wang</td></tr>
<tr><td>Michael Lee</td></tr>
<tr><td rowspan="8">Vice President</td><td>Jemmy Lee</td></tr>
<tr><td>Hawk Wu</td></tr>
<tr><td>Vicky Lin</td></tr>
<tr><td>Colette Chen</td></tr>
<tr><td>Alex Liou</td></tr>
<tr><td>Nicole Lee</td></tr>
<tr><td>David Huang</td></tr>
<tr><td>Arthur Hsu</td></tr>
</table>

Note 1：The compensation for employees has not yet been decided and cannot be estimated; therefore, the information for this column cannot be displayed. The actual distribution ratio from last year calculates the proposed cash amount for this year to be NT$38,360 thousand dollars.

Note 2：Vice President, Hawk Wu, retired on January 31, 2024.

<table>
<tr><th rowspan="2">Compensation Range</th><th colspan="2">Name of President and Vice President</th></tr>
<tr><th>Sercomm</th><th>Consolidated Subsidiaries</th></tr>
<tr><td>NT$0 ~ NT$999,999</td><td></td><td></td></tr>
<tr><td>NT$1,000,000 ~ NT$1,999,999</td><td></td><td></td></tr>
<tr><td>NT$2,000,000 ~ NT$3,499,999</td><td>Michael Lee, Jemmy Lee, Hawk Wu, Vicky Lin, Nicole Lee, David Huang, Arthur Hsu</td><td>Jemmy Lee, Hawk Wu, Vicky Lin, Nicole Lee, David Huang</td></tr>
<tr><td>NT$3,500,000 ~ NT$4,999,999</td><td>Alex Liou</td><td>Michael Lee, Alex Liou, Arthur Hsu</td></tr>
<tr><td>NT$5,000,000 ~ NT$9,999,999</td><td>James Wang, Ben Lin, Dean Wang, Colette Chen</td><td>Dean Wang, Colette Chen</td></tr>
<tr><td>NT$10,000,000 ~ NT$14,999,999</td><td></td><td>Ben Lin</td></tr>
<tr><td>NT$15,000,000 ~ NT$29,999,999</td><td></td><td>James Wang</td></tr>
<tr><td>NT$30,000,000 ~ NT$49,999,999</td><td></td><td></td></tr>
<tr><td>NT$50,000,000 ~ NT$99,999,999</td><td></td><td></td></tr>
<tr><td>Over NT$100,000,000</td><td></td><td></td></tr>
<tr><td>Total</td><td>12</td><td>12</td></tr>
</table>

Note：Vice President, Hawk Wu, retired on January 31, 2024.

3.4.3 Employee Profit Sharing Granted to Management Team

Unit: Thousand NTD

Title	Name	Stock Bonus	Cash Bonus	Total Employee Profit Sharing	Total Employee Profit Sharing Paid to Management Team as a % of 2023 Net Income
CEO	James Wang	0	38,360 (Note 1)	38,360	1.61%
President	Ben Lin				
Senior VP	Dean Wang				
	Michael Lee				
Vice President	Jemmy Lee				
	Hawk Wu				
	Vicky Lin				
	Colette Chen				
	Alex Liou				
	Nicole Lee				
	David Huang				
	Arthur Hsu				

Note 1 : The compensation for employees has not yet been decided; therefore, the proposed distribution amount for this year is tentatively calculated based on the actual distribution ratio of last year.
Note 2 : Vice President, Hawk Wu, retired on January 31, 2024.

3.4.4 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

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

Unit: Thousand NTD

	Sercomm		Consolidated	
	2022	2023	2022	2023
Directors	47,984	49,860	47,984	49,860
Directors' remuneration as a % of net income	2.50%	2.09%	2.50%	2.09%
President and VPs	87,041	88,518	104,022	107,384
President and VPs' remuneration as a % of net income	4.53%	3.71%	5.42%	4.50%

Note 1：The employee compensations for the year 2023 has not yet been determined. The proposed distribution amount for this year is tentatively calculated based on the actual distribution ratio from last year.

Note 2：There is no significant difference in the ratio of the total amount to the after-tax net profit for this year compared to last year.

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

Remuneration policy, standard and combination:

a) According to Article 19 of the Articles of Incorporation, the remuneration of directors shall be assessed based on their participation in the operations of the Company and the value of their contribution to the Company. In addition, according to Article 29 of the Articles of Incorporation, no higher than 2.5% of profit of the current year is distributable as remuneration to directors. Independent directors do not participate in the aforementioned distribution of directors' remuneration. The Company may regularly evaluate remuneration of the directors in accordance with the "Performance Evaluation of Board of Directors". The performance results on remuneration appropriateness shall be reviewed by the Compensation Committee and the Board of Directors.

b) For our managers' remuneration of the Company, work allowance and bonus shall be determined according to the Company's remuneration measures, to understand and reward the employees for their work efforts. Relevant bonus shall be paid according to the Company's annual operating performance, financial status, operating status and personal job performance. According to Article 29 of the Articles of Incorporation, 12%-18% of profit of the current year is distributable as employees' compensation The performance results of the Company obtained in accordance with the "Performance Management Measures" serve as the reference basis for bonus payment to managers. The performance for managers is conducted in respect of two aspects as follows:

First, financial indicators: According to the Company's management and income statements, the business units distribute the Company's profits based on degree of contribution, considering managers' goal completion rate. Second, non-financial indicators: the Company's practicing of core values, operations management capabilities, and the assessment of ESG (Environmental, Social, and Governance) sustainability performance.

The managers' remuneration from their business performances is determined on the basis of above indicators. The remuneration system is timely reviewed from time to time when appropriate according to actual operating conditions, relevant laws and regulations.

c) Regular assessment of directors and managers' remuneration shall be based on the results of evaluation conducted according to the Company's Performance Measures for the Board of Directors, Performance Management Measures for managers and employees. The remuneration shall be also determined in combination with the Company's business performance indicators, and the results shall be presented to the Board of Directors for review. To fully present fulfillment of business performance indicators, the Chairman's performances shall be measured based on the Company's results in annual business indicators related to operations, governance and financial results, including financial performance indicators - revenue and profit, attainment of budget target, risk bearing, compliance with rules/regulations, and level of personal credit risk. Executives' performance shall be conducted based on financial performance indicators - revenue and profit, attainment of budget target, growth, new market development, forward-looking strategies, new product development, new market development, talent training, acquisition and cultivation of elite talents, risk bearing, compliance with rules/regulations, level of personal credit risk and all other related performance objectives. Sustainable performance (based on tasks organized into marketing and communication, responsible products, responsible operations and supply chain management, employee care and public charity, corporate governance, etc.)

d) The remuneration combination paid by the Company shall be determined by the organizational rules of the Compensation Committee, including cash remuneration, stock options, dividends, retirement benefits or resignation payment, various allowances and other substantial rewards. Its scope shall be consistent with related directors' and managers' remuneration specified in the annual report of the public listed company.

Process for remuneration determination:

a) The performance self-assessments of the board of directors, directors, and various functional committees for the year of 2023 were all rated as excellent. Additionally, due to the company's effective expansion into the telecommunications marketing business, the group's operations achieved remarkable success in 2023, with profits exceeding expected performance. Consequently, the performance evaluation results for the company's managers in 2023 indicate that all managers have met or surpassed their set targets. The assessment results for the company's annual operational indicators have met the standards.

b) The Company's performance and remuneration appropriateness for its directors and managers are regularly evaluated and reviewed by the Compensation Committee and the Board of Directors every year. In addition to individuals' performance achievement and degree of contribution to the Company, overall business performance of the Company, future risks and development trends of industries are also taken into account. Besides, the remuneration system is reviewed from time to time according to the actual business conditions, pertinent laws and regulations. After comprehensive consideration of current corporate governance, appropriate remuneration is paid, in order to strike a balance between the Company's efforts for going concern and risk control. The amount of remuneration paid to directors and managers in 2023 was presented to the Board of Directors for review and approval upon deliberation by the Compensation Committee.

Associations with business performances and future risks:

a) The Company's remuneration policies, related payment standards and rules are reviewed mainly based on its overall business conditions. The payment standards are reviewed and determined based on the performance achievement and degree of contribution, in order to improve overall organizational and team effectiveness of the Board of Directors and management departments. In addition, remuneration standards of the industry are used for reference, to ensure that our remuneration paid to the management is competitive in the industry, so as to retain excellent management talents.

b) All of our managers' performance goals are set in combination with risk control to ensure that potential risks are managed and prevented within duties. The managers' remuneration is determined based on their actual performances, in combination with relevant human resources and remuneration policies. All of our important management decisions are made by coordinating and considering various risk factors. The performances in related decision-making are reflected by the Company's profit, so remuneration and risks of the management are associated with the control performance.

c) The remuneration paid by the Company and its subsidiaries to their general managers and deputy general managers include long-term rewards, which are paid in the form of stocks and not fully paid in the current year with profit. The actual value of stocks is correlated to future stock price. In other words, the general managers and deputy general managers will share future operational risks with the Company.

3.5 Corporate Governance

3.5.1 Board of Directors

The Board of Directors held 4 meetings in 2023. The directors' attendance status is as follows.:

Title	Name	Attendance in Person	By Proxy	Attendance In Person Rate (%)	Remarks
Chairman	James Wang Representative of Zhuo Jian Investment Co., Ltd.	3	1	66.7%	
Director	Paul Wang Representative of Pacific Venture Partners Co. Ltd.	4	0	100.0%	
	Ben Lin Representative of Zhen Bang Investment Co., Ltd.	3	1	66.7%	
	Charles Chu Representative of Yun Zhou Investment Co., Ltd.	4	0	100.0%	
Independent Director	Chin-Tay Shih	4	0	100.0%	
	Steve K. Chen	4	0	100.0%	
	Rose Tsou	4	0	100.0%	
	Paul Yang	2	0	100.0%	Newly elected 2023.06.13

Annotations:

1. (1) Securities and Exchange Act §14-3 resolutions

Date of Board Meeting	Resolution	Individual Directors' Opinions	Company's Response
2023.03.09	1. Approval of the termination of the private placement of securities approved at the 2022 Annual Shareholders' Meeting. 2. Approval of the 2022 Business Report, Financial Statements, and the 2023 Business Plan. 3. Approval of the execution of employee stock options for issuing new shares. 4. Approval of the proposal to conduct a private placement of common stock or domestic/overseas convertible bonds. 5. Approval of the issuance of 2023 Restricted Share Awards to employees. 6. Approval of the amendment to the "Articles of Incorporation."	None	To execute as per the resolution

	7. Approval of the internal adjustment of the auditors and the evaluation of the auditing firm and audit team based on Audit Quality Indicators (AQI). 8. Approval of the 2022 Employee Stock Option Distribution Plan. 9. Approval of endorsements and guarantees for the company's subsidiaries.		
2023.05.11	1. Approval of the appointment and dismissal of executives. 2. Approval of the Q1 2023 Business Report and Financial Statements. 3. Approval of establishing corporate governance regulations. 4. Approval of establishing the Sustainable Development Committee.	None	To execute as per the resolution
2023.07.28	1. Approval of the amendment to the "2023 Restricted Stock Awards". 2. Approval of the Q2 2023 Business Report and Financial Statements. 3. Approval of the issuance of new shares for the sixth domestic unsecured convertible bond conversion. 4. Approval of changes in the Corporate Governance Officer. 5. Approval of the issuance of restricted stock awards to employees. 6. Approval of the issuance of the seventh domestic unsecured convertible bond.	None	To execute as per the resolution
2023.11.09	1. Approval of the Q3 2023 Business Report and Financial Statements. 2. Approval of setting the record date for increasing capital through the conversion of employee stock options into common shares. 3. Approval of setting the record date for increasing capital through the conversion of unsecured convertible bonds into common shares.	None	To execute as per the resolution

(2) There were no other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion in 2023.

2. Recusals of Directors due to conflicts of interests in 2023: None.

3. Performance evaluation of the Board of Directors:

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Content
Annual Internal Evaluation	2023.01.01~ 2023.12.31	Evaluation of the performance of the Board of Directors, individual board members, and functional committees.	Internal self-assessment by the Board of Directors and self-assessment by board	Please see Note 1 for details.

			members.	
Triennial External Evaluation	2022.01.01~ 2022.12.31	Evaluation of the performance of the Board of Directors, individual board members, and functional committees.	Appointment of an external professional institution: Chainye Management Consulting Co. Ltd.	Please see Note 2 for details.

4. Measures taken to strengthen the functionality of the Board:

In 2023, the company established governance-related guidelines through the Board of Directors and set up a Sustainable Development Committee and a dedicated Corporate Governance Officer, thereby strengthening the functions of the Board of Directors.

Note 1：

2023 Performance Evaluation of Board of Directors

Performance evaluation of Sercomm's Board of Directors in 2023 includes self-evaluation of the entire Board of Directors, individual directors, and functional committees. The evaluation report is shown as follows:

- Evaluation period: January 1, 2023 to December 31, 2023.
- Measurement items for the performance evaluation of the Board of Directors include the following five areas:
  1. Participation in the operation of the Company.
  2. Improvement in the quality of the Board's decision-making.
  3. Composition and structure of the Board.
  4. Election and continuing education of directors.
  5. Internal control.
- Measurement items for the performance evaluation of individual directors include the following five areas:
  1. Understanding of the goals and missions of the Company.
  2. Awareness of the duties of directors.
  3. Participation in the operation of the Company.
  4. Management of internal relationship and communication.
  5. Professionalism and continuing education of directors.
  6. Internal control.
- Measurement items for the performance evaluation of functional committees include the following five areas:
  1. Participation in the operation of the Company.
  2. Awareness of the duties of functional committees.
  3. Improvement in the quality of decision-making by functional committees
  4. Composition of functional committees, and election and appointment of committee members.
  5. Internal control.

- The Board of Directors and functional committees underwent performance evaluation separately, where evaluation results are divided into four grades: 90 points and above: excellent; 80 to 89 points: good; 70 to 79 points: standard; and 69 and below: improvement required.
- The results of the performance evaluation of the Board of Directors in 2023 are shown as follows:
  1. The overall average score obtained during the self-evaluation of the Board of Directors' performance was excellent.
  2. The overall average score obtained during the self-evaluation of individual directors' performance was excellent.
  3. The overall average score obtained during the self-evaluation of functional committees' (Audit and Remuneration Committees) performance was excellent.
- In 2023, the self-assessment results of the company's Board of Directors, individual board members, and functional committees were all rated as excellent, with no significant areas for improvement. The evaluation results were reported to the Board of Directors on March 5, 2024.

Note 2：

- External evaluation Results

  Upon summarizing and evaluating the directors' self-evaluation and the on-site evaluation for the Board of Directors and Audit Committee, the external evaluation institution believes that Sercomm's Board of Directors has formulated relevant policies and procedures for the Board operation in accordance with relevant laws and regulations and corporate governance indicators in Taiwan. The Board of Directors is composed of directors with relevant professional abilities, and the work is assigned based on the professions and experiences. The functions of the Board of Directors and various functional committees operates effectively, and the evaluation results are excellent.
- Overall evaluation
  1. The 4 general directors of the Board of Directors are all current or retired senior managers of Sercomm, and the 3 independent directors are professionals in the telecommunications industry, finance and accounting, and law. The independent directors are knowledgeable about the Sercomm's operations and future development goals and can provide relevant professional advice in a timely manner with adequate supervision and guidance.
  2. Sercomm can provide complete information before the Board meetings and functional committees meeting and directors actively participate in the discussions, express opinions, and establish a good meeting culture.
  3. The Chairman respects the professionalism of each director, and the culture of the Board of Directors is open and harmonious where each director can speak freely, contribute his professionalism, and express his opinions. Sercomm also values to the succession planning where the current directors play an important role in cultivating the professional managerial personnel who is expected to provide their skills and become the cornerstone of Sercomm in the future.
- Suggestion on optimization
  1. At present, two of the three independent directors have served for more than three terms. To strengthen the independence of independent directors and functional committees and make the election mechanism of directors and independent directors more professional and independent, it is suggested that Sercomm may consider increasing the independent directors and establishing a nomination committee before the next re-election.
  2. Sercomm is a manufacturer of telecommunications broadband equipment with great focus on information security and risk management issues. To effectively manage the challenges and opportunities of future business development, we suggest that Sercomm to set up relevant functional committees in line with corporate governance goals, such as Sustainable Committees, Risk Management Committees, Information Security Committees. Sercomm can strengthen the management mechanism and demonstrate the corporate governance of a leading corporation.
  3. The self-evaluation questionnaire provided by Sercomm to the directors contains only options of "yes" and "no". It is suggested that the evaluation can be revised to a scoring method recommended by the securities regulatory authority where results are divided from 1 to 5; 1 being extremely poor (strongly disagree) and 5 being excellent (strongly agree), allowing directors to express with subtle differences in evaluation.

3.5.2 Audit Committee

The Audit Committee aims to assist the Board of Directors in monitoring the quality and integrity of Sercomm's accounting, auditing and financial reporting processes and financial control.

The tasks of the Audit Committee mainly include the following:

1. Formulation or amendment of the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. Adoption or amendment, in accordance with Article 36-1 of the Securities and Exchange Act of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.

4. Matters bearing on the personal interest of directors.
5. Material assets or derivatives trading.
6. Material loaning of funds, and provision of endorsements/guarantees.
7. Offering, issuance or private placement of any equity securities.
8. Appointment, discharge, or compensation of attesting CPAs.
9. Appointment or discharge of a finance manager, accounting manager or head of internal audit.
10. Annual financial statements signed or stamped by the Chairman, managerial officers, and account manager, and second-quarter financial statements audited and attested by CPAs.
11. Other significant matters set forth by the Company or the competent authority.

The Audit Committee held 4 meetings in 2023. The attendance of Independent Directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance in Person Rate (%)	Remarks
Independent Director	Chin-Tay Shih	4	0	100	Chair
	Steve K. Chen	4	0	100	
	Rose Tsou	4	0	100	
	Paul Yang	2	0	100	Newly elected 2023.06.13

Annotations:

1. (1) Securities and Exchange Act §14-5 resolutions

Date of Board Meeting	Resolution	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
2023.03.09	1. Approval of the "Internal Control System Statement" for the year 2022. 2. Approval of the amendment to the "Employee Stock Option Plan for the Year 2022." 3. Approval of the 2022 Business Report, Financial Statements, and the 2023 Business Plan. 4. Approval of the proposal to conduct a private placement of common stock or domestic/overseas convertible bonds. 5. Approval of the issuance of 2023 Restricted Share Awards to employees. 6. Approval of the amendment to the "Articles of Incorporation." 7. Approval of the internal adjustment of the auditors and the evaluation of the auditing firm and audit team based on Audit Quality Indicators (AQI). 8. Approval of the 2022 Employee Stock Option Distribution Plan. 9. Approval of endorsements and guarantees for the company's subsidiaries.	Approved as proposed and submitted to the Board of Directors for approval.
2023.05.11	1. Approval of the Q2 2023 Business Report and Financial Statements.	

Date of Board Meeting	Resolution	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
2023.07.28	1. Approval of the amendment to the "2023 Restricted Stock Awards". 2. Approval of the Q2 2023 Business Report and Financial Statements. 3. Approval of the issuance of restricted stock awards to employees. 4. Approval of the issuance of the seventh domestic unsecured convertible bond.	
2023.11.09	1. Approval of the Q3 2023 Business Report and Financial Statements. 2. Approval of establishing the 2024 Audit Plan.	

(2) There were no other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion in 2023.

2. Recusals of Directors due to conflicts of interests in 2023: None.

3. Performance evaluation of the Board of Directors:

(1) The Independent auditor explains to the independent directors in the Audit Committee at least once a quarter on the topics of the content and scope of the audit of the company's financial statements, key audit matters, adjustment entries, annual audit communication plan, as well as corporate governance evaluation, and sustainable development action plans. The communication between independent directors and the auditor in 2023 is as follows in the table.

Meeting Dates	Communications between the Independent Directors and the Independent Auditors	Attendees	Recommendations of the Independent Directors
2023.03.09	1. CPA provided explanations regarding the content of the 2022 financial statements, the scope of the audit, key audit matters, and adjustment entries. 2. The 10th session of the Corporate Governance Evaluation Indicators. 3. The CPA's declaration of independence. 4. The CPA responded to questions raised by the Audit Committee members.	Independent Directors: Chin-Tay Shih, Steve K. Chen, Rose Tsou CPA: Ya Fang, Wen, and Yi-Chang Liang Internal auditor: Jessie Cheng	None
2023.05.11	1. The CPA provided explanations regarding the content, scope, and adjustment entries of the Q1 2023 financial statement review. 2. CPA's declaration of independence. 3. CPA responded to questions raised by the Audit Committee.	Independent Directors: Chin-Tay Shih, Steve K. Chen, Rose Tsou CPA: Ya Fang, Wen and Yu Fang, Yen Internal auditor: Winnie Hsieh	None

Meeting Dates	Communications between the Independent Directors and the Independent Auditors	Attendees	Recommendations of the Independent Directors
2023.07.28	1. CPA provided explanations regarding the content, scope, and adjustment entries for the Q2 2023 financial statement review. 2. Sustainable development action plan for listed companies. 3. CPA's declaration of independence. 4. CPA responded to questions raised by the Audit Committee.	Independent Directors: Chin-Tay Shih, Steve K. Chen, Rose Tsou, Paul Yang CPA: Ya Fang, Wen and Yu Fang, Yen Internal auditor: Winnie Hsieh	None
2023.11.09	1. CPA provided explanations regarding the content, scope, and adjustment entries for the Q3 2023 financial statement review. 2. Annual audit communication plan. 3. CPA's declaration of independence. 4. CPA responded to questions raised by the Audit Committee.	Independent Directors: Chin-Tay Shih, Steve K. Chen, Rose Tsou, Paul Yang CPA: Ya Fang, Wen and Yu Fang, Yen Internal auditor: Winnie Hsieh	None

(2) The internal auditors have sent the audit reports to the members of the Audit Committee periodically and presented the findings of all audit reports in the quarterly meetings of the Audit Committee. The head of Internal Audit will immediately report to the members of the Audit Committee any material matters.

Meeting Dates	Communications between the Independent Directors and the Independent Auditors	Recommendations of the Independent Directors
2023.03.09	1. The status of internal audit implementation for Q4 2022. 2. The results of the self-assessment of the internal control system for the year 2023. 3. The statement of the internal control system for the year 2023.	None
2023.05.11	1. The status of internal audit implementation for Q1 2023.	None
2023.07.28	1. The status of internal audit implementation for Q2 2023.	None
2023.11.09	1. The status of internal audit implementation for Q3 2023. 2. The audit plan for the year 2024.	None

3.5.3 Taiwan Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
1. Does Company follow "Taiwan Corporate Governance Implementation" to establish and disclose its corporate governance practices?	✓		On May 11, 2023, the Company established the "Corporate Governance Best Practice Principles" by resolution of the Board of Directors and disclosed it on MOPS as well as the Company's website.	None
2. Shareholding Structure & Shareholders' Rights (1) Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		The Company has an Investor Relations Department and a shareholder services unit that are dedicated to managing investor and shareholder suggestions, inquiries, and disputes. A contact window has also been set up on our website specifically for investor relations and the Company's stock affairs agency in order to cater to the needs of investors and shareholders.	None
(2) Does Company possesses a list of major shareholders and beneficial owners of these major shareholders?	✓		The Company adheres to regulations that require monitoring of the shareholding status of Directors, executives, and major shareholders. In addition, changes in shareholding by insiders are promptly and regularly reported.	None
(3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	✓		On November 9, 2023, the Company's Board of Directors approved the "Rules Governing Financial and Business Matters Between Related Parties", and necessary controls have been implemented in line with internal control systems.	None
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓		To protect shareholder rights and ensure fair treatment, the Company has implemented internal regulations, including the "Corporate Governance Best Practice Principles," "Internal Material Information Handling Procedures," and "Procedures for Ethical Management and Guidelines for Conduct", with the aim of preventing insider trading by directors, managers, and employees. At least once a year, directors, managers, and employees are also provided education and training on relevant operational procedures and legal requirements. New directors and managers will receive a briefing within three months of starting their positions, while new employees will be briefed by the HR department during their orientation training. Furthermore, before the release of each quarterly	None

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			financial statements, the Company sends internal notification letters to employees with the intention to reinforce compliance with insider trading regulations and stock trading control measures.	
3. Composition and Responsibilities of the Board of Directors (1) Has the Board of Directors established a diversity policy, set goals, and implemented them accordingly?	✓		To improve corporate governance and ensure the sound development of the Board of Directors, the Company follows Article 20 of the Corporate Governance Best Practice Principles in considering Board composition and diversity, and plan suitable policies based on its operations, business model, and developmental requirements. The considered aspects include but are not limited to the following two: (1) Basic criteria and values: Gender, age, nationality, and culture. (2) Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience. Board members should have the knowledge, skills, and qualities required to fulfill their responsibilities. To achieve the desired objectives of corporate governance, the Board of Directors should possess the following capabilities: (1) Capabilities of operational judgment (2) Capabilities of accounting and financial analysis (3) Capabilities of operations management (4) Capabilities of crisis handling (5) Industrial knowledge (6) International market outlooks (7) Leadership skills (8) Decision-making capabilities The Company's Board diversity policy aims to incorporate diverse perspectives and understandings of the members, in order to mitigate groupthink and improve the quality, effectiveness, and performance of Board decision-making in its dynamic operations. Summary of factors at the center of the Company's specific management objectives regarding the Board diversity policy, and their implementation status: (1) For comprehensive information on experiences and professional capabilities across various industries, please refer to the "Board of Directors" section.	None

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			(2) Gender: There was one female independent director in 2017, and the number of female director positions will be increased to be over 12.5%, in the future. (3) Age: Two seats are occupied by individuals aged 51-60 (25%), four by those aged 61-70 (50%), and two by those aged 71 and above (25%). (4) Nationality: One seat is held by a foreign national (12.5%), and seven seats are held by domestic nationals (87.5%). (5) Education: Three seats are occupied by individuals with a doctoral degree (37.5%), and five seats are occupied by those with a master's degree (62.5%). (6) Balanced Board structure: • Independent Directors: 4 seat (50%). An additional Independent Director was elected in 2023. Furthermore, in line with the principle of maintaining independence, some Independent Directors have longer tenures, with the hope that their substantial understanding of the Company's medium to long-term operations, along with their rich experience and capabilities, will enhance the quality of board decision-making. • General Directors: 2 seats (25%). • Directors who concurrently serve as managers: 2 seats (25%). Considering the company's operations and asset scale, the Chairman also assumes the role of CEO to oversee the overall operations of the Group and facilitate the integration of global resources. To enhance the objectivity and independence of the Board's decision-making, an additional Independent Director was elected during the shareholders' meeting on June 13, 2023. The proportion of directors who are also managers is 25%, meeting the requirement of not exceeding one-third of the total number of directors.	
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set	✓		On May 11, 2023, the Company established the Sustainable Development Committee by resolution of the Board of Directors, consisting of Directors and senior executives, and formulated the "Sustainable	None

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
up other Board committees?			Development Best Practice Principles" as well as "Sustainable Development Committee Charter". The committee convenes regular and ad hoc meetings every quarter and provides annual reports on its accomplishments and future plans to the Board of Directors, with November 9 as the reporting date in 2023.	
(3) 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?	✓		The Company's Board of Directors has implemented the "Rules for Self-Evaluation of the Board of Directors", which states that the Board's performance is to be evaluated at least once a year through internal self-evaluation and at least once every three years through external professional evaluation. The evaluation encompasses the entire Board of Directors, individual Directors, and all functional committees, and spanned the following period: (1) External evaluation: Chainye Management Consulting Co. Ltd. was appointed on December 29, 2022, to conduct the performance evaluation of the Board of Directors for 2022. The evaluation process included data analysis and on-site participation in the Company's Board and Audit Committee meetings. Results of the external evaluation and recommendations for improvement were presented to the Board of Directors on March 9, 2023 (see "Board of Directors" chapter in the annual report). (2) Internal self-evaluation: The Board's performance self-evaluation for 2023 was completed by the end of the year, and results were submitted to the Board on March 5, 2024. The aforementioned evaluation results are published on the Company's website and are used as a basis for determining the remuneration and reappointment of individual Directors.	None

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(4)Does the Company regularly evaluate its external auditors' independence?	✓		The Company's Board of Directors conducts an annual evaluation of CPAs' independence. On March 5, 2024, the Board of Directors conducted an evaluation of the independence and suitability of the CPAs Wen Ya-Fang and Yen Yu-Fang, and their affiliated firm. The evaluation was based on the Audit Quality Indicators (AQIs), and as its results met the necessary requirements, the CPAs have been appointed. For details regarding the evaluation, please refer to Note 1.	None
4. Does the 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, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	✓		To strengthen corporate governance, the Company has made the decision to establish a dedicated Corporate Governance Officer by Board resolution on July 28, 2023. Mr. Raymond Ho, a senior manager with more than 20 years of experience in stock affairs and corporate governance, has been appointed and is primary responsible for overseeing and executing the following tasks: • Legally conducting and managing matters related to the Board of Directors and Shareholders' Meetings. • Preparing minutes for the Board of Directors and Shareholders' Meetings. • Assisting directors in their induction and ongoing professional development. • Providing directors with the necessary information for the execution of their duties. • Assisting directors in complying with legal requirements. • Legal compliance review of the qualifications of independent directors. • Handling matters related to changes in the directors. • Overseeing and reporting on the company's risk management operations. • Other matters as stipulated in the company's articles of association or contracts. The Company's Corporate Governance Officer performed related operations in respect of the aforementioned duties and completed 22 hours of continuing education in 2023.	None

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		The Company identifies stakeholders and provides dedicated units and contact information for investor relations, public relations, stock affairs, and corporate social responsibility to enhance communication and provide immediate responses. To address relevant concerns, the Company has created a dedicated section on its website for stakeholders. For details, please refer to the "Sustainable Development Promotion" chapter in the annual report and the "Stakeholder Communication" chapter in the sustainability report. The sustainability report also includes the identities of stakeholders, their concerns, communication channels, and response methods. The status of communication with stakeholders is then reported to the Board of Directors, with November 9 as the reporting date in 2023.	None
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	✓		The Company has appointed the Stock Affair Agency Department of Taishin Securities Co., Ltd. to manage all matters pertaining to the shareholders' meeting.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	✓		The Company consistently discloses financial and corporate governance information through its official website (http://www.Sercomm.com).	None
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investor's conference etc.)?	✓		Various departments of the Company, including Investor Relations, Public Relations, and Stock Affairs, are responsible for collecting and disclosing relevant information in accordance with regulations. In addition, the Company also appoints a spokesperson and acting spokesperson(s). The Company has established an English website for investor relations in order to improve information transparency. Presentations and video links to corporate briefings organized by the Company is also available on its website.	None

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(3) 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?		✓	The Company's annual financial report, quarterly financial reports and business conditions in each month were announced and declared in MOPS earlier than the prescribed time limit, and uploaded to the Company's website synchronously.	None
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	✓		• Employee rights and employee care: The Company firmly believes that "talent" is the key to maintaining our core competitiveness. Hence, The Company spares no effort to train and nurture employees, while strictly complying with various labor laws and regulations and the Electronic Industry Citizenship Coalition (EICC) Code of Conduct. In addition to actively recruiting talents in the area of science and technology, The Company also invests considerable resources and funds every year to provide the best working environment and endeavor to enhance employees' professional knowledge and skills, in hopes of creating a "growth-enabling and healthy" working environment, so that all our colleagues can receive physical and mental care and feel a sense of accomplishment, as well as maximize their potential and growth from work, thereby promoting the sustainable development of the Company. • Investor relations and stakeholders' rights: The Company maintains smooth communication channels at all times and adheres to the principle of ethics by disclosing public information immediately so as to protect investors and stakeholders' rights. The sustainability report also includes the identities of stakeholders, their concerns, communication channels, and response methods. The status of communication with stakeholders is then reported to the Board of Directors, with November 9 as the reporting date in 2023. • Supplier relations and implementation of customer policies: The Company has long been actively working with customers and	None

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			suppliers to build a sustainable supply chain and jointly develop eco-friendly green products through regular audit and counseling. Not only are suppliers in all countries required to fully comply with all local laws and regulations, but matters regarding the management of labor rights, environmental protection, safety and health risks in the supply chain are also emphasized. • Continuing education among directors: All directors possess the relevant professional knowledge. Besides, The Company makes arrangements for directors to attend courses related to corporate governance from time to time, which has been disclosed on MOPS. • Implementation of risk management policy and risk measurement criteria: The Company has established the relevant regulations for important management indicators, including risk management policies and procedures, and implement them accordingly. The Company provides annual reports on its risk management operations to the Board of Directors, with the reporting dates in 2023 being March 9 and November 9. • Purchase of liability insurance for directors: The Company has purchased liability insurance for directors and has reported the insured amount, coverage, and premiums of the directors' liability insurance at the May 11, 2023 Board meeting.	

9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange:
   (1) In 2023, the 10th annual corporate governance evaluation ranked the Company among 36-50% of TWSE/TPEx listed companies.
   (2) By the end of January 2024, the Company has successfully completed the corporate governance self-assessment for 2024. Improvements made include strengthening corporate governance through the establishment of Corporate Governance Best Practice Principles, implementation of a Board diversity policy, and appointment of a dedicated corporate governance officer. Moreover, the Company has made significant progress in promoting sustainable development by establishing the Sustainable Development Committee and setting targets for reducing greenhouse gas emissions.
   (3) For items without being given any score, the Company will constantly evaluate and consider potential improvements.

Notes 1:

Assessment of Accountant's Audit independence and Eligibility
2024 Audit Quality Indicators (AQI) Assessment
CPA Firm: PricewaterhouseCoopers, Taiwan
CPA: Ya Fang, Wen; Yu Fang, Yen

Dimensions	No.	AQI	Evaluation Content	Firm Level	Engagement Level	Qualification for competency	
						Yes	No
Profession	1	Audit Experience	Whether the CPA and auditors possess sufficient audit experience to perform the audit work.	✓	✓	✓	
	2	Training Hours	Whether CPA and auditors receive sufficient training to acquire professional knowledge and skills.	✓	—	✓	
	3	Attrition Rate	Whether the firm maintains sufficient senior human resources.	✓	—	✓	
	4	Professional Support	Whether the firm is equipped with sufficient experts, including CAAT specialists and financial appraisers.	✓	—	✓	
Quality Control	5	Workload	Whether partners are loaded with excessive engagements or work overtime.	✓	✓	✓	
	6	Involvement	Whether the involvement of audit team in each audit phase is appropriate.	✓	✓	✓	
	7	EQCR	Whether EQC reviewers spend sufficient time on engagement.	✓	✓	✓	
	8	Quality Supporting Capacity	Whether the firm is equipped with sufficient resources such as risk management, audit professional consultants to support audit teams.	✓	—	✓	
Independence	9	Non-Audit Service (NAS)	Whether the proportion of NAS affects the firm's independence.	—	✓	✓	
	10	Familiarity	Whether audit firm tenure affects the firm's independence.	—	✓	✓	
Monitoring	11	External Inspection Results & Enforcement	Whether the firm's compliance with quality control system and engagement is satisfactory.	✓	✓	✓	
	12	Official Improvement Letters Issued by Authority		✓	✓	✓	
Innovation	13	Innovative Planning or Initiatives	Whether the firm has undertaken appropriate planning or initiatives to improve audit quality.	✓	—	✓	

Other supplementary matters：NA

Opinion on evaluation review：

■ Approved and recommended for appointment

☐ There are doubts in the review and it is not recommended for appointment

3.5.4 Compensation Committee

The Company's Compensation Committee has three independent directors (Rose Tsou, Chin-Tay Shih and Steve K.Chen) and one external member (Hilo Chen). For profiles of the three independent directors, please refer to the aforementioned "disclosure of information about directors' professional qualifications and experience as well as independent directors' independence". The external members' profiles are as follows:

Criteria / Name/Title	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as Member of Compensation Committee
Members of the Compensation Committee Hilo Chen	Hilo Chen graduated from the Graduate Program of National Taiwan University for senior management and the Department of Transportation Engineering and Management Science, National Chiao Tung University. He is the founder and Chairman of Guoshi Partners Co., Ltd. He also established OneAD - an audio advertising platform, included in the ecosystem graph of Taiwan AI industry by the Industrial Technology Research Institute in 2017. Hilo served as CEO of Jinye Development Enterprise Co., Ltd./ SYSTEX Corporation, General Manager and Vice President of Commercial Operations in North Asia of Yahoo China, Chief Operating Officer of Kimo, as well as General Manager, business, marketing and technical support supervisors of IBM, Microsoft, Motorola, Oracle and Novell, etc. He has been engaged in the technology industry for more than 30 years. The fields he has embarked on include network media, software technologies, information systems and system integration, etc. He is not involved in any circumstances specified under Article 30 of the Company Act.	He or any other person who has kinship with him within the second degree is not an employee, director or supervisor of the Company or its affiliates. He or his spouse, minor child or anyone else acting on his behalf does not hold more than 1% of the Company's outstanding shares, and none of them is a natural person shareholder ranked TOP 10 in shareholding in the Company. He has no conjugal or kinship within the second degree with any other directors. He is not involved in any circumstances specified under Subclauses 3 and 4, Clause 3, Article 26 of the Securities Exchange Act. He has not been elected as government, legal person or by proxy as stipulated under Article 27 of the Company Act. In the past two years, no amount of compensation from the Company's or its affiliates' commercial, legal, financial and accounting services has been presented.	3

Compensation Committee Responsibility

This committee shall perform the following functions in good faith with care as a bona fide manager and submit its suggestions to the Board of Directors for discussion.

(1) Establish and regularly review policies, systems, standards and structures of performance and remuneration of directors and managers.

(2) Regularly evaluate and determine salary and remuneration of the directors and managers.

Compensation Committees Meeting Status

1. Compensation Committee consists of four members. The tenure is from June 8, 2022 to June 7, 2025.
2. Compensation Committee convened four regular meetings in 2023. The Committee members' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Member	Rose Tsou	2	0	100%	Chair
Member	Hilo Chen	2	0	100%	
Member	Steve K. Chen	2	0	100%	
Member	Shih, Chin-Tay	2	0	100%	

Notes：

1. There was no recommendation of the Compensation Committee which was not adopted or was modified by the Board of Directors in 2023.
2. There were no written or otherwise recorded resolutions on which a member of the Compensation Committee had a dissenting opinion or qualified opinion.
3. Discussion subjects and resolutions of Compensation Committee

Board Meeting Date	Discussion Items	Resolutions
2023.03.07	1. Stock Buyback Shares Transfer to Senior Executives Allocation Plan 2. Employee Stock Option Certificate Allocation Plan 3. Distribution of Remuneration to Directors for 2022 4. Distribution of Remuneration to Employees for 2022	Approved by all committee members and submitted to the Board of Directors for approval.
2023.07.28	1. 2023 Restricted Share Awards Allocation Plan	Approved by all committee members and submitted to the Board of Directors for approval.

3.5.5 Sustainable Development Implementation Status as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
1. 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?	✓		To exercise corporate social responsibility and promote economic, environmental, and social progress towards sustainable development, the Company established the Sustainable Development Committee on May 11, 2023, following a resolution by the Board of Directors. The committee has officially commenced operations with a set organizational charter. The committee is led by Directors and works closely with senior executives from diverse fields to evaluate the Company's fundamental operational capabilities and formulate short-, medium-, and long-term sustainable development plans. The committee functions as a cross-departmental communication platform, streamlining collaboration and fostering comprehensive connections. It convenes monthly and/or quarterly meetings and establishes task forces to address various issues, including environment, society, and governance. The committee identifies sustainable issues that impact the Company's operations and stakeholders, formulates corresponding strategies and policies, allocates budgets for organizational and sustainable development purposes, and plans, executes, as well as monitors, annual projects for effective implementation, ensuring the complete integration of sustainable development in the Company's operations. The Board of Directors receives quarterly reports from the management team on topics such as greenhouse gas inventory and verification scheduling. Every year, the committee meets to present the annual plan and achievements to the Board of Directors, with November 9 as the reporting date in 2023. During the meeting, the Board of Directors discusses the proposed Company strategy and objectives, and receives feedback and updates from the committee.	None
2. Does the Company follow 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?	✓		This disclosure pertains to the sustainable performance of the Company's primary locations during the period from January to December 2023. The risk assessment scope primarily focuses on the Company, including its existing locations in Taiwan, Mainland China, and the Philippines. In accordance with the 2021 GRI Standards, the Company defines the significance of sustainability issues and evaluates them from an impact perspective. With integrated recommendations provided by an external team of professional consultants, and after compiling impact index calculations and stakeholder consultation results, the working group and external professional consultants discuss and evaluate the sustainability issues of significant materiality. Following the discussion, implementation of effective risk management policies, which include identification, measurement, evaluation, supervision, control, and concrete action plans, are carried out to mitigate associated risks. Relevant risk management policies or	None

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			strategies, based on the assessed risks, are outlined in the table below. For details regarding climate-related risks and opportunities, please refer to the "Implementation of Climate-related Information" chapter in the annual report.	

Economic Issues

Identification of Risk	Risk Control Measures
• Financial • Legal • Audit • Operating Management • Corporate Investment • Public Relations • Investor Relations	Please refer to annual report chapter 7 "Review of financial position, management performance and risk management" and section 6 "Risk analysis and evaluation in recent years and up to the date of the annual report printed".
Supply Chain Risk	• Ensure that products and supply chains are exclusive of conflict minerals • New supplier selection criteria • Educational training for suppliers • Graded management of and guidance to suppliers by suppliers' characteristics and risk levels
Code of Conduct and Anti-Corruption	• Enactment of the "Employee Code of Conduct" • Continue the employees' ethical codes and anti-corruption propagation training • Set up the complaining channels instead of the high-rank management

Environmental Issues

Identification of Risk	Risk Control Measures
Climate Change	• Develop green and innovative energy-saving products • Develop green advanced process technologies • Build green factory management systems • Implement energy-saving and carbon-reducing projectsl • Inspect usage of energy and resources, and manage the sources
Strengthen Environmental Regulations	• Comply with related laws and regulations, and enact various operating procedures • Occupational safety and health committee reviews compliance

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			with environmental protection laws periodically. Social Issue **Identification of Risk** / **Risk Control Measures** Human Capital Risk Management: • Inspect and audit human resource periodically • Plan and execute employees' educational training and development planning • Design competitive remuneration and employees' benefit policies • Complete training, and development & training plan for local human resources Safety and Health Risk: • Occupational safety and health committee reviews compliance with occupational safety laws periodically. • Employees' occupational safety and health educational training • Protective measures and control over risk of hazard • Safety and production order in workplace • Fulfill fire protection measures and enhance employees' awareness and training of fire protection • Implement the control over source of fire and voluntary safety inspection mechanism • Inspect electric and mechanical equipment periodically Infectious Disease Control and Prevention: • Strengthen various infectious disease preparedness measures • Access control at factory premises, especially handling and disinfection at factory premises, et al. • Employees' self health management and checkup • Review and store preparedness supplies Product Quality/Safety Management: • Design products in accordance with international rules and brand customers' standards • Strengthen the technical team	
3. Environmental Topic (1) Has the Company set an environmental	✓		The Company's facilities in Zhunan (Taiwan), Suzhou (China), and the Philippines have all obtained certifications for environmental management systems (ISO 14001), occupational health and safety management systems (ISO 45001), international standards for energy management (ISO 50001), as well	None

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
management system designed to industry characteristics?			as greenhouse gas emission verification/certification (ISO 14064). These certificates allow for the monitoring and public disclosure of the Company's efforts in reducing emissions, the information on which is available in the Company's sustainability report and the corporate sustainability section of its website. Sercomm is dedicated to preventing pollution, conserving energy and resources, reducing waste, preventing accidents, and providing our employees with a safe and comfortable working environment.	
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	✓		To manage energy effectively, the Company promotes environmental protection and energy-saving concepts and practices to employees through new employee training and internal announcement systems. Energy-saving and power-saving actions are encouraged in our offices and various factory areas, with the aim of instilling a green value system from the Company to individual employees, ensuring employees' work behaviors fully reflect the Company's commitment to energy conservation and environmental protection. There has been a slight decrease in the overall electricity intensity ratio in 2022 compared to 2021. To enhance energy management efficiency, the Company has gradually implemented the ISO 50001 Energy Management System in all factories since 2022 and obtained certification in 2023 (valid from 2023/04/18 to 2026/04/17), employing a systematic approach to enhance energy utilization. In line with the green energy policy, the Company is also currently evaluating the feasibility of installing solar power systems at each factory location, with the aim of decreasing reliance on external power sources and minimizing carbon emissions. The Company's commitment to environmental sustainability is also shown through the focus on easy disassembly and recycling in the designing of its products, ensuring user-friendly handling during replacement. In order to implement waste recycling and disposal, the Company has entered into contracts with local recycling operators in the countries where Sercomm products are sold, allowing us to assist in the recycling of consumer waste products. As of 2022, the Company has successfully registered product waste recycling initiatives in nine countries, including Germany, Italy, and France. From the early stages of product design, the Company has placed a high priority on ecological design and reducing environmental impact. The Company's development team, with their expertise in power consumption, has contributed to the successful decrease in product energy consumption. Alongside selecting low-energy components, an innovative sleep mode has been introduced for idle applications, leading to a 5% improvement in WiFi performance and an 8% reduction in energy consumption impact (CO2EQV).	None
(3) Does the Company evaluate current	✓		The Board of Directors, as the highest decision-making body for climate governance, is responsible for overseeing the Company's climate governance	None

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
and future climate change potential risks and opportunities and take measures related to climate related topics?			performance and achievements. The Sustainable Development Committee provides an annual report on the implementation results and objective achievement status to the Board, with November 9 as the reporting date in 2023. The Company's Sustainable Implementation Task Force is primarily responsible for identifying and assessing climate-related risks and opportunities. In addition to examining climate-related risks and opportunities in the telecommunications industry, the task force also focuses on the electronics technology industry and the analysis of international sustainability trends, compiling in total 11 climate-related risks and 7 climate-related opportunities. In 2023, interviews and questionnaires identified a total of 4 climate-related risks and 2 climate-related opportunities, with the impact of climate-related risks categorized into short- (1-2 years), medium- (2-7 years), and long-term (7-12 years). For details regarding the implementation of climate-related information, please refer to the "Implementation of Climate-related Information" chapter in this annual report. In 2023, the Company signed the SBTi Science-Based Targets initiative, establishing carbon reduction goals for the Group and setting short-, medium-, and long-term management objectives for climate-related risks and opportunities: to achieve an 8% renewable energy usage rate by 2025 and reach 30% in 2030, reduce carbon emissions by 45% by 2030, and attain net-zero carbon emissions by 2050.	
(4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	✓		I. Greenhouse gas emissions The Company has been calculating and verifying greenhouse gas emissions since 2014, in accordance with the ISO14064-1 and Greenhouse Gas Inventory Protocol (GHG Protocol) standards. Starting in 2022, the Company began implementing ISO 14064-1 and ISO 50001 certifications and completed their verification by 2023, and a Greenhouse Gas Disclosure Committee was established to oversee the planning and execution of greenhouse gas inventory. Moreover, based on the results of materiality assessment, the Company has expanded the scope of our Scope 3 inventory to include not only waste, travel, and energy loss, but also upstream and downstream transportation, as well as employee commuting. The Company's Mainland China plant has received third-party verification for its greenhouse gas (GHG) emissions under ISO 14064-1 in the past two years. Factories in the Philippines and Zhunan plant have also received third-party verification for their GHG emissions under ISO 14064-1 during the same period. The Company expects to complete the GHG inventory of all overseas subsidiaries in 2024, making the inventory of the Group's GHG emissions more complete and allowing for better assessment of improvement directives. Furthermore, the Company has been involved in the Carbon Disclosure Project (CDP) since 2014, and our GHG inventory has been systematically disclosed to	None

Assessment Item	Y	N	Explanation	Non-implementation and its reason(s)
			assess the Group's emissions. Since 2018, CDP has been assigning scores based on the reported data; until 2023, the Company has held a C rating, and the goal for 2024 is to attain a B rating. Additionally, in 2023, the Company also announced its participation in the Science Based Targets initiative (SBTi) for carbon reduction. The greenhouse gas emissions inventory for 2022 shows that Scope 1 has direct emissions of 619.28 MTCO2e, Scope 2 has indirect emissions of 26,029.09 MTCO2e, and Scope 3 has other indirect emissions of 213,059.36 MTCO2e. In recent years, Scope 2 has been the primary source of GHG emissions for Sercomm, as a result, the Company's strategy for reducing greenhouse gas emissions primarily focuses on internal energy management. Over the past five years, the Company has experienced a consistent decline in greenhouse gas emission intensity. In 2022, the emission intensity for Scope 1 and Scope 2 was 0.41 MTCO2e/NT$ million, marking a significant decrease of 38.81% compared to 2021. Total greenhouse gas emissions in the past 2 years:	

Year	Total GHG emissions (Scope 1 + Scope 2 + Scope 3) Unit: MTCO2e
2021	280,789.03
2022	239,707.73

The Company has established short-, medium-, and long-term management goals for greenhouse gas emission intensity (Scope 1 and Scope 2) to implement low-carbon management as follows: 0.4 MTCO2e/NT$ million by 2023, 0.38 MTCO2e/NT$ million by 2025, and 0.25 MTCO2e/NT$ million by 2030.

II. Waste production volume

To minimize the environmental impact of waste, the Company is dedicated to reducing waste generation and implementing resource recycling and reuse. We strictly manage and properly classify each stage, from procurement at the source to disposal after processing, to increase the rate of resource reuse and promote a closed-loop resource cycle, maximizing resource utilization. In 2022, the total waste generated by the entire production plant amounts to approximately 4,662.998 metric tons, of which non-hazardous waste accounted for 4,455.51 metric tons, making up 95.55% of the total, whereas hazardous waste only represents 4.45% of the total, with a quantity of 207.48 metric tons. The annual target for the resource recycling rate is 90%, however, in 2022, the actual achievement was only 73.1%, and more effort was implemented in 2023 to improve resource recycling operations. In addition, a waste reduction target of 1% of the previous year has been set. The Company's waste production in Taiwan, China, and the Philippines over the past two years:

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and its reason(s)</th></tr>
<tr><th>Y</th><th>N</th><th>Explanation</th></tr>
<tr><td></td><td></td><td></td><td>

Year	Non-hazardous waste (mt)	Hazardous waste (mt)	Total waste (mt)
2021	4,293.92	140.87	4,434.80
2022	4,455.51	207.48	4,662.99

In order to implement waste management, the Company has established short-, medium-, and long-term goals for waste recycling and reuse rates, which are 75%, 80%, and 90% by 2023, 2025, and 2030, respectively.

III. Water Usage

Regarding the Company's water stewardship practices, we implement the ISO 14001 management system and carry out measures accordingly to conserve water resources. Given the nature of our industry, the Company's production processes do not heavily depend on water resources. The primary use of water is evenly distributed between essential facilities like air conditioning and compressed air, which necessitate circulating water, and employee daily consumption. Water is also sourced exclusively from the municipal water supply and does not depend on rivers, lakes, or groundwater sources, creating no significant impact on water sources or the community water supply. To promote water conservation, the Company not only prioritizes improving facilities and equipment but also encourages employees to change their water usage behavior to enhance water-saving efficiency. It is worth mentioning that the Company's Zhunan plant began implementing the recycling of cleaning machine water and RO concentrate water in 2022, and the recycled water is utilized to replenish the cooling tower, resulting in an estimated annual water savings of 2,160 metric tons. Total water usage in the past 2 years:

Year	Total Water Usage (Sum of Taiwan, China, and the Philippines) Unit: CBM
2021	235,707
2022	240,851

</td><td></td></tr>
<tr><td>4. Social Topic
(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</td><td>✓</td><td></td><td>In response to the UN Global Compact, the Company upholds principles and spirit of international human rights initiatives, including the Universal Declaration of Human Rights and ILO Declaration on Fundamental Principles and Rights at Work. In 2023, the Group's human rights policies were revised, with the scope of regulations and management extended to primary suppliers, demonstrating recognition of the emphasis placed on human rights protection by Sercomm's partners as well as the international community.

To uphold our commitment to labor rights protection, Sercomm's main factories around the world actively engage in regular assessments conducted by the Responsible Business Alliance (RBA). Following the evaluation, the Company conducts risk identification and</td><td>None</td></tr>
</table>

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and its reason(s)</th></tr>
<tr><th>Y</th><th>N</th><th>Explanation</th></tr>
<tr><td></td><td></td><td></td><td>due diligence investigations on various issues including employment freedom, child labor, underage workers, working hours, wages and benefits, anti-discrimination, anti-violence, and harassment, defines the scope of affected personnel, and formulates and enforces mitigation and remedial measures with continuous monitoring and management.

In 2023, Sercomm Group conducted RBA self-assessment questionnaires (SAQ) or verification assessments (VAP) at its headquarters in Taiwan (Taipei Headquarters and Zhunan factory), the Suzhou factory in Mainland China, and the factory in the Philippines, in order to identify any human rights issues with potential risks and implement improvement plans.

Moving forward, the Company will maintain its focus on human rights protection issues, promote education and training initiatives to raise awareness among all employees, and aim to minimize related risks.

<table><tr><th>Sites</th><th>SAQ</th><th>VAP</th></tr><tr><td>Taipei Headquarters</td><td>V
Low Risk (94.2)</td><td>---</td></tr><tr><td>Zhunan factory</td><td>V
Low Risk (90.7)</td><td>V</td></tr><tr><td>Suzhou factory</td><td>V
Low Risk (94.6)</td><td>V</td></tr><tr><td>Philippines factory</td><td>V
Low Risk (89.0)</td><td>V</td></tr></table></td><td></td></tr>
<tr><td>(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?</td><td>✓</td><td></td><td>The Company places great importance on employee well-being and welfare. Sercomm has established a comprehensive salary and benefits policy across our operations with the consideration of industry salary benchmarks and overall economic indicators. Employee recruitment and pay reviews are based on qualifications, experience, tenure, and performance. Once an employee joins the Company, salaries are adjusted based on an overall evaluation of their individual performance, market value, and contribution. Remuneration for overseas employees is determined by local market rates to ensure competitiveness and fairness. It factors in local regulations, industry norms, and operational performance to provide long-term and short-term incentive bonuses, thereby motivating long-term growth and contribution. The employee remuneration system is fair and does not discriminate based on gender, race, age, religious beliefs, or political stance, as the Company aims to foster harmonious labor-management relations and sustainable practices within legal frameworks.

In 2023, the standard salary of Sercomm's junior staff personnel in its main locations (including Taiwan and China) was in line with or higher than the local mandatory standard, and there was no difference based on gender for positions (direct and indirect staff) with the same nature of work. Annual remuneration, comprising basic salary, allowances, and bonuses, shows a trend of higher earnings for males, which can be attributed to a higher proportion of males in R&D</td><td>None</td></tr>
</table>

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<tr><td></td><td></td><td></td><td>positions (the male-female ratio is calculated with the baseline value 1 as the average number of male, and the average number for females is calculated accordingly).

The Company cultivates a welcoming work environment and is dedicated to taking care of its employees, boosting employee fulfillment rate and promoting work-life balance through a range of welfare initiatives and leisure activities. In addition, the Company offers travel allowances and encourages employees to take part in group tours and club activities organized by the Employee Welfare Committee. This provides an opportunity for employees and their families to enjoy life's pleasures together, alleviate stress, and attain personal well-being and work-life balance.

The Company has formulated a pension plan for the employees who are formally employed, and since February 4, 1997 has maintained a Business Entity Supervisory Committee of Labor Retirement Reserve in accordance with the Labor Standards Act. It appropriates labor pension reserve funds at a certain percentage of the total monthly wages of the Company's employees and deposits this amount in a designated pension fund account at the Bank of Taiwan. The Labor Pension Act took effect on July 1, 2005, and implements a defined contribution plan. After implementation, employees have the option to either apply the retirement pension regulations outlined in the Labor Standards Act or the retirement pension system specified in this regulation, retaining the years of service accrued prior to the implementation of this regulation. For employees covered by this regulation, the Company shall contribute no less than 6% of the employee's monthly salary to the employee retirement benefits.

According to Article 29 of the Company's Articles of Association, if the Company is profitable in a year, it shall allocate 12% to 18% of its profit for employee compensation. That includes employees of controlled or subsidiary companies that meet certain conditions, of which the terms and manner are delegated to the Board of Directors for determination.</td><td></td></tr>
<tr><td>(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?</td><td>✓</td><td></td><td>Providing a safe and healthy working environment for our employees is one of our most basic obligations as a corporate citizen. To maintain a safe working environment and reduce the occurrence of occupational hazards, strict management measures have been implemented to ensure employee safety. In both office and factory environments of the Company, dedicated personnel are tasked to oversee environmental safety, health, and improvement operations, effectively preventing occupational diseases and accidents.

The Company's strategy for occupational safety and health management is to implement the ISO 45001 management system in its main production plants to promote prevention-oriented safety and health management. Sercomm is dedicated to prioritizing the safety and hygiene of our employees' work environment,</td><td>None</td></tr>
</table>

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			with a goal of fostering a safe and healthful work setting that emphasizes on the prevention of occupational incidents. With the aim of fostering a company-wide safety culture and mitigating occupational safety and health risks, the Company provides a favorable working environment, sets up safety and health management units in Taiwan and different regions of Mainland China, and employs safety and health professionals who are responsible for planning, promoting, supervising, and auditing safety and health management activities. Moreover, the Plan-Do-Check-Action framework is utilized in the establishment of a safety and health management system applicable to the activities, products, and services of each main factory. Regular reviews of the occupational safety and health system are also conducted to prevent occupational diseases and injuries, and the Company has achieved ISO45001 as well as safety production standardization Level 3 certifications. In 2023, the Company experienced no fires or major occupational accidents at any of its locations. In 2023, all occupational injuries at the Company's different locations were physical in nature, and none of which resulted in employee deaths or permanent disability. The Taiwan branch had a total of 3 occupational injury cases, the China branch had 2 cases, and the Philippines factory had 8 cases. All cases have been thoroughly investigated and analyzed for their history and causes, and responsible units have been urged to formulate suitable improvement measures and preventive actions in response to environmental changes. Through promotion, education, and training, the Company is also actively working to minimize operational risks for our colleagues and workers in the factory. No reports of occupational diseases were received in 2023.	
(4) Has the Company established effective career development training plans?	✓		In line with our operational and talent development goals, the Company has developed a learning and development strategy, combining physical and digital courses in a blended learning approach to enhance employee professional skills and competitiveness. In addition to the fundamental courses for developing talents in key positions, Sercomm also offers external training resources and online courses taught by internal experts, allowing employees to study without the constraints of time or location, and showing our dedication to supporting employee self-directed learning. In 2023, training hours totaled at 45,167, with an average of 5.3 hours per person, bringing the training coverage rate in Taiwan to 98.2%. Develop Talent Potential Though Diversified Learning Channels: Talent cultivation is the key to sustainable business operations. The Company offers employees an extensive array of learning resources and opportunities. Beyond internal professional training and development, employees are encouraged to engage in external training, improving both individual and organizational competitiveness. Moreover, to improve the convenience of self-directed learning and maximize knowledge dissemination, the Company has been consistently	None

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			enhancing the digital learning environment since 2018. In 2023, 42 professional courses and 24 general education courses were added, totaling 8,801 course hours. By the end of 2023, the Company has developed and offered more than 480 self-produced digital courses, enabling employee independent learning. Develop Key Talents for the Company: The Company has implemented a key talent development program for candidates nominated by supervisors from various functional units. This program offers learning resources in areas such as leadership, English communication, and professional competence, to aid the development of professional skills. In addition, supervisors and employees work together during performance reviews to create annual individual development plans that are regularly reviewed, in support of employee career development and continuous skill-building.	
(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set polices to protect consumers' rights and consumer appeal procedures?	✓		Sercomm ensures that all of our products comply with international regulations, including RoHS, REACH, PPWD, and Batteries, and supports the non-use of conflict minerals and other harmful substances prohibited by international regulations or by the Company's own requirements. Customer feedback is highly valued, and a dedicated department is tasked to handle customer opinions and service procedures, ensuring optimal service efficiency and the protection of customers' rights and interests. The Company uses evaluation records (e.g., scorecards) issued by customers on a regular basis (quarterly, semi-annually, or annually) regarding their suppliers as a reference for customer satisfaction. Relevant units use the evaluation results as a performance indicator, basing on them for assessment and improvement. In addition to passively obtaining customer evaluation data, the Company also sends out an online customer satisfaction survey to major customers every year, covering aspects such as quality, price, delivery, service, and technical capabilities, and serving as the basis for review and improvement. The survey is conducted at the same time as customer feedback data collection of the Company's factories. An important criterion for enhancing customer satisfaction is the evaluation conducted by customers through regular or irregular on-site audits at various factories. The 2022 customer satisfaction survey results indicated an average satisfaction rate of 91.28%. In tandem with the improvement of customer service, the Company also emphasizes the protection of customer privacy and intellectual property rights. Confidentiality agreements with clients are signed to protect their confidential information, and to ensure that business associates of the Company maintain confidentiality in their dealings through the control processes of the ISO 27001 information security management system. By the end of 2022, there were no	None

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			reported incidents of customer privacy violations or damage to customer interests due to data loss. The Company is dedicated to adhering to all relevant national and international laws, ethical codes, and universally accepted practices in operational regions, including promoting fair competition, ensuring the safety of products and customer services, complying with labor laws and practices, upholding human rights declarations, adhering to international standards, and safeguarding copyrights, company assets, and all forms of intellectual property. The Company has set up an email address for stakeholders to submit their complaints: sc5388@sercomm.com	
(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?	✓		Sercomm has long been actively working with customers and suppliers to build a sustainable supply chain and jointly develop eco-friendly green products through regular audit and counseling. Not only are suppliers in all countries required to fully comply with all local laws and regulations, but matters regarding the management of labor rights, environmental protection, safety and health risks in the supply chain are also emphasized. Based on the RBA's basic supplier codes of conduct, suppliers of the Company shall comply with their commitments on social responsibilities and integrity. The Company has implemented the "Supplier Social Responsibility Commitment" which mandates suppliers to undergo evaluation and sign the agreement before they can be onboarded as new suppliers. Furthermore, to address ongoing operational risks, regular risk analyses are conducted on suppliers based on factors such as quality, delivery time, price, after-sales service, finance, and business ethics. Management measures and plans are formulated to mitigate risks that have a significant impact on operations, and information regarding high-risk suppliers is promptly shared with relevant departments to facilitate risk avoidance or response. In order to effectively manage suppliers, the Company has established screening criteria for supplier selection. Once suppliers have met these criteria and become qualified, on-site audits or review meetings are conducted to evaluate their performance. The assessment helps identify suppliers that should be prioritized in management, allowing for the evaluation of each project to focus on six key categories: quality, cost, delivery time, service, technical capabilities, and corporate social responsibility, which serve as the basis for introducing key components. It can also encourage suppliers to actively participate in the cooperation. In order to ensure the sustainable management of our suppliers, the Company has implemented a responsible supplier sustainability stewardship mechanism, requiring key component suppliers to comply with the RBA Code of Conduct, obtain relevant certifications, and adhere to local regulations. The Company conducts annual on-site	None

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
			audits of suppliers in accordance with the RBA Code of Conduct to ensure their compliance in the areas of human rights, ethics, working conditions, health, safety, and management. The Company combines supplier-related ISO certifications, such as ISO 14001, ISO 45001, SA8000, and RBA VAP evaluation results or Ecovadis rating results, to conduct CSR risk assessments of suppliers. For those with higher risks, additional QSA, QPA, and CSR evaluations are carried out to ensure compliance with the Company's and customers' sustainability requirements. The Company's supplier CSR evaluation form covers over 200 items, including labor, health and safety, environment, ethics, and system management, to comprehensively assess the sustainability management of suppliers. Suppliers are also encouraged to implement relevant social and environmental responsibility management in the supply chain with the goal of improving the working environment and promoting corporate responsibility throughout the supply chain. The Company chooses long-term key component suppliers from its regular trading suppliers and submits an annual plan for on-site audits or document reviews while also informing relevant departments. In 2022, the Company conducted annual audits on a total of 73 suppliers, achieving a 100% pass rate for evaluations of quality and CSR compliance. The Company also encourages suppliers to implement RBA verification, and, through valid surveys on 230 suppliers in 2022, found 33 of them have completed second-party/third-party audits for RBA verification, resulting in a verification rate of 14.3%. This represents 7.3% of all qualified suppliers, and among these 33 suppliers, 24.2% belong to higher-risk industries. There were a total of 345 verification deficiencies, of which 213 have been addressed and improved, resulting in an improvement completion rate of 61.7%. The Company places great importance on supplier capacity building and regularly organizes training sessions and opportunities for suppliers to share their experiences. Supplier training adopts a hybrid model of online and offline methods to promote Sercomm's sustainable policies and requirements to its suppliers, including human rights, environment, health and safety, and business ethics. It also addresses topics such as anti-corruption, unfair competition, conflict minerals, intellectual property confidentiality regulations, requirements for green products like RoHS/Reach, and carbon footprint assessment as well as life cycle assessment (LCA). The training session on June 15, 2023 saw the participation of 200 suppliers.	

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and its reason(s)</th></tr>
<tr><th>Y</th><th>N</th><th>Explanation</th></tr>
<tr><td>5. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquire 3rd certification party verification or statement of assurance?</td><td>✓</td><td></td><td>The Company's sustainability report is prepared in accordance with the standards issued in 2021 of the Global Reporting Initiative (GRI), the recommendations of the Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD), as well as those regarding the telecommunications industry stipulated in "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies". The report has been verified by a third-party verification agency in accordance with the AA1000 Assurance Standard V3, Type 1 Moderate Assurance Level, confirming its compliance with GRI Standards and SASB Industry and Operations Performance Indicators. Additionally, for the 8 indicators related to operating procedures in the communications industry, verification was conducted by PwC Taiwan in accordance with the Standards on Assurance Engagements No. 3000 "Assurance of Audit or Review Cases of Non-Historical Financial Information", issued by the Accounting Research and Development Foundation.</td><td>None</td></tr>
<tr><td colspan="5">6. If the Company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice," please describe the operational status and differences: No differences.</td></tr>
<tr><td colspan="5">7. Other important information to facilitate better understanding of the Company's implementation of corporate social responsibility:
(1) In 2023, Sercomm's Scholarship Program provided support to a total of 7 individuals, with a combined amount of approximately NT$200,000.
(2) Industry-Academia Collaboration Project: To support local education, enhance students' practical work experience, and mitigate population outflow, the Company partners with major universities and colleges near the factory area to provide opportunities for local students to receive practical training. In 2023, our Zhunan plant partnered with the Department of Information Management and the Program of IOT Engineering and Applications at Yu Da University of Science and Technology to host a campus recruitment event, attracting 4 students to our manufacturing technology workforce.
(3) Charity Events: The Company donated a total of 109 250cc bags of blood to the HsinChu Blood Center, 108 massage sessions and NT$5,811 to the Miaoli County Association for the Welfare of the Visually Impaired, and NT$9,617 to the Miaoli branch of Taiwan Fund for Children and Families.</td></tr>
</table>

Implementation of Climate-related Information

Items	Implementation Status
1. Overview of the supervision and management of climate-related risks and opportunities by the Board of Directors and executives	Sercomm's operations and products primarily cover markets in the Asia-Pacific, Europe, and the Americas, spanning various climate zones. Products are not only utilized for indoor applications, they are also used open-air outdoor settings, such as small base stations or surveillance cameras. These business traits evaluate how well the Company's operations and products withstand climate-related challenges. In order to improve the management of climate-related risks and opportunities, Sercomm officially signed the Task Force on Climate-related Financial Disclosures (TCFD) initiative in 2023, demonstrating its support. The Company adheres to TCFD disclosure guidelines to identify and assess risks and opportunities, evaluate their impact on financial planning, and implement appropriate management measures.

Items	Implementation Status
	Board Supervision The Board of Directors at Sercomm, as the highest governing body, is responsible for supervising the Company's climate strategy, including the execution and results of action plans and progress evaluation towards set targets. The Sustainable Development Committee provides annual reports to the Board of Directors. Furthermore, in recent year, Board members have also taken part in sustainability or climate-related training courses to enhance their understanding of climate issues. **Sustainable Development Committee resolution** The Sustainable Development Committee is the main unit responsible for overseeing climate-related risks and opportunities, and is one of the functional committees operating under the Board of Directors. At present, the committee is led by a Director, and comprises senior executives from the Company. Quarterly meetings are convened to assess and endorse action plans, goals, and performance pertaining to climate-related matters. In addition to the sustainability or climate-related training mentioned above, members of the committee have a longstanding interest in climate-related issues along the value chain of the telecommunications industry, and are able to assist the Company in fully understanding potential and actual risks associated with climate change.
2. Overview of the impact of identified climate risks and opportunities on the Company's business, strategies, and finances (short-, medium-, and long-term).	Sercomm's Sustainable Implementation Task Force is primarily responsible for identifying and assessing climate-related risks and opportunities. In addition to examining climate-related risks and opportunities in the telecommunications industry, the task force also focuses on the electronics technology industry and the analysis of international sustainability trends, compiling in total 11 climate-related risks and 7 climate-related opportunities. In 2023, interviews and questionnaires identified a total of 4 climate-related risks and 2 climate-related opportunities, with the impact of climate-related risks categorized into short- (1-2 years), medium- (2-7 years), and long-term (7-12 years). Operational environment and financial impacts influenced by relevant risks and opportunities are demonstrated in the following table. **Climate-related risks**

Impact of Risks	Risks	Potential Impact on Business or Strategy	Potential Paths of Financial Impact
Mid-term	Cap-and-trade scheme and carbon fee collection	• If the Company is subject to the cap-and-trade scheme, it must actively participate in carbon reduction actions or will be required to purchase carbon emission quotas • The Company might be listed as a payee of carbon fees, or have supply chain partners listed as payees, resulting in higher costs for components procurement	• In the future, if included under the cap-and-trade scheme or as subject to carbon fee collection, the Company may need to expedite its low-carbon transformation or directly adjust expenditures • If the supply chain is subject to carbon fees, costs might be transferred to product prices and lead to higher component costs
Mid-term	Amendments to renewable	• Changes in domestic and international	• Renewable energy usage ratio in

Items	Implementation Status			
		energy regulations	renewable energy regulations will affect market development, result in supply uncertainty or price fluctuations, and impact the Company's renewable energy deployment	operational sites must be increased to achieve net zero emissions, however, due to fluctuations in relevant regulations and prices, there is much uncertainty in terms of cost expenditures • Regulations and price fluctuations might cause the renewable energy sector to fall short of its target, resulting in financing obstacles and interest rate issues
	Short-term	Customer behavior changes	• As the market and consumers become more aware of sustainability, customers who value collaboration are now looking for supply chain partners that can meet their carbon reduction expectations, thus, it is crucial for the Company to proactively address customer expectations.	• Efforts should be made to cut operational carbon emissions by acquiring or upgrading to low-carbon technology equipment and enhancing the use of renewable energy devices. • Product development should incorporate the use of low-carbon materials • Loss of customers due to changes or unachieved objectives
	Short-term	Rise in raw materials costs	• Worldwide suppression of the fossil fuel industry in response to international climate consensuses has resulted in a rise in raw material prices.	• Raw material costs are expected to experience changes, in addition to insufficient procurement plan response and limited bargaining power, and will lead to increased expenses

Climate-related opportunities

Impact of Opportu nities	Opportunities	Potential Impact on Business or Strategy	Potential Paths of Financial Impact
Mid-term	Low carbon energy usage	• Usage of renewable energy shall increase to mitigate the impact of future price fluctuations caused by resistance to fossil fuels	• Continuous increase of renewable energy usage and reduction of operation and product footprints, demonstrating the Company's carbon competitiveness and expanding opportunities for business collaboration.
Mid-term	Innovation in low-carbon products and	• Leveraging innovation to improve efficiency and reduce carbon	• Investment in R&D resources and upgrades for environmental
	services	• footprint of products and services in	• footprint assessment capabilities,

Items	Implementation Status			
			response to customer net-zero demand	development of low-carbon products and services, and expansion of business cooperation opportunities
3. Overview of the effects of extreme weather events and transitional actions on the financial sector	Identification of transitional and actual risks, as well as the path of financial impacts, are indicated in Item 2 above. Sercomm has conducted a detailed analysis of factors and dimensions with financial impact of different climate-related risks, and the corresponding countermeasures are presented in the table below.			
	Impact of Risks	Risks	Potential Factors of Financial Impact	Countermeasures
	Mid-term	Cap-and-trade scheme and carbon fee collection	• Rising operating costs: The Company must expedite the implementation of low-carbon equipment or technology, bear carbon fees, and address the escalating prices of raw materials. • Asset impairment: Rapid adoption of low-carbon equipment will result in the early replacement of current equipment	• Continuous monitoring of regulatory changes in operating locations • Establish science-based targets (SBTi) and planning reduction actions accordingly
	Mid-term	Amendments to renewable energy regulations	• Rising operating costs: Renewable energy strategies must be formulated in response to the high volatility of renewable energy regulations and fluctuations in procurement prices • Financing challenges: High regulatory uncertainty hinders the progress of renewable energy development programs, resulting in failure to meet renewable energy targets	• Continuous monitoring of regulatory changes in operating locations • Capture costs in different financial scenarios where necessary
	Short-term	Customer behavior changes	• Rising operating costs: The Company must expedite the introduction of low-carbon equipment or technology, the research and development low carbon products, and usage of renewable energy • Decrease in revenue: Failure to promptly address customer expectations will affect the Company's competitiveness	• Continuously adopt low-carbon energy, low-energy or high-efficiency process equipment and technologies • Implement a digital carbon management platform and establish a product life cycle assessment mechanism to better understand the environmental impact of the Company's products and identify opportunities for carbon reduction

Items	Implementation Status			
			• Asset impairment: Rapid adoption of low-carbon equipment will result in the early replacement of current equipment	
	Short-term	Rise in raw materials costs	• Rising operating costs: Global suppression of the fossil fuels has resulted in a rise in raw material prices, to which existing procurement plans have been unable to adapt	• In order to minimize the use of metals and plastics, adjustments to product structure designs have been made using core research and development techniques • Implement policy-based procurement plans • Improve the analysis of supplier cost structures to help suppliers enhance production efficiency and increase bargaining power
4. Overview of the integration of identification, assessment, and management processes of climate risks into the overall risk management system	Sercomm has implemented risk management policies and procedures at all levels for the effective management of various risk factors, the scope of which encompasses strategic, operational, financial, and event-related aspects, as well as climate change and other environmental regulatory risks. Moreover, the management committee is at the core of the comprehensive risk management mechanism. Based on the nature of the risks, this committee allocates appropriate authorized units to carry out front-line risk management operations; these assigned units may be a single department, cross-departmental team, or cross-departmental committee. Department heads, team leaders, or committee conveners are responsible for risk assessment, and, in the event of risk occurrences, suggesting countermeasures. To implement the above risk management mechanism, Sercomm formed the Sustainable Development Committee in 2023, consisting of Directors and senior executives. A Sustainable Implementation Task Force and five task groups, which are responsible for the identification, assessment, management, and goal establishment of climate change-related risks in the mentioned aspects, are also founded under the committee, with regular reports being submitted to the Board of Directors.			
5. When utilizing scenario analysis to evaluate resilience to climate change risks, it is crucial to provide a clear explanation of the scenario, parameters, assumptions, analysis factors, and significant financial impacts employed.	In 2023, Sercomm signed the SBTi commitment letter and is currently developing a reduction pathway to limit the increase in temperature to 1.5℃. According to the Intergovernmental Panel on Climate Change (IPCC) AR6, among the five proposed scenarios, the low greenhouse gas emission scenario (SSP1-1.9) aligns more closely with the scenario of reducing global temperature by 1.5℃, and is one of the Company's main concerns. Preliminary assessment indicates that meeting objectives under the SSP1-1.9 scenario shall necessitate an increasingly stringent control of total carbon emissions, leading to a gradual rise in carbon prices. Under such circumstances, the Company itself and its value chain partners might experience simultaneous effects including: direct impact on expenses related to carbon tax/carbon fees of the Company and partners; heightened market expectations for low-carbon products, which will require additional R&D resources to integrate low-carbon opportunities into product development; and the potential requirement for the Company to purchase more renewable energy in order to meet scenario objectives, resulting in additional procurement costs for renewable energy.			

Items	Implementation Status
6. Detailed description of a transition plan to mitigate climate-related risks, as well as indicators and objectives utilized to identify and manage both physical and transitional risks.	As mentioned in Item 2 above, Sercomm has identified 4 climate-related risks through interviews and questionnaires, which are primarily related to transformation risks and include changes in customer behavior, renewable energy regulations, rising raw material costs, the cap-and-trade scheme, and carbon fee collection. A specific impact analysis on the Company also indicates that the four issues all revolve around greenhouse gas reduction, both internally and externally, thus, Sercomm plans to use the reduction pathway planned according to the SBTi methodology as key indicators and goals, gradually planning, implementing, and carrying out reduction actions. In addition to signing the SBTi commitment letter, Sercomm has conducted a comprehensive internal greenhouse gas inventory. The Company is on track to launch a carbon management system by 2024, aiming to improve carbon inventory across its product lines and supply chain. By establishing digital emission data, Sercomm aims to accelerate the identification of potential carbon risks and develop timely responses in supply chain management, innovation research and development, production, and distribution logistics. Furthermore, the Company is committed to reducing the environmental impact of its production facilities. In early 2024, the Zhunan plant officially obtained the Leadership in Energy and Environmental Design (LEED) Gold certification, as defined by the U.S. Green Building Council (USGBC), for its reduced environmental impact.
7. If internal carbon pricing is used as a planning tool, explanation for the basis of price determination should be provided.	To boost Sercomm's carbon competitiveness in sustainability and climate risk, the Company will plan its reduction pathway to limit warming to 1.5°C (following the SBTi methodology). To achieve the net-zero emissions target, Sercomm's scope of greenhouse gas inventory is undergoing expansion, while the future adoption of an internal carbon pricing system is also being evaluated.
8. Regarding climate-related goals, explanation of the activities covered, scope of greenhouse gas emissions, planning schedule, and the annual progress should all be provided. If carbon offsetting or renewable energy certificates (RECs) are utilized to meet these goals, the source and quantity of carbon offset or the quantity of RECs should be specified as well.	To demonstrate Sercomm's proactive approach to the global net-zero transition trend, the Company has set a target of achieving net-zero emissions by 2050. This target has been approved by the Board of Directors in 2023. In addition, we have signed a commitment letter to plan greenhouse gas reduction targets in a scientific manner, with the aim of limiting global temperature rise to 1.5°C. While these targets are pending approval, the Company shall continue to make every effort to reduce its environmental footprint, with the focus being placed on the reduction greenhouse gas emissions, utilization of renewable energy, and implementation of waste recycling and reuse practices. The Company has established targets to reduce greenhouse gas emissions by 30%, 45%, and 75% by 2025, 2030, and 2040, respectively. By 2030, the goal is for renewable energy to account for 90% of all energy consumption, and for waste recycling and reuse to reach 90% as well.
9. Greenhouse gas emission and assurance status, reduction targets, strategies, and specific action plans	Please refer to the 'Implementation of Sustainable Development' section of this annual report.

Other important information sufficient to enhance the understanding of the operation of corporate governance may also be disclosed: Overview of Directors and Managers' Continuing Education:

Title	Name	Training Date	Hours	Training Institution	Course Name
Chairman	James Wang	2023/11/06	6	Taiwan Corporate Governance Association	Tax Laws and Practices for Corporate Operations and Investment (India, the United States, and Mexico)
Director	Paul Wang	2023/07/04	6	Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit
Director	Ben Lin	2023/11/06	6	Taiwan Corporate Governance Association	Tax Laws and Practices for Corporate Operations and Investment (India, the United States, and Mexico)
Director	Charles Chu	2023/11/06	6	Taiwan Corporate Governance Association	Tax Laws and Practices for Corporate Operations and Investment (India, the United States, and Mexico)
Independent Director	Shih, Chin-Tay	2023/11/21	3	Securities & Futures Institute	Supervision of Corporate Risk Management and Crisis Handling for Directors and Supervisors
		2023/12/08	3	Taiwan Corporate Governance Association	Development of Artificial Intelligence and the Application of Third-Generation Semiconductors in Servers
Independent Director	Steve K. Chen	2023/06/02	3	The Chinese National Association of Industry and Commerce, Taiwan	2023 Taishin Net Zero Summit
		2023/08/04	3	Taipei Foundation of Finance	Tax Money Laundering Prevention: Eight Key Patterns of Domestic Money Laundering Risk
		2023/10/12	4	The Chinese National Association of Industry and Commerce, Taiwan	Principle for Financial Service Industries to Treat Clients Fairly and the Financial Consumer Protection Act Financial Friendliness and Inclusive Financing
		2023/11/06	6	Taiwan Corporate Governance Association	Tax Laws and Practices for Corporate Operations and Investment (India, the United States, and Mexico)
Independent Director	Rose Tsou	2023/11/06	6	Taiwan Corporate Governance Association	Tax Laws and Practices for Corporate Operations and Investment (India, the United States, and Mexico)
Independent Director	Paul Yang	2023/10/17	3	Taipei Foundation of Finance	Principle for Financial Service Industries to Treat Clients Fairly
		2023/11/15	3	Securities & Futures Institute	2023 Annual Seminar on Legal Compliance for Internal Insider Equity Trading
Accounting Officer	Max Cheng	2023/08/10 2023/08/11	12	Accounting Research and Development Foundation	Continuing Education Program for Accounting Managers of Issuers, Securities Dealers and Stock Exchanges
Internal Auditor	Winnie Hsieh	2023/10/28	6	The Institute of Internal Auditors	Mastering ChatGPT in Internal Auditing
		2023/11/10	6	Securities & Futures Institute	Latest Blueprints and Evaluation of Corporate Governance Development
Corporate Governance Officer	Raymond Ho	2023/08/17 2023/08/18	9	Taiwan Corporate Governance Association	Net Zero Sustainable Talent Development Program: Corporate Strategies for Low Carbon Transformation
		2023/09/07	6	Chinses Association of Business and Intangible Assets Valuation	Management of Intellectual Property as a New Concern in Corporate Governance
		2023/12/22	3	Taiwan Investor Relations Institute	New Practical Analysis of Corporate Governance and Board of Directors' Performance Assessment in 2023

3.5.6 Corporate Conduct and Ethics Implementation as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) Does the Company have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team?	✓		With the goal of enhancing corporate culture and ensure the robust development of integrity management, the Company has adopted the “Ethical Corporate Management Best Practice Principles”, “Code of Ethics”, and “Procedures for Ethical Management and Guidelines for Conduct” on May 11, 2023, as approved by the Board of Directors, to implement integrity management policy and proactively prevent dishonest behavior. Furthermore, the Company has established the “Procedures for Handling Internal Material Information” and the “Employee Code of Ethics”, which outline precise guidelines and regulations for employees to adhere to while executing business activities.	None
(2) Whether the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		Sercomm has signed the integrity clause with our employees and suppliers, and regularly analyzes and assesses business activities with higher risks of unethical conduct within our scope of business, in order to prevent unethical conduct. The Company regularly provides newcomer training, general education training, and management development training to promote the integrity management policy. Employees must issue a letter of undertaking to ensure their compliance with internal regulations and systems, including work rules, related operating procedures and codes of conduct, etc. The Company’s operating activities and those of its subsidiaries are required to be in accordance with related laws and regulations, follow high business ethical standards, avoid any unfair competition, perform tax obligations, prevent corruption, and build adequate management systems in order to create an environment of fair competition. These regulations shall also be incorporated into the Company’s internal compulsory E-Learning courses and serve as the basis for operation and conduct. All important policies relating to the operation, investment, acquisition or disposition of assets, the lending of funds, articles of guarantee or endorsement, and financing from banks are subject to the assessment of competent departmental authorities and to Board resolution.	None

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and its reason(s)</th></tr>
<tr><th>Y</th><th>N</th><th>Explanation</th></tr>
<tr><td>(3) Whether the Company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?</td><td>✓</td><td></td><td>The Company has implemented various operating procedures, including the “Ethical Corporate Management Best Practice Principles”, “Code of Ethics”, “Procedures for Ethical Management and Guidelines for Conduct”, and “Internal Material Information Handling Procedures”, all of which are disclosed on the Company’s website. New employees receive quarterly education and training, which covers the importance of the confidentiality of material information and includes explanations and examples of insider trading. Slides from the courses are also accessible on the Company’s internal E-Learning system for employees who unable to participate.

To address unethical behavior, the Company established the “Regulations for the Management of the Whistle-blowing System” on July 18, 2023 and provided a reporting system. With regard to any conduct that may violate business ethics, severe disciplinary measures shall be implemented, including termination of employment or business dealings and relationships, legal actions shall be taken in due course.</td><td>None</td></tr>
<tr><td>2. Ethic Management Practice
(1) Whether the Company has assessed the ethics records of whom it has business relationship with and includes business conduct and ethics related clauses in the business contracts?</td><td>✓</td><td></td><td>Regarding the selection of new suppliers, in addition to the quality, cost, delivery and service covered by general evaluation, suppliers should also comply with Sercomm’s specifications for green products. Along with the general procurement agreement and non-disclosure agreement, suppliers should also sign the following documents and pass the audit on green products in order to become qualified suppliers.
• Product Quality Guarantee Agreement: Govern quality standards required of the suppliers
• Letter of undertaking for corporate social responsibility: The undertaking of labor interests and rights, health and safety, environmental protection, ethics, management systems, and social impact.
• Supplier’s EICC letter of undertaking: Requirements for business ethics and integrity</td><td>None</td></tr>
</table>

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(2) Whether the Company has set up a unit which is dedicated to promoting the Company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	✓		To ensure the implementation of integrity management, the Company has designated personnel from the Human Resources, Risk Management, and Audit departments to oversee the development of integrity management policies and prevention plans, as well as education and promotion initiatives, complaint channels, and integrity risk assessments. Relevant documents undergo review and approval by competent decision-makers in accordance with their decision-making authority, and the execution status is regularly reported to the Board of Directors. The report for the year 2024 was submitted on March 5, 2024.	None
(3) Whether the Company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓		Sercomm has implemented various policies to prevent conflicts of interest, including the "Ethical Corporate Management Best Practice Principles", "Code of Ethics", "Procedures for Ethical Management and Guidelines for Conduct", "Internal Material Information Handling Procedures", and "Regulations for the Management of the Whistle-blowing System", and provide reporting channels to ensure effective implementation.	None
(4)To implement relevant policies on ethical conducts, does the Company establish effective accounting and internal control systems that are audited by internal auditors or CPAs periodically?	✓		The Company adheres to legal requirements and regularly updates its internal control system. Each department is obligated to conduct an annual self-assessment of the system's effectiveness to ensure that its design and implementation are efficient. The Audit Office has included high-risk operations in the annual audit plan based on the assessment of unethical behavior. The annual audit includes all items required by laws and regulations, and the internal audit status, as well as improvement measures for deficiencies, are reported to the Audit Committee and the Board of Directors on a quarterly basis. The Company's accounting system is established in compliance with legal requirements. Certified public accountants (CPAs) conduct quarterly audits or reviews of the consolidated financial statements, issuing reports and reporting the results to the Audit Committee each quarter. Report of the audits or review results are also presented to the Board of Directors on an annual basis.	None

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?	✓		The Company regularly conducts E-Learning courses on topics such as ethical conduct and integrity management, which are designed to train all employees and ensure successful completion of the associated assessments.	None
3. Implementation of Complaint Procedures (1) Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	✓		To implement the ethical conducts and integrity management guidelines, the “Regulations for the Management of the Whistle-blowing System” were established on July 18, 2023, with an independent channel set up for the reporting of illegal activities and violations of human rights, code of conduct, or integrity management guidelines. The channel is managed by dedicated personnel and is available to employees, suppliers, customers, and other external stakeholders; the reporting process follows relevant regional procedures, and a designated email address for reporting complaints is provided, all of which is disclosed on the Company’s website.	None
(2) Does the Company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	✓		The Company has implemented the “Regulations for the Management of the Whistle-blowing System”, which outline the standard operating procedures for addressing reported issues, covering various aspects, such as reporting channels, processing protocols, protection against whistle-blower probes, confidentiality, incentives, as well as promotion and training programs.	None
(3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	✓		In accordance with the “Regulations for the Management of the Whistle-blowing System”, the Company shall take appropriate measures to protect whistle-blowers.	None
4. Information Disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)?	✓		The Company has detailed its adherence to the “Ethical Corporate Management Best Practice Principles” on its website’s Corporate Governance section and MOPS, and the effectiveness of these practices is also reported in its annual report.	None
5. If the Company has established corporate governance policies based on TWSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation：On May 11, 2023, our company's board of directors resolved to establish a 'Code of Ethical Conduct,' and the actual operation is consistent with the established code.				

Assessment Item	Implementation Status			Non-implementation and its reason(s)
	Y	N	Explanation	
6. Other important information to facilitate better understanding of the Company's corporate conduct and ethics compliance practices (e.g., review the Company's corporate conduct and ethics policy): None				

3.5.7 If the Company Has Established a Corporate Governance Code and Related Regulations, the Method of Access Should be Disclosed:

The Code of Best Practice for Corporate Governance and other related regulations are available on our company's website (https://www.sercomm.com/tw) under the corporate governance section and the Market Observation Post System (http://mops.twse.com.tw)."

3.6 Internal Control System Execution Status

Sercomm Corporation

Internal Control System Statements

Date: March 5, 2024

Sercomm Corporation has conducted internal audits in accordance with its Internal Control Regulations for the period ended December 31st, 2023, and hereby declares the following:

1. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Sercomm takes immediate remedial actions in response to any identified deficiencies.

3. Sercomm evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several items which can be found in the Regulations.

4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

5. Based on the findings of such evaluation, Sercomm believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations

6. This Statement is an integral part of Sercomm's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

7. This statement of declaration has been approved by the Board on March 5, 2024 with all Directors in session under unanimous consent.

Sercomm Corporation

James Wang
Chairman

Ben Lin
President

3.7 Major Resolutions of Board Meetings and Shareholders' Meeting

3.7.1 Major Resolutions of Board Meetings

Date	Major Resolutions
2023.03.09	1. Approval of bank credit application. 2. Approval of the "Internal Control System Statement" for the year 2022. 3. Approval of the amendment to the "Employee Stock Option Plan for the Year 2022." 4. Approval of the appointment of the Vice President. 5. Approval of the termination of the private placement of securities approved at the 2022 Annual Shareholders' Meeting. 6. Approval of the Compensation Committee's review of the 2022 employee and director remuneration plan. 7. Approval of the 2022 Business Report, Financial Statements, and the 2023 Business Plan. 8. Approval of the execution of employee stock options for issuing new shares. 9. Approval of the second allocation of shares repurchased for the eleventh session to employees. 10. Approval of the 2022 profit distribution in cash dividends. 11. Approval of the 2022 earnings distribution. 12. Approval of the proposal to conduct a private placement of common stock or domestic/overseas convertible bonds. 13. Approval of the issuance of 2023 Restricted Share Awards to employees. 14. Approval of the amendment to the "Articles of Incorporation." 15. Approval of the election of an additional independent director. 16. Approval of the nomination of independent director candidates. 17. Approval of the lifting of competition restrictions on independent directors. 18. Approval of convening the 2023 Annual Shareholders' Meeting. 19. Approval of the internal adjustment of the auditors and the evaluation of the auditing firm and audit team based on Audit Quality Indicators (AQI). 20. Pre-approval of the provision of non-audit services by the auditors, their firms, and related entities to the company and its subsidiaries. 21. Approval of the 2022 Employee Stock Option Distribution Plan. 22. Approval of endorsements and guarantees for the company's subsidiaries.
2023.05.11	1. Approval of bank credit application. 2. Approval of the appointment and dismissal of executives. 3. Approval of the Q1 2023 Business Report and Financial Statements. 4. Approval of establishing corporate governance regulations. 5. Approval of establishing the Sustainable Development Committee.
2023.07.28	1. Approval of bank credit application. 2. Approval of the amendment to the "2023 Restricted Stock Awards". 3. Approval of the Q2 2023 Business Report and Financial Statements. 4. Approval of the issuance of new shares for the sixth domestic unsecured convertible bond conversion. 5. Approval of changes in the Corporate Governance Officer. 6. Approval of the issuance of restricted stock awards to employees. 7. Approval of the issuance of the seventh domestic unsecured convertible bond.

Date	Major Resolutions
2023.11.09	1. Approval of the Q3 2023 Business Report and Financial Statements. 2. Approval of establishing the 2024 Audit Plan. 3. Approval of setting the record date for increasing capital through the conversion of employee stock options into common shares. 4. Approval of setting the record date for increasing capital through the conversion of unsecured convertible bonds into common shares. 5. Approval of establishing the "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises." 6. Approval of bank credit application.
2024.03.05	1. Approval of the distribution of 2023 employee and director remuneration. 2. Approval of the 2023 Financial Statements, Business Report, and the 2024 Business Plan. 3. Approval of the 2023 profit distribution in cash dividends. 4. Approval of the 2023 earnings distribution. 5. Approval of the termination of the private placement of securities approved at the 2023 Annual Shareholders' Meeting. 6. Approval of the proposal to conduct a private placement of common stock or domestic/overseas convertible bonds. 7. Approval of the amendment of the "The Operational Procedures for Acquisition and Disposal of Assets", "Audit Committee Charter" and "Board of Directors Meeting Regulations." 8. Approval of setting the date, location, and agenda for convening the 2024 Annual Shareholders' Meeting. 9. Approval of the 2023 Internal Control System Statement. 10. Approval of the evaluation of the suitability and independence of the 2024 auditors. 11. Approval of endorsements and guarantees for the company's subsidiaries. 12. Approval of bank credit application. 13. Approval of setting the record date for increasing capital through the conversion of unsecured convertible bonds into common shares.

3.7.2 Major Resolutions of Shareholders' Meeting and Implementation Status

Date	Major Resolutions
2023.06.13	1. Approval of the 2022 Business Report and Financial Statements: Resolution passed. 2. Approval of the 2022 Earning Distribution: Resolution passed. April 19, 2023, as the ex-dividend date, with the cash dividends to be paid on May 17, 2023, distributing an actual cash dividend of NT$4.5 per share. 3. Approval of private placement of ordinary shares or domestic/overseas convertible bonds: Resolution passed. The Board of Directors decided on March 5, 2024, not to proceed with this private placement. 4. Approval of the issuance of Restricted Stock Awards to Employees: Resolution passed. Approved by the Financial Supervisory Commission on July 24, 2023, for the issuance of 6,000,000 shares, with 2,596,000 shares actually issued on August 15, 2023. 5. Approval of the amendment of the "Articles of Incorporation": Resolution passed, with the registration completed at the Ministry of Economic Affairs on June 20, 2023. 6. Election of an additional Independent Director: Elected Independent Director

Mr. Paul Yang, with the registration completed at the Ministry of Economic Affairs on June 20, 2023.

7. Lifting of Non-Compete Restrictions for Independent Directors: Resolution passed and already being implemented.

3.7.3 Summary of the recent resignations and dismissals of the company's Chairman, President, Accounting Officer, Financial Officer, Internal Auditor, Corporate Governance Officer, and Head of Research and Development

Position	Name	Date of Appointment	Date of Dismissal	Reason for Resignation or Dismissal
Financial Officer	Amanda Sung	2022/11/10	2023/04/28	Resigned voluntarily, with the CFO, Alex Liou, temporarily acting in the position.
Corporate Governance Officer	Max Cheng	2020/11/13	2023/07/28	To strengthen corporate governance, a dedicated Corporate Governance Officer has been appointed, and the Accounting Officer, Max Cheng, is relieved from concurrently serving as the Corporate Governance Officer.

3.8 Certified Public Accountant (CPA) Information

(1) If non-audit fees paid to CPAs, their accounting firm and its affiliates are more than one-fourth of audit fees, specify the amount of audit and non-audit fees, as well as the scope of non-audit services:

CPA Service Fees

Accounting Firm	Name of CPA	Period covered by CPA's audit	Note
PricewaterhouseCoopers (PwC) Taiwan	Ya-Fang Wen	2023/1/1 – 2023/12/31	
	Yu Fang, Yen	2023/1/1 - 2023/12/31	

Unit: Thousand NTD

	Audit fee	Non-audit fee	Total
Audit Fees	5,405	2,282 (Note)	7,687

Note：
(1) 2021 Annual Group Master File Report Tax Services Fee
(2) 2022 Transfer Pricing Project Services Fee
(3) 2023 Review Services Fee for the 7th Domestic Unsecured Convertible Bonds
(4) 2023 Assurance Services Fee for the Sustainability Report
(5) 2023 Service Fee for Filing Restricted Share Awards
(6) Others: Announcement Inspection Checklist, Tax Return, English Version Financial Statements, Non-Executive Compensation, Undistributed Profits, and other review services.

(2) For CPA changes, if the audit fee in the first year is lower than that of the prior year, specify the audit fee before and after the change and the reasons: N.A.

(3) If audit fees dropped by more than 15%, specify the amount and percentage of decline and reasons: N.A.

(4) Information on replacement of CPA：CPA Ya-Fang Wen and CPA Yu-Fang Yen were effective from the first quarter of 2023 due to CPA firm internal adjustment.

(5) Company Chairman, President or finance/accounting manager held positions in the Company's audit firm or its affiliates within the past year: N.A.

3.9 Changes in Share Positions among Directors, Supervisors, Managers

Unit: Shares

Title	Name	2023		Current Year to April 2	
		Shareholding Increase / Decrease	Stock Mortgage	Shareholding Increase / Decrease	Stock Mortgage
Chairman	Zhuo Jian Investment Co., Ltd.	0	(800,000)	0	0
Representative of Chairman	James Wang	130,000	0	500,000	0
Director	Pacific Venture Partners Co. Ltd	0	0	0	0
Representative of Director	Paul Wang	0	0	0	0
Director	Zhen Bang Investment Co., Ltd.	0	0	0	0
Representative of Director	Ben Lin	300,000	0	0	0
Director	Yun Zhou Investment Co., Ltd.	0	(1,545,000)	0	0
Representative of Director	Charles Chu	0	0	0	0
Independent Director	Chin-Tay Shih	0	0	0	0
Independent Director	Steve K. Chen	0	0	0	0
Independent Director	Rose Tsou	0	0	0	0
Independent Director	Paul Yang	0	0	0	0
CEO	James Wang	130,000	0	500,000	0
President	Ben Lin	300,000	0	0	0
Sr. Vice President	Dean Wang	(79,000)	200,000	0	0
Sr. Vice President	Michael Lee	(898,000)	200,000	(6,000)	0
Vice President	Jemmy Lee	160,000	0	0	0
Vice President	Hawk Wu (2024/1/31 Dismissed)	130,000	0	NA	NA
Vice President	Colette Chen	65,000	0	(56,000)	0
Vice President	Vicky Lin	39,000	0	0	0
Vice President	Genevieve Lu (2023/2/1 Dismissed)	0	0	NA	NA
Vice President	Amanda Sung (2023/4/28 Dismissed)	0	0	NA	NA
Vice President	Alex Liou	300,000	200,000	0	0
Vice President	Nicole Lee	50,000	0	0	0
Vice President	David Huang	0	0	0	0
Vice President	Arthur Hsu	100,000	0	(41,000)	0
Internal Audit	Winnie Hsieh	25,000	0	0	0

Title	Name	2023		Current Year to April 2	
		Shareholding Increase / Decrease	Stock Mortgage	Shareholding Increase / Decrease	Stock Mortgage
Accounting Officer	Max Cheng	13,000	0	0	0
Corporate Governance Officer	Raymond Ho	0	0	0	0

3.10 Information of the Company's Top Ten Shareholders

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders	
	Shares	%	Shares	%	Shares	%	Name	Relation
Yuanta Taiwan Value High Dividend ETF	19,607,000	6.63%	0	0.00%	0	0.00%	-	-
Yun Chuan Investment Ltd. Representative: Yu-Mei Zhang	12,541,360	4.24%	0	0.00%	0	0.00%	-	-
New Labor Retirement Fund	7,463,000	2.52%	0	0.00%	0	0.00%	-	-
Yuanta Taiwan High-yield Leading Company Fund	5,795,000	1.96%	0	0.00%	0	0.00%	-	-
Taiwan Cooperative Bank Representative: Yen-Mao Lin	5,486,000	1.85%	0	0.00%	0	0.00%	-	-
Su Yi	4,809,322	1.63%	0	0.00%	0	0.00%	Pacific Venture Partners Co. Ltd.	Representative
Chang Hwa Bank Representative: Joanne Ling	4,340,000	1.47%	0	0.00%	0	0.00%	-	-
Zhuo Jian Investment Co., Ltd. Representative: James Wang	4,197,094	1.42%	0	0.00%	0	0.00%	-	-
Goldman Sachs International	4,128,723	1.40%	0	0.00%	0	0.00%	-	-
Pacific Venture Partners Co. Ltd. Representative: Su Yi	3,671,926	1.24%	0	0.00%	0	0.00%	Su Yi	Representative of Pacific Venture Partners Co. Ltd.

3.11 Long-Term Investments Ownership

Investee	Sercomm Investment		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Investment	
	Shares (Amount in Thousands)	%	Shares (Amount in Thousands)	%	Shares (Amount in thousands)	%
Sercomm USA Inc.	650,000 USD650	100%	0	0	650,000 USD650	100%
Sercomm Investment Corp.	2,800,000 NTD28,000	100%	0	0	2,800,000 NTD28,000	100%
Sercomm Trading Co.,Ltd.	16,800,000 USD16,800	100%	0	0	16,800,000 USD16,800	100%
Zealous Investments Ltd.	0	0	10,956,000 USD10,956	100%	10,956,000 USD10,956	100%
Sernet (Suzhou) Technologies Corp.	0	0	- USD29,900	100%	- USD29,900	100%
Smart Trade Inc.	0	0	6,000,000 USD6,000	100%	6,000,000 USD6,000	100%
DWNet Technology (Suzhou) Co., Ltd.	0	0	- USD16,000	100%	- USD16,000	100%
Sercomm Japan Corp.	9,800 JPY 490,000	100%	0	0	9,800 JPY490,000	100%
Sercomm France SARL	100,000 EUR100	100%	0	0	100,000 EUR100	100%
Sercomm Italia SRL	0	0	10,000 EUR10	100%	10,000 EUR10	100%
Sercomm Deutschland GmbH	600,000 EUR600	100%	0	0	600,000 EUR600	100%
Sercomm Russia LLC.	28,948,000 RUB28,948	100%	0	0	28,948,000 RUB28,948	100%
Nanjing Femtel Communications Co., Ltd	0	0	- CNY 2,500	100%	- CNY 2,500	100%
Sercomm Technology Inc.	5,000,000 USD5,000	100%	0	0	5,000,000 USD5,000	100%
Sercomm Philippines Inc.	1,940,000,000 PHP1,940,000	97%	60,000,000 PHP60,000	3%	2,000,000,000 PHP2,000,000	100%
Sercomm Britain Limited	350,000 GBP350	100%	0	0	350,000 GBP350	100%
Refinement Property Holding Inc. (Note1)	0 PHP448,000	0	200,000 PHP200	40%	200,000 PHP200	40%
Servercom (India) Private Limited	34,999,990 INR35,000	100%	0	0	34,999,990 INR35,000	100%
Sernet Technology Mexico S. de R.L. de C.V.	399,990 MXN400	100%	10 MXN0	0	400,000 MXN400	100%
Presciense Limited	3,333 -	25%	0	0	3,333 -	25%
MECSware GmbH	0	0	10,714 EUR840	30%	10,714 EUR840	30%
Mosolabs Inc.	2,500,000 USD2,500	100%	0	0	2,500,000 USD2,500	100%
Sercomm Brazil Ltda	500,000 RRL500	100%	0	0	500,000 RRL500	100%
Sctek Manufacturing, Sociedad Anónima De Capital Variable (Note2)	9,999 MXN10	99.99%	1 MXN0	0.01 %	10,000 MXN10	100%

Investee	Sercomm Investment		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Investment	
	Shares (Amount in Thousands)	%	Shares (Amount in Thousands)	%	Shares (Amount in thousands)	%
Scnet (India) Private Limited (Note3)	163,999 INR81,999	99.99%	1 INR1	0.01 %	164,000 INR82,000	100%

Note 1： Under the substantial control of the company. The investment by the company is in US$8,000 thousand of preferred shares, which only have distribution rights and do not count towards the shareholding percentage. Registration has not yet been completed.

Note 2：Established in 2023, the investment has not yet been made.

Note 3：Established in 2023, the investment has been made.

IV. Capital & Shares

4.1 Capital & Shares

4.1.1 Capitalization

Unit: Shares, as of April 2, 2024

Type of Share	Authorized Shares		
	Issued Shares	Un-issued Shares	Total Shares
Common Stock	295,930,542	204,069,458	500,000,000

Note: As of April 2, 2024, a total of 295,925,280 outstanding shares have completed the registration, with 5,262 shares still outstanding due to the conversion of convertible corporate bonds not having completed the registration.

4.1.2 History of Capitalization

Unit: Shares/ NTD, as of April 2, 2024

Year/ Month	Issue Price	Authorized		Paid-In Capital		Source of Capital
		Shares	Amount	Shares	Amount	
2023/03	10	500,000,000	5,000,000,000	258,875,767	2,588,757,670	Exercise of Employee Stock Options
2023/08	10	500,000,000	5,000,000,000	261,639,134	2,616,391,340	Issuance of Restricted Shares Awards, Conversion of Convertible Bonds
2023/12	10	500,000,000	5,000,000,000	268,578,072	2,685,780,720	Exercise of Employee Stock Options, Conversion of Convertible Bonds
2024/03	10	500,000,000	5,000,000,000	295,925,280	2,959,252,800	Conversion of Convertible Bonds

Note: The above-mentioned 295,925,280 Paid-In Capital Shares have completed the registration. As of April 2, 2024, there are still 5,262 outstanding shares due to the conversion of convertible bonds that have not completed the registration.

4.1.3 Status of Shareholders

As of April 2, 2024

Type of Shareholders	Government Agencies	Financial Institutions	Other Legal Entities	Individual	Foreign Institutions	Total
Number of Shareholders	4	59	125	26,734	309	27,231
Shareholding	9,547,000	58,757,770	49,439,011	92,688,776	85,497,985	295,930,542
Ownership%	3.23%	19.86%	16.71%	31.32%	28.89%	100.00%

4.1.4 Major Shareholders

Unit: Shares, as of April 2, 2024

Name of Shareholders	Shareholding	%
Yuanta Taiwan Value High Dividend ETF	19,607,000	6.63%
Yun Chuan Investment Ltd.	12,541,360	4.24%
New Labor Retirement Fund	7,463,000	2.52%
Yuanta Taiwan High-yield Leading Company Fund	5,795,000	1.96%
Taiwan Cooperative Bank	5,486,000	1.85%
Su Yi	4,809,322	1.63%
Chang Hwa Bank	4,340,000	1.47%
Zhuo Jian Investment Co., Ltd.	4,197,094	1.42%
Goldman Sachs International	4,128,723	1.40%
Pacific Venture Partners Co. Ltd.	3,671,926	1.24%

4.1.5 Distribution Profile of Ownership

Unit: Shares, as of April 2, 2024

Class of Shareholding	Number of Shareholders	Shareholding (share)	%
1 ～999	9,129	1,554,501	0.53%
1,000 ～5,000	15,581	27,129,971	9.17%
5,001 ～10,000	1,191	9,640,131	3.26%
10,001 ～15,000	324	4,165,664	1.41%
15,001 ～20,000	244	4,510,723	1.52%
20,001 ～30,000	199	5,095,940	1.72%
30,001 ～40,000	84	3,056,333	1.03%
40,001 ～50,000	69	3,237,344	1.09%
50,001 ～100,000	152	10,896,924	3.68%
100,001 ～200,000	93	13,197,506	4.46%
200,001 ～400,000	51	14,165,080	4.79%
400,001 ～600,000	29	14,525,173	4.91%
600,001 ～800,000	14	9,791,765	3.31%
800,001 ～1,000,000	12	10,720,179	3.62%
Over 1,000,001	59	164,243,308	55.50%
Total	27,231	295,930,542	100.00%

4.1.6 Market Price, Net Worth, Earnings and Dividends per Share

Unit: NTD/ Thousand Shares

Item			2022	2023	April 2, 2024
Market Price	Highest		107.50	143.50	151.50
	Lowest		67.20	76.20	123.50
	Average		81.34	105.19	134.54
Net Value per Share	Before Distribution		38.31	47.82	-
	After Distribution		33.79	unappropriated	-
Earnings per Share	Weighted Average Shares		253,558	260,359	-
	Earning per Shares		7.57	9.17	-
Dividends per Share	Cash Dividend		4.50	4.99991064	-
	Stock Dividend	From Retained Earnings	0	0	-
		From Capital Surplus	0	0	-
	Accumulative Undistributed Dividends		–	–	-
Return on Investment (Note)	Price / Earnings Ratio		10.75	11.49	-
	Price / Dividend Ratio		18.08	21.07	–
	Cash Dividend Yield Rate		5.53	4.75	–

Note： Price / Earnings Ratio = Average market price / Earnings per share;
Price / Dividend Ratio= Average market price / Cash dividend per share;
Cash Dividend Ratio = Cash dividend per share / Average market price

4.1.7 Dividend Policy

The appropriations of the Company's earnings are based on the annual net income. The dividend amount is determined by the profit earning condition, financial condition and future operating needs for cash. In principle, dividends could be distributed in cash and/or in the form of stock; nevertheless, cash dividends shall be no less than 10% of the aggregate amount distributed.

4.1.8 Dividends

Year	EPS NT$	Cash Dividend NT$ per share
2023	9.17	4.99991064
2022	7.57	4.50

4.1.9 Proposal of Profit Distribution

Unit: NTD

Cash dividend	$4.99991064 per share
Cash bonus to employees	$545,400,000
Remuneration to Directors	$39,600,000

4.1.10 Buyback of Treasury Stock

As of April 2, 2024

Buyback Session	11th Session
Purpose of Buyback	To transfer shares to employees
Buyback Period	October 3, 2022, to December 2, 2022
Buyback Price Range	NT$55.16 to NT$90.00
Anticipated Type and Number of Shares for Buyback	Ordinary shares, 5,000,000 shares
Actual Type and Number of Shares Bought Back	Ordinary shares, 5,000,000 shares
Amount Spent on Shares Bought Back	NT$398,396,775
Percentage of Planned Shares Bought Back	100%
Number of Shares Cancelled and Transferred	3,500,000 shares
Total Number of Shares Held by the Company	1,500,000 shares
Percentage of Issued Shares Held by the Company	0.51%

4.2 Issuance of Corporate Bonds

As of April 2, 2024

Issuance		2019 1st Domestic Unsecured Bond
Issue Date		2019/7/26
Denomination		1,000,000
Offering Price		Par
Total Amount		NT$ 2,300,000,000
Coupon		1.02%
Tenor and Maturity Date		Tenor: 5 years Maturity: 2024/7/26
Outstanding		NT$ 2,300,000,000
Credit Rating		twA- (Taiwan Ratings Corporation, 2019/5/29)
Trustee		Taiwan Cooperative Bank
Guarantor		None
Underwriter		Taishin Securities Co., Ltd
Legal Counsel		Handsome Attorneys-at-Law Ya-Wen Chiu
Auditor		PricewaterhouseCoopers Yi-Chang Liang and Yu-Lung Wu
Repayment		Bullet
Redemption or Early Repayment Clause		None
Covenants		None
Other Rights of Bondholders	Conversion Right	None
	Amount of Converted or Exchanged Common Shares, ADRs or Other Securities	None
Dilution Effect and Other Adverse Effects on Existing Shareholders		None
Custodian		None

Issuance		2020 1st Domestic Unsecured Bond
Issue Date		2020/7/17
Denomination		1,000,000
Offering Price		Par
Total Amount		NT$ 1,400,000,000
Coupon		1.00%
Tenor and Maturity Date		Tenor: 5 years Maturity: 2025/7/17
Outstanding		NT$ 1,400,000,000
Credit Rating		twA- (Taiwan Ratings Corporation, 2020/5/25)
Trustee		Taiwan Cooperative Bank
Guarantor		None
Underwriter		Taishin Securities Co., Ltd
Legal Counsel		Louis & Charles Attorneys-at-Law Ya-Wen Chiu
Auditor		PricewaterhouseCoopers Yi-Chang Liang and Yu-Lung Wu
Repayment		Bullet
Redemption or Early Repayment Clause		None
Covenants		None
Other Rights of Bondholders	Conversion Right	None
	Amount of Converted or Exchanged Common Shares, ADRs or Other Securities	None
Dilution Effect and Other Adverse Effects on Existing Shareholders		None
Custodian		None

4.3 Issuance of Convertible Bonds

Issue Session		6th Domestic Convertible Bond			7th Domestic Convertible Bond		
Items \ Year		2022	2023	2024/3/31	2022	2023	2024/3/31
Market Price	Highest	111.50	150.00	147.05	-	112.35	120.00
	Lowest	99.60	100.00	129.55	-	103.00	107.90
	Average	103.21	122.76	133.75	-	105.77	114.65
Conversion Price		100	95	95	-	145	145
Issue Date and Conversion Price at Issuance		2022/5/17 NT$100			2023/12/6 NT$145		
The Method of Fulfilling the Conversion Obligation		Issuing new shares			Issuing new shares		

4.4 Issuance of Employee Stock Options

As of April 2, 2024

Issue Session	2020 1st Employee Stock Options	2022 1st Employee Stock Options
Filing Effective Date and Total Number of Shares	2020/8/3 12,000,000	2022/12/27 6,000,000
Issue Date	2020/8/20	2023/5/3
Number of Shares Issued (Share)	12,000,000	3,000,000
Number of Shares Available for Issue	0	3,000,000
Number of Shares Issued / Total Issued Shares (%)	4.06%	1.01%
Exercise Period	10 years	10 years
Method of Provision	Issue of new shares	Issue of new shares
Vesting Schedule	After 2 full years have elapsed from the time the stock option holder is allocated the employee stock options, the option holder may exercise the share purchase rights according to the schedule set out below. The duration of the stock options is 10 years. The stock options and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession. After the expiration of the duration of the employee stock options, any unexercised options shall be deemed forfeited, and the stock option holder may not make any further claim to share purchase rights. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock options (cumulative). Two full years have elapsed: 50% Three full years have elapsed: 75% Four full years have elapsed: 100%	After 2 full years have elapsed from the time the stock option holder is allocated the employee stock options, the option holder may exercise the share purchase rights according to the schedule set out below. The duration of the stock options is 10 years. The stock options and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession. After the expiration of the duration of the employee stock options, any unexercised options shall be deemed forfeited, and the stock option holder may not make any further claim to share purchase rights. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock options (cumulative). Two full years have elapsed: 100%
Number of Shares in Exercised Options (Share)	8,836,000	0
Total Amount in Exercised Options (NTD)	243,376,000	0
Number of Shares in Unexercised Options (Share)	3,164,000	3,000,000
Price per Share in Unexercised Options (NTD)	26.6	82.9
Number of Shares in Unexercised Options as Share of Total Issued Shares (%)	1.07%	1.01%
Impact on Shareholders' Equity	The employee stock option can only be exercised two to four years after issuance, and it has a validity period of up to ten years, therefore the dilutive effect on shareholder equity is relatively limited.	The employee stock option can only be exercised two years after issuance, and it has a validity period of up to ten years, therefore the dilutive effect on shareholder equity is relatively limited.

4.4.1 List of Executives and the Top Ten Employees Receiving Employee Stock Options

2020 1st Employee Stock Options

As of April 2 2024

Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
				No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued
CEO	James Wang	3,505,000	1.18	905,000	28.0 26.6	24,511	0.31	2,600,000	26.6	69,160	0.88
President	Ben Lin										
Sr. VP	Dean Wang										
VP	Jemmy Lee										
VP	Hawk Wu										
VP	Colette Chen										
VP	Vicky Lin										
Sr. Director	Winnie Hsieh										
Sr. Director	Max Cheng										

Note：Vice President, Hawk Wu, retired on January 31, 2024.

2022 1st Employee Stock Options

As of April 2 2024

Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
				No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued
CEO	James Wang	915,000	0.31	0	0	0	0	915,000	82.9	75,854	0.31
President	Ben Lin										
Sr. VP	Dean Wang										
Sr. VP	Michael Lee										
VP	Jemmy Lee										
VP	Hawk Wu										
VP	Colette Chen										
VP	Vicky Lin										
VP	Alex Liou										
VP	Nicole Lee										
VP	David Huang										
Sr. Director	Winnie Hsieh										
Sr. Director	Max Cheng										

Note：Vice President, Hawk Wu, retired on January 31, 2024.

4.5 Issuance of Restricted Share Awards

As of April 2, 2024

Issue Session	2023 Restricted Share Awards
Filing Effective Date and Total Number of Shares	2023/7/24 6,000,000 shares
Issue Date	2023/8/15
Number of Restricted Share Awards Issued	2,596,000 shares
Number of Restricted Share Awards Available for Issue	3,404,000 shares
Issue Price	NT$60
Percentage of Issued Restricted Share Awards to the Total Number of Issued Shares	0.88%
Vesting Conditions for Employee Restricted Share Awards	After employees are allocated restricted share awards in accordance with this method, starting from the capital increase record date, they must still be employed on the following vesting date, while also meeting the overall company performance criterion of achieving a cumulative operating profit in the most recent audited or reviewed financial statement that exceeds the average operating profit growth of over 10% for the same period in the past three years. Additionally, the most recent annual individual performance evaluation result must be P2 (inclusive) or higher, and they must have fully complied with the service code, never having violated the company's labor contract, work rules, non-compete agreement, confidentiality agreement, employee integrity code of conduct, or any other agreements with the company. Vesting Date: 100% on October 6 of the issuing year. If the above date falls on a holiday, it will be deferred to the next business day for processing.
Restricted Rights of Employee Restricted Share Awards	1. Before meeting the vesting conditions, employees are not allowed to sell, pledge, transfer, gift to others, create any rights over, or dispose of in any other manner the restricted share awards they have been allocated and subscribed for under this method. 2. The restricted share awards issued under this method, before reaching the vesting conditions, shall have the same rights as the ordinary shares already issued by the company in terms of attending the shareholders' meeting, making proposals, speaking, voting, and election rights, and shall be executed in accordance with the trust custody agreement. 3. The restricted share awards issued under this method, before reaching the vesting conditions, are entitled to receive various distributions of dividends, including but not limited to: dividends, bonuses, capital surplus distribution rights, and rights to subscribe for shares in cash capital increases, without participating in custody. 4. During the vesting period, if the company undergoes a cash capital reduction or other capital reductions not due to statutory requirements, the restricted share awards shall be canceled in proportion to the reduction. In the case of cash capital reduction, the cash returned shall be delivered to the trust, and only delivered to employees after the vesting conditions and period have been met; however, if the vesting conditions are not met by the end of the period, the company will reclaim such cash.
Custody of Restricted Share Awards	1. After the issuance of restricted employee stock awards, they must be immediately delivered for trust custody, and before the vesting

Issue Session	2023 Restricted Share Awards
	conditions are met, employees may not request their return from the trustee for any reason or by any means. 2. During the period of trust custody of the restricted employee stock awards, the company or a person designated by the company shall act as the full agent for employees in dealing with the stock trust institution (including but not limited to) negotiating, signing, amending, extending, terminating the trust custody agreement, and giving instructions for the delivery, utilization, and disposal of the trust custody property.
Treatment of Shares Allocated or Subscribed by Employees Who Have Not Met Vesting Conditions	If an employee is not in employment on the vesting date after being allocated restricted employee stock awards, or if they violate the company's labor contract, work rules, non-compete agreement, confidentiality agreement, employee integrity code of conduct, or any other agreements with the company, the company shall buy back all such unvested shares at the original subscription price and cancel them.
Number of Restricted Share Awards Recalled or Repurchased	None
Number of Restricted Share Awards with Lifted Restrictions	2,596,000 shares
Number of Restricted Share Awards with Unlifted Restrictions	None
Percentage of Restricted Share Awards with Unlifted Restrictions to the Total Number of Issued Shares (%)	0%
Impact on Shareholders' Equity	The dilution of earnings per share for the company is still limited, thus there is no significant impact on shareholders' equity.

4.5.1 List of Executives and the Top Ten Employees Receiving Restricted Share Awards

2023 Restricted Share Awards

As of April 2 2024

Title	Name	Number of Restricted Employee Stock Awards Acquired (Shares)	Percentage of Acquired Restricted Employee Stock Awards to Total Issued Shares (%)	Lifted Restrictions				Unlifted Restrictions			
				Number of Shares with Restrictions Lifted (Shares)	Issue Price	Issue Amount (NT$K))	Percentage of Shares with Restrictions Lifted to Total Issued Shares (%)	Number of Shares with Restrictions Not Lifted (Shares)	Issue Price	Issue Amount (NT$K)	Percentage of Shares with Restrictions Not Lifted to Total Issued Shares (%)
CEO	James Wang										
President	Ben Lin										
VP	Jemmy Lee										
VP	Hawk Wu										
VP	Colette Chen										
VP	Vicky Lin	844,000	0.29%	844,000	60	50,640	0.29%	0	60	0	0
VP	Alex Liou										
VP	Nicole Lee										
VP	Arthur Hsu										
Sr. Director	Winnie Hsieh										
Sr. Director	Max Cheng										

Note：Vice President, Hawk Wu, retired on January 31, 2024.

4.6 Implementation of Capital Allocation Plans

4.6.1 Description of the Plans

- Regulatory authority approval date and document number: 11/10/2023 Letter Jin-Guan-Zheng-Fa-Zi No. 1120359532
- Total funding required for fundraising project: NT$3,090,000 thousand
- Funding source: The 7th domestic unsecured convertible bonds with total face value of NT$3,000,000 thousand were issued at 103% of par value and raised NT$3,090,000 thousand.
- Project items and progress of fund utilization
- Information input date on the designated reporting website of competent authorities: November 13, 2023
- Expected potential benefits:

Unit：NT$K

Project Items	Scheduled Completion Date	Total Funds Required	Scheduled Fund Utilization Progress		
			2024		
			Q1	Q2	Q3
Replenishing Working Capital	2024Q2	790,000	400,000	390,000	0
Repayment of Principal on the First Issue of 2019 Unsecured Domestic Corporate Bonds	2024Q3	2,300,000	0	0	2,300,000
Total		3,090,000	400,000	390,000	2,300,000

A. Replenishing Working Capital
The Company is conducting its seventh unsecured convertible bond issuance in the domestic market to raise funds of NT$790,000 thousand that are intended to enhance working capital, primarily to meet future operational needs. Based on the average borrowing interest rate of approximately 5.73% from financial institutions as of the end of September 2023, the Company can reduce interest expenses by approximately NT$39,680 thousand in 2024 ((NT$400,000 thousand*5.73%*12/12) + (NT$390,000 thousand*5.73%*9/12)). The Company expects to reduce interest expenses by approximately NT$45,267 thousand annually in the subsequent years, with reasonable benefits of saving on interest expenses. Furthermore, after reviewing the Company's cash flow forecast for 2023 and 2024, estimating the minimum cash balance requirement, and considering the Company's expanding operations, the funds raised shall reduce the Company's reliance on banks and increase fund allocation flexibility, contributing to future operational development.

B. Repayment of Principal on the First Issue of 2019 Unsecured Domestic Corporate Bonds
The Company is currently conducting its seventh unsecured convertible bond issuance in the domestic market to raise funds of NT$2,300,000, which will be used as principal repayment for the first domestic unsecured general corporate bond of 2019. By opting for this method of repayment instead of relying on bank financing, Sercomm aims to reduce our reliance on bank loans and enhance fund allocation flexibility. As of the end of September 2023, the average borrowing interest rate from financial institutions for the Company was estimated to be around 5.73%; in 2024, the interest expense can be reduced by approximately $65,895 thousand (NT$2,300,000 thousand*5.73%*6/12). In the following years, interest expense can be reduced by approximately $131,790 thousand annually. These reductions will not only lower interest-related cash outflows but also provide more leeway in using reserved bank funds and ensure a robust cash reserve for daily operations, aligning with the goal of sustainable, prudent management.

4.6.2 Status of Implementation

Unit：NT$K

Project Items	Status of Implementation		As of 2024 Q1	Reasons for Progress Ahead or Behind and Improvement Plans
Replenishing Working Capital	Disbursement Amount	Scheduled	400,000	In this fundraising plan of the company, among them, NT$790,000 thousand dollars are allocated for replenishing operating capital, and it is planned to be executed in the first and second quarters of 2024. The company has disbursed NT$400,000 thousand dollars in the first quarter of 2024 according to the scheduled fund utilization progress, with the actual fund utilization progress being 100.00%, which matches the originally planned fund utilization progress.
		Actual	400,000	
	Progress Execution	Scheduled	100.00%	
		Actual	100.00%	
Repayment of Principal on the First Issue of 2019 Unsecured Domestic Corporate Bonds	Disbursement Amount	Scheduled	-	In this fundraising plan of the company, among them, NT$2,300,000 thousand dollars are allocated for the repayment of the principal of the first issue of 2019 unsecured domestic corporate bonds due. The company will disburse funds according to the original scheduled progress in the third quarter of 2024, and its actual fund utilization progress matches the originally scheduled progress.
		Actual	-	
	Progress Execution	Scheduled	-	
		Actual	-	
Total	Disbursement Amount	Scheduled	400,000	
		Actual	400,000	
	Progress Execution	Scheduled	100.00%	
		Actual	100.00%	

A. Replenishing Working Capital: The company's 7th issue of unsecured convertible bonds was approved by the Financial Supervisory Commission on November 10, 2023, under the letter number 1120359532, with funds fully raised by December 4, 2023, amounting to NT$3,090,000 thousand dollars. Of this, NT$790,000 thousand dollars are allocated for replenishing working capital, planned to be executed in the first and second quarters of 2024. As of the first quarter of 2024, the cumulative actual disbursement amount is NT$400,000 thousand dollars, with the cumulative actual progress of this plan being 100.00%, matching the originally scheduled fund utilization progress. The replenishment of working capital is used for the company's daily operational matters.

B. Repayment of the Principal of the First Issue of 2019 Unsecured Domestic Corporate Bonds: The company's 7th issue of unsecured convertible bonds was approved by the Financial Supervisory Commission on November 10, 2023, under the letter number 1120359532, with funds fully raised by December 4, 2023, amounting to NT$3,090,000 thousand dollars. Of this, NT$2,300,000 thousand dollars are allocated for the repayment of the principal of the first issue of 2019 unsecured domestic corporate bonds, planned to be executed in the third quarter of 2024. Therefore, as of the first quarter of 2024, there has been no fund utilization, with the cumulative actual disbursement amount being 0 thousand units, and the cumulative actual progress of this plan being 0%.

4.6.3 Benefit Analysis

A. Replenishing Operating Capital: The funds for this fundraising case were fully raised on December 4, 2023, and according to the scheduled fund utilization plan, NT$790,000 thousand dollars were allocated for replenishing working capital, expected to be executed in the first and second quarters of 2024. As of the first quarter of 2024, the cumulative actual disbursement amount was NT$400,000 thousand dollars, with the cumulative actual progress of the plan being 100.00%, matching the originally scheduled fund utilization progress. The purpose of replenishing working capital was for paying employee salaries and other normal operating expenses of the company. The company has executed according to the originally scheduled fund utilization progress, achieving the benefit of saving on interest expenses, hence there were no significant discrepancies between the planned benefits and actual achievements.

B. Repayment of the Principal of the First Issue of 2019 Unsecured Domestic Corporate Bonds: The funds for this fundraising case were fully raised on December 4, 2023, and according to the scheduled fund utilization plan, NT$2,300,000 thousand dollars were allocated for the repayment of the principal of the first issue of 2019 unsecured domestic corporate bonds, with execution expected to begin in the third quarter of 2024. Therefore, the anticipated benefits have not yet begun to materialize.

V. Business Overview

5.1 Business Activities

5.1.1 Business Scope

Item	2022	2023
Broadband CPE	64.83%	64.17%
Enterprise	21.61%	23.61%
Infrastructure & IoT	10.87%	9.41%
Others	2.69%	2.81%
Total Revenue	100.00%	100.00%

5.1.2 Main Products

(1) Broadband CPE
(2) Enterprise Products
(3) Infrastructure & IoT

5.1.3 New Products under Developing

Sercomm is committed to increasing the added value of hardware products with extensive software technologies, enhancing competitiveness through value differentiation. We offer comprehensive telecom broadband solutions to our customers all over the world, including first-tier telecom operators, retail brands and service providers and is now a global leader in the industry. With customized solutions as the foundation and our commitment and responsibility toward our customers in mind, Sercomm invests R&D resources and works jointly with customers in the early stage of design to come up with new technologies and products. Sercomm's superior innovative R&D achievements has acquired the affirmation of numerous leading clients around the world, rendering Sercomm the primary development partner for new products to which customers establish a stable long-term relationship.

5.2 Industry Overview

5.2.1 Industry Status and Development

Mobile communication technology has progressed from the basic wireless voice calls of 1G to the text messaging capabilities introduced with 2G. The advent of 3G ushered in mobile internet access, heralding a transformative phase in mobile communications, and advancement of 4G LTE technology has further accelerated the speed of mobile internet connectivity, turning smartphones into the most advanced personal mobile devices. With 5G technology, the era of the Internet of Things has begun, prompting telecommunication providers to actively enter the 5G market in order to accommodate the substantial increase in data transmission speed and number of connections.

At the same time, Wi-Fi technology is also continuously evolving. From the launch of Wi-Fi 1 in 1999 to Wi-Fi 6 in 2020, Wi-Fi standard has evolved from IEEE 802.11b to 11ax, providing semiconductor and software manufacturers with Wi-Fi solutions for developing new applications and enhancing the functionality of existing ones. In particular, Wi-Fi 6E has provided consumers with faster speeds, reduced latency, and increased bandwidth, resulting in a significant improvement in user experience. Wi-Fi 7 (802.11be) is currently in research and development; its capabilities are expected to include double the channel bandwidth and improved modulation techniques, providing speed and performance that surpass Wi-Fi 6E.

The industry's evolution not only highlights the remarkable pace of mobile communication technology development but also signals the boundless possibilities for future technological progress. As 5G technology becomes more widely adopted and Wi-Fi 7 is on the horizon, we can anticipate the emergence of even more connected, efficient, and innovative communication solutions. The increasing digitization of society and the global economy has also resulted in an unprecedented period of transformation in the telecommunications industry. From 1G to 5G, and now with the ongoing development of 6G technology, mobile communication has evolved from its initial basic wireless communication to support high-speed data transmission and extensive Internet of Things applications, and there is little doubt that future development will drive even further progress in human society and the economy.

The Ericsson Mobility Report, released in November 2023, predicts a significant increase in the number of global 5G users. A growth of approximately 610 million is expected, representing a 63% increase compared to 2022 and bringing the global total of 5G users to over 1.6 billion, exceeding initial expectations. Despite economic and geopolitical challenges, the number of 5G users continues to demonstrate strong growth. Between 2023 and 2029, the global number of 5G users is projected to rise from 1.6 billion to 5.3 billion, showcasing a growth of more than 330%. It is estimated that by the end of 2029, 5G will be available to 85% of the global population. North America and the Gulf Cooperation Council (GCC) countries are expected to lead with a 92% 5G penetration rate, surpassing all other regions, with Western Europe closely following behind. The 5G penetration rate in the Northeast Asian market, including Taiwan, is projected to reach almost 80%, positioning it as one of the global front-runners. Similarly, China emerged as the market with the highest number of new 5G users in the third quarter of 2023, surpassing India and the United States. However, the number of 5G users in India has also been growing rapidly since the launch of 5G services in October 2022. According to the report, global mobile data traffic is projected to triple in the next six years. Fixed Wireless Access (FWA) and the mid-band spectrum of 5G are regarded as key drivers for the upcoming phase of growth in the mobile communications industry. Presently, 78% of telecommunications operators globally provide Fixed Wireless Access (FWA) services, with half of them utilizing 5G technology. In particular, the mid-band of 5G is crucial for expanding population coverage as it strikes a balance between transmission speed and penetration capability. As 80% of the traffic takes place indoors, there is a also need to improve the coverage of the 5G mid-band spectrum both indoors and outdoors. For optimal indoor network performance, comprehensive network infrastructure, including small base stations, should be deployed in key locations.

The 2024 Mobile World Congress (MWC), with the theme "Future First", maintains its focus on Beyond 5G (B5G) technology, however, this year is also considered to be when applications of Generative AI (GAI) are implemented in vertical industries. Numerous telecommunications giants have adopted GAI as their strategic focus and are actively exploring practical applications of GAI between enterprises and partners to capitalize on market opportunities. According to observations made by the Industrial Technology Research Institute (ITRI) at the MWC 2024 exhibition, the main trends include a focus on 5G-Advanced and the upcoming 6G technology, with key areas such as satellite communications, the cloud service market, and smart edge applications also extensively covered. Furthermore, in the field of 3D full-coverage non-terrestrial network (NTN) communications, it has been revealed how 6G communication technology will achieve comprehensive connectivity in the air, sea, and land. Innovative solutions, which range from satellite communication's multi-orbit system and high-altitude platforms (HAPS) to direct satellite connection with smartphones, indicate that 6G will bring about richer application scenarios to future communication technology.

5.2.2 The Relationship between the Upstream, Midstream and Downstream Parts of the Industry

The major business of this Company is the manufacture of broadband and data service equipment, which include all sorts of network transmission equipment and is a midstream manufacturer in the telecommunications equipment industry. The upstream of the industry chain is mainly module and parts suppliers. The downstream terminal service providers include: telecommunication operators, Multiple System Operator, Network Services Platform, Enterprise System Integrator and other service providers.

Upstream	Midstream	Downstream
• CPU • RF IC/Module • Memory • Active/ Passive Component • PCB • Plastic And Metal Components • Wire • Power Supply • Others	• FTTx, DOCSIS, xDSL, Home Router, WIFI Extender, STB • Small Cell, Mobile CPE • Enterprise AP/ Controller, Enterprise Router, Enterprise Switch • IoT Device, IoT Gateway, IP Camera	• Networking Equipment • Telecom Operator • Multiple System Operator • Network Services Platform • Other Service Provider • Enterprise System Integrator

In conventional supply chains, product design and development are major duties of network equipment suppliers, and the products are sold to customers in different service channels. Accordingly, system integration service providers play roles as OEM. However, for years, labor division models of traditional supply chains have gradually changed. In response to needs of end customers more promptly, emerging terminal service providers such as network platform service providers and other professional service providers have also joined the market.

5.2.3 Products Development and Competition

Broadband CPE

The pandemic has altered the landscape of global economic activities, making remote work, video teaching, and video streaming the new norm. This trend has significantly increased data transmission volumes, thereby accelerating the demand for broadband equipment upgrades. In North America, the shift from DOCSIS 3.0 to DOCSIS 3.1 has become an irreversible trend among Cable Modem users seeking higher internet speeds. Moreover, with the launch of Wi-Fi 6, Wi-Fi 6E, and the anticipated Wi-Fi 7 technologies, there's an increasing demand for faster wireless connection speeds and data processing capabilities, affecting the demand for both residential and commercial networking equipment and setting higher standards. Meanwhile, telecommunication operators continue to deploy fiber optic networks in Eastern Europe, Southeast Asia, and Latin America, driving continuous growth in the demand for home broadband CPE (Customer Premises Equipment). The booming development of broadband applications has led to a constant increase in the demand for broadband access equipment upgrades. Our company has become an important partner for global telecom operators, leveraging our existing system integration advantages to provide customized hardware and software integration services based on the needs of telecom customers, successfully enhancing the added value of our products. Furthermore, in anticipation of the 5G era, we continue to invest in critical technology research and development, actively launching next-generation broadband products, including high-speed fiber access equipment, DOCSIS Cable 4.0 products, Wi-Fi 7 wireless devices, 5G FWA (Fixed Wireless Access) equipment, and video streaming devices.

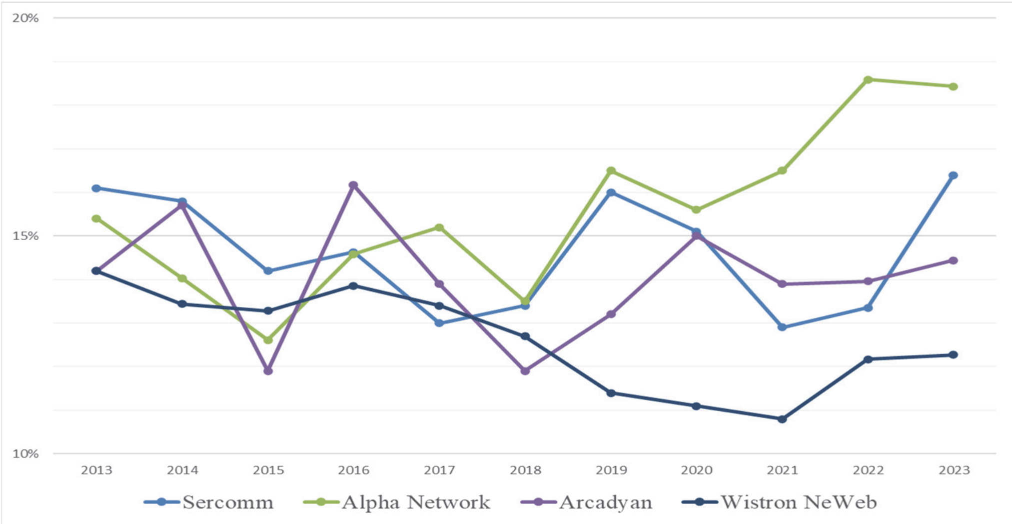
Enterprise Products

With the advancement of 5G technology, Wi-Fi 6 has become the mainstream specification for the next generation of connectivity, offering higher speeds and performance, and providing a strong impetus for the upgrade of commercial devices. Furthermore, with the development of Wi-Fi 6E and the upcoming Wi-Fi 7 technology, it is expected to witness more efficient spectrum utilization, lower latency, and faster speeds, which will bring unprecedented improvements to commercial applications such as office networks and wireless access points in public places.

Infrastructure & IoT

The continuous innovation in smart IoT applications, along with the integration of 5G and IoT technologies, is paving the way for new application scenarios including the Industrial Internet of Things (IIoT) and smart cities. Our company provides customized services such as remote security monitoring and smart healthcare, leveraging our advantages in hardware and software system integration to deepen our penetration in the European and American markets, with an expectation of further increasing our market share.

Trends in Gross Margin Rate for Taiwanese Networking Vendors



Source: MOPS and compiled by the company

Our Company focuses on software and firmware integration, and maintains its leading position in the research and development of communications technology. We have a relative advantage in smart home, telematic, cloud application or other IoT application, which allows us to maintain certain profit earning while pursuing growth of income.

5.2.4 Research & Development Expenses

Unit: Thousand NTD

Items	2023
R&D Expenses	3,127,890
Net Sales	62,584,493
R&D/Net Sales (%)	5.00%

5.2.5 R&D Achievements:

- Enterprise DOCSIS3.1 eMTA
- Tri-band WiFi 7 Home Router
- Dual band WiFi 7 Extender
- AFC supported WiFi Home Router
- Trail Camera
- GPON dual band WiFi7 HGU with 2.5G ethernet
- XGSPON tri-band WiFi7 HGU with 10G ethernet
- GPON/XGSPON Combo PON gateway with triband WiFi7 supported
- 10G PON SFP+ stick
- Android-based set top box
- mmW SmallCell: SA
- Outdoor CBRS 4x4 Strandmount SmallCell

5.3 Long-term and Short-term Business Development Plans

5.3.1 Long-term Development Plans

Leveraging years of accumulated R&D strength, our company has successfully grasped key technologies and market trends in the telecommunications broadband industry. Our full range of products covers various market sectors including residential, commercial, telecommunications, security monitoring, and cloud applications, offering customers integrated design services for broadband products. Having been strategically positioned in the telecom market for many years, the benefits are gradually becoming evident, with our main products holding leading positions in the market. Our clients span top-tier telecom operators in Europe, America, and emerging markets, and we have successfully risen to become an international supplier. The company not only enhances the added value of hardware products with superior software integration technology, helping customers increase market share, but also, based on a commitment to and a sense of responsibility towards our customers, invests research and development resources from the initial design phase to jointly develop new technologies and products with customers. At the same time, in production manufacturing, quality control, and customer service, we strive for efficiency and quality optimization, comprehensively enhancing customer satisfaction. In terms of infrastructure and IoT product lines, our strategic direction is to progress from home application products to edge and cloud solutions, which will be the core focus of our future product line development.

5.3.2 Short-term Development Plans

(A) Marketing strategy

Emphasizing "Global Technical Support Services" and based on customized solutions, we penetrate directly into the telecom operators' supply chain and provide technical support services through global service bases located nearby. Currently, service points have been established in more than ten countries including the United States, Japan, China, France, Germany, and Italy. In the future, we will continue to expand into new markets and acquire new customers.

(B) Production strategy

To adapt to the evolving international situation and supply chain, the Company is utilizing its global presence across five key locations in Taiwan, the Philippines, India, Mexico, and China. This enables Sercomm to offer nearshore manufacturing services to global customers, effectively expanding the Company's telecommunications direct sales.

5.4 Market, Production and Sales Outlook

5.4.1 Revenue Breakdown by Geography

Unit: Thousand NTD

Region	2022		2023	
	Amount	%	Amount	%
Taiwan	192,304	0.30	129,297	0.21%
Europe	13,046,261	20.20	9,470,924	15.13%
North America	42,237,825	65.41	41,593,326	66.46%
Asia ex-Taiwan	9,097,330	14.09	11,390,946	18.20%
Total	64,573,720	100.00	62,584,493	100.00%

5.4.2 Market Share

	2023 Sercomm Production Volume (Thousand Units)	Market Share(%)
Global CPE Market	32,490	8-10%

Source: The company statistics and market research institutions' estimates

5.4.3 Future Supply and Demand in the Market and Potential for Growth

According to the Ericsson Mobility Report in November 2023, the number of global 5G users continued to increase significantly in 2023, despite global economic and geopolitical challenges. This growth trend emphasizes the appeal of 5G technology and its potential in various applications. Telecommunication operators are transitioning from Non-Standalone (NSA) to Standalone (SA) 5G networks, increasing the potential for new applications and support for challenging use cases, particularly in the enterprise and industrial sectors. The report highlights significant variations in the growth and implementation of 5G across various regions. North America and Northeast Asia are at the forefront of 5G deployment and adoption, mainly due to their advanced technological infrastructure and supportive policies. On the other hand, the advancement of 5G in Africa and some Asian countries has been comparatively sluggish. This can be attributed to variations in levels of economic development, technological infrastructure, and policies and strategies for spectrum allocation.

The increasing volume of data traffic, particularly in indoor settings, highlights the necessity for enhanced 5G coverage. Due to the growing demand for high-quality video content, remote work, and online entertainment, the optimization of indoor 5G networks has become increasingly crucial. This not only poses higher technical requirements for telecommunications operators but also opens up new opportunities for network equipment suppliers and content service providers.

In the manufacturing industry, the application of 5G technology is also leading to revolutionary changes. This technology is essential for attaining a higher level of automation, smart manufacturing, and robotics, and the key to success lies in enhancing production efficiency and minimizing operational costs. For instance, the low latency and high reliability of 5G are essential for real-time data processing and decision-making in precision manufacturing. Furthermore, the implementation of 5G NR RedCap has created new opportunities for the Internet of Things (IoT), broadening its range of applications from infrastructure monitoring to smart logistics and beyond. Fifty percent of global telecommunications companies offer 5G FWA services, which not only improve connectivity issues in remote areas but also create new opportunities for industrial applications. The global 5G mid-band population coverage rate was projected to reach 30% by the end of 2023, yet, the influence and scope of these technologies are anticipated to expand even further.

Future outlook suggests that as the 5G network coverage and performance continue to improve, the global number of 5G users and the average mobile data usage of smartphones will keep growing, reflecting the increasing reliance of people on high-speed and low-latency connections. It is projected that the global number of 5G users will exceed 5.3 billion by the end of 2029. North American and the Gulf Cooperation Council (GCC) countries are projected to have the highest 5G penetration rates, with rates of 92% and 85%, respectively. The growth trend observed in various fields, including personal use and commercial applications, highlights the significant potential and impact of 5G technology. As the number of global 5G users continues to rise and the coverage of 5G networks expands, 5G technology is expected to play an increasingly vital role in both personal consumption and business applications.

5.4.4 Competitive Niche

Providing All Round Telecom Broadband Solutions

In many years, Sercomm devotes to the innovative research and development in the field of telecom broadband, and focuses on research and development of new communication technologies in order to strengthen our core competitive advantages. Furthermore, we constantly release innovative products ahead of our competitors in the same industry. With our strong research and development team, the Company has excellent performance in integrated development in software, hardware and firmware. We also strive to optimize the effectiveness, functions and cost structure of our products. With the our optimized and competitive design, firmware and hardware from the beginning to the product production, comprehensive testing, quality guaranteed at manufacturing, global technical support and network level management technology after sales, Sercomm provides all around telecom broadband solutions to meet different clients' needs. The excellent innovation research and development result also earned Sercomm affirmation from first-tier international clients and made us the major development partner.

Concentration on the Research and Development of Internet Protocol

On Secomm's basis of research and development in software and firmware, it is devoted to the research and development of core technologies of Internet Protocol in the beginning of its establishment. Meanwhile, it continues to accumulate intellectual properties to create differentiation in values and improve the Company's competitiveness. In response to the new era of digital convergence, the Company will continue to create, research and develop to apply new broadband technologies in all aspects of life and to assist our clients to gain more market share with excellent software integration technologies used to improve the hardware products' added values.

Providing Global Customers with Nearshore Manufacturing Services

To adapt to the evolving international situation and supply chain, the Company is utilizing its global presence across five key locations in Taiwan, the Philippines, India, Mexico, and China. This enables Sercomm to offer nearshore manufacturing services to global customers, effectively expanding the Company's telecommunications direct sales.

High Efficiency Manufacturing System of Advanced Manufacturing Process

Our factories are equipped with the series of advanced manufacturing processes and automatic equipment. By using a highly efficient operation management system, we continue to improve our manufacturing yield. Because of the great benefits of economies of scale, the manufacturing process can sufficiently utilize each area's complete electronic parts supply chain to timely provide clients broadband solutions that has effect and cost competitiveness and to improve the client's market advantages. In response to the blooming business opportunities brought by mobile broadband, the entire production ability will continue to expand to further elevate the Company's business scale and to sufficiently prepare for future growth.

Lowering the Possibility of Sudden Crises by Utilizing All Hedging Instrument

Sercomm purchased account payable insurance, where more than 90% of accounts payable are covered by insurance to prevent clients' payment failures. We also purchased directors' and supervisors' liability insurance, product liability insurance, transportation insurance, and property insurance. Furthermore, we utilize forward contract to avoid risks of exchange rate changes to enable the Company could conservatively respond to all risks in business operation.

Insistence on Quality Management and Environmental Sustainability

Efficient production and quality management have always been insisted by the Company. The rigorous quality control process commences from the material procurement, which lays a good foundation for superior quality. Meanwhile, we have established a designated environmental material testing laboratory to ensure that the materials and parts do not contain 6 major environmental restricted substances. Products of the entire series comply with safety standards of multiple countries and our factories in two places have passed many international standard certifications, including ISO9001, ISO14001, TL9000, OHSAS18001, RoHS and C-TPAT. Good quality guarantee system, except for pro-active prevention of quality issues, we conduct all around rigorous examinations on production lines to achieve high quality and high efficiency production.

5.4.5 Positive and Negative Factors in Long-Term Development

(A) Positive Factors

a. High flexibility in product combinations

As Sercomm considers its own long-term development strategy and market positioning, the path forward points towards an operational mode of placing equal emphasis on both commodity and niche products, consolidating the existing market and customers, and pursuing a stable growth of operations. The Company’s business strategy will be to make timely adjustments in relation to the growth of the profits and revenue, and thereby expand its economic scale and enhance its market position. Sercomm's business portfolio is divided into large-scale volume production of lower-margin products and custom higher-margin niche products. It is Sercomm's intention to maintain a business model that balances volume commodity/niche products after taking the Company's long-term strategy and market positioning into account. Primary focus is given to consolidating existing markets and customers with the goal of pursuing steady growth while maintaining profit margins. This approach is aimed at strengthening and reinforcing the Company's operations. The Company's business strategy will also adjust profits and revenues as necessary in order to build up Sercomm's economies of scale and boost its market standing.

b. System integration ability

For many years, Sercomm devoted to research, development and integration ability. Through differentiation strategy, the Company grows a role in global telecommunications industry and builds a long-term partnership with international operators. The Company invests research and development resources to co-develop with our clients in the initial stage of design for many new technologies and new products due to our commitment and sense of responsibility to our clients. Meanwhile, we improve customer satisfaction by optimizing the efficiency and quality in manufacturing, quality control and customer service.

c. Providing Global Customers with Nearshore Manufacturing Services

To adapt to the evolving international situation and supply chain, the Company is utilizing its global presence across five key locations in Taiwan, the Philippines, India, Mexico, and China. This enables Sercomm to offer nearshore manufacturing services to global customers, effectively expanding the Company’s telecommunications direct sales.

d. Transformation of Business Model

Sercomm has provided comprehensive telecom broadband solutions by utilizing its distinguished ability in system integration. Telecommunication direct sales model has been adopted successfully which propelled us to become the long-term technical partner with the telecom operators. In addition, Sercomm has successively built technical teams in major markets around the world to keep abreast of the needs of telecommunication clients and provide immediate technical support, thereby further increasing our market share in the telecommunications industry.

e. Diversity and International Talents

Sercomm has over 10 locations in North America, Central and South America, Northeast Asia, Southeast Asia, South Asia, and Europe, with over 6,000 employees of up to 20 nationalities worldwide, in order to provide customers nearby with technical support services. As we develop under the culture of diversity, we not only put the right person in the right position, but also hope to uncover nurture more potential talents through the injection of a diverse range of resources, in order to welcome the future of 5G innovation.

(B) Unfavorable Factors and Countermeasures

Global telecom operators are actively investing in bandwidth infrastructure, but inflation, rising interest rates, and economic recession impact the consumer market, making inventory destocking adjustments and inventory management significant adverse factors for clients. Despite this, the generational shift to Wi-Fi 6/7 presents opportunities for operational momentum, and 5G FWA wireless fiber solutions also have a decent market share. Our company will continue to monitor market changes and their impact on operations, and develop necessary response measures to achieve our operational goals.

5.5 Main Product Applications

Broadband CPE: Provides high-speed internet access to home users, businesses, and other organizations; supports various applications such as HD video streaming, remote office, video conferencing, and cloud services.

Enterprise Products: Offer powerful network performance and security for businesses, meeting a variety of network needs, including data center operations, enterprise resource planning (ERP), customer relationship management (CRM), and other business-critical applications.

Infrastructure & IoT: These devices and technologies enable cities to become smarter, supporting applications such as smart homes, smart agriculture, Industrial Internet of Things (IIoT), and smart city construction. They optimize resource use, increase efficiency, and improve service quality through data collection and analysis.

5.5.1 Product Manufacturing Process

The manufacturing processes for our Company's products are divided into PCB assembly and final product assembly.
PCB assembly includes the SMT process and the DIP insertion process. The process is as follows:

The final product assembly process is as follows:

5.5.2 Customers that Accounted for at Least 10% of Annual Consolidated Net Revenue

Unit: Thousand NTD

2022				2023			
Customers	Sales Revenue	As % of Total Net Revenue	Relations to Sercomm	Customers	Sales Revenue	As % of Total Net Revenue	Relations to Sercomm
A	8,995,574	13.93	None	D (Note1)	10,173,701	16.26	None
B	8,296,841	12.85	None	B	8,279,809	13.23	None
C	7,204,250	11.16	None	—	—	—	None
Others	40,077,055	62.06	—	Others	44,130,983	70.51	—
Net Revenue	64,573,720	100.00	—	Net Revenue	62,584,493	100.00	—

Note 1: Customer D accounted for 9% of sales in 2022. Due to order growth and an increase in shipments of telecommunications broadband products, the sales proportion in 2023 reached over 10%.
Note 2: As of the date of the annual report printing, there is no data for 2024 that has been audited or reviewed by accountants.

Production Value

Unit: Thousand Unit / Thousand NTD

Main Products	2022			2023		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Broadband CPE	33,000	26,337	34,984,626	34,000	22,817	33,022,449
Enterprise	11,000	7,667	13,061,956	11,000	5,958	12,329,853
Infrastructure & IoT	9,000	6,338	6,540,709	9,000	4,908	5,199,216
Total	53,000	40,342	54,587,291	54,000	33,683	50,551,518

Sales Value

Unit: Unit / Thousand NTD

Main Products	2022				2023			
	Export		Domestic		Export		Domestic	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Broadband CPE	23,857,070	41,864,618	79	253	22,480,438	40,158,735	73	0
Enterprise	7,238,486	13,944,321	8,951	8,339	6,527,336	14,776,198	0	0
Infrastructure & IoT	4,108,825	6,867,921	298,380	154,278	3,231,181	5,764,486	251,070	125,604
Other	—	1,704,556	—	29,434	—	1,755,777	—	3,693
Total	35,204,381	64,381,416	307,410	192,304	32,238,955	62,455,196	251,143	129,297

5.6 Environmental Expenditure

Total value of losses or penalties due to environmental pollution in the most recent year and up to the date of publication: None
Future response strategies and potential expenditure:
The Company belongs to the electronic high-tech industry, and the major production process is assembly, testing and packing of finished and semi-finished products. There is no release of wastewater and air pollution during the production process, and the noise is minimal without public nuisance also without the restriction and violation against relevant environmental laws and regulations. According to the waste management policies and procedures, Sercomm improves waste reduction and pollution prevention in order to achieve the goal of green design, production and management.
Based on the balance between environmental protection and sustainable operations of the Company, Sercomm is actively devoted to the global environmental protection project. We not only introduced the strict non-lead production process in all aspects, and excluded restricted substances by adopting "green design" in the research and development stage, but also achieved the goal of lowering environmental impact by complying with the 3R principles (reduce, recycle and reuse) set by EU. In the meantime, we extended our requirements for environmental protection to parts and raw materials through "green procurement" and introduce the management and evaluation of green product management of suppliers. Through the green procurement, Sercomm extends the environmental protection requirements to components, product utilization process and disposition of the waste in order to comply with the international environmental protection standards and to fulfill the green manufacturing policy.

5.7 Employer-employee Relationships

5.7.1 Employees

Year		2022	2023	As of 2024/04/02
Headcount		5,049	6,218	5,934
Average Age		34.3	33.9	34.4
Average Seniority (years)		4.7	4.2	4.5
As Total Employees %	Ph. D.	0%	0%	0%
	Master	11%	10%	11%
	College	57%	50%	51%
	Senior High School	25%	17%	16%
	Junior High School or Lower	7%	23%	22%

The implementation of an employee welfare policy, continuing education and training, retirement system, and labor-management coordination and the protection of the rights of the employees:

Employee welfare policy

The Company provides the National Health Insurance, labor insurance and group insurance in accordance with Labor Standards Act and relevant laws /regulations to increase the protection of the rights of the employees. The premiums are undertaken by the Company. Additionally, budget is planned every year for employees' education and training. The Company established the Employee Welfare Committee, which was approved by the Department of Labor, Taipei City Government in October 1996. For compensation & benefits, not only marriage, funeral and maternity subsidies are provided to employees, but also Company outings and various recreational activities are regularly organized for employees with physical and mental relaxation.

Learning and Development

Sercomm believes that it is the responsibility of the Company to provide appropriate educational and training opportunities for employees, and to encourage the self-training of employees so that they can continue to realize their potential. Therefore, the Company's consistent policy is to improve its staff's skills through various training and development programs so that the performance of its employees will not only meet the Company's business needs, but also help them achieve their personal goals. The Company has an education and training system, and prepares an annual budget for colleagues' education and training. In 2023, the number of employee training instances in Taiwan was 33,741, with a total of 22,831 hours, while globally, the number of employee training instances was 42,880, with a total of 45,167 hours.

Pension plan and implementation situation

The Company has formulated a pension plan for the employees who are formally employed, and since February 4, 1997 has maintained a Business Entity Supervisory Committee of Labor Retirement Reserve in accordance with the Labor Standards Act. It appropriates labor pension reserve funds at a certain percentage of the total monthly wages of the Company's employees and deposits this amount in a designated pension fund account at the Central Trust of China.

The Labor Pension Act came into force in July 1, 2005, and adopted a defined contribution plan. As a result of the implementation of the Act, employees may choose to apply the provisions in respect to pensions prescribed in the Labor Standards Act. The amount of labor pension borne by the employer shall not be less than six percent of the worker's monthly wage.

Labor-management consultation

The rights and obligations of both parties of the workers and employers shall be governed by the Labor Standards Act and its relevant laws and regulations, as well as the provisions of the Company's administrative regulations. Since its establishment the Company has maintained good worker-employer relationships. In order to maintain good worker-employer relationships, the Company implements a humanistic management approach and works hard to strengthen two-way communication between employees and the employer to create a better future.

Employee interest maintenance measures

The Company established a labor retirement reserve fund committee and holds worker-employer coordination meetings with the labor representatives elected by the employees to discuss relevant affairs and operations. Meanwhile, the Company provides employees with health examinations every two years and, for staff engaged in special operations, adds special health examination items. The Company also established and promulgated the Sexual Harassment Prevention Act, and grants employee's paternity leave and unpaid parental leave in accordance with the Gender Equality in Employment Act. For employees whose work is not considered satisfactory, the Company will give them appropriate work improvement plans, and if they fail to meet the job requirements again, will transfer them to other positions depending on the actual situation, or will proceed with the termination of their employment according to the law.

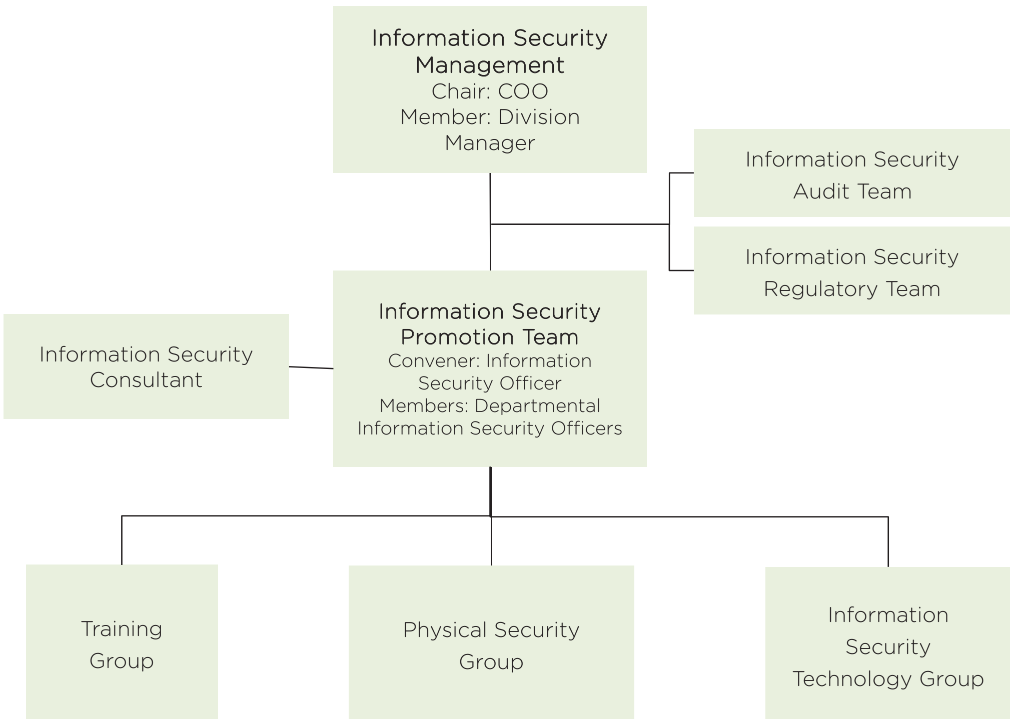
5.8 Information Security Management

1. Architecture of information security management

(1) Corporate governance of information security

In 2015, the Company set up the Information Security Committee, under which an information security team was built to coordinate information security, formulate/execute protection related policies, carry out risk management and verify compliance. The convener of the Information Security Committee annually reports information security management outcomes, issues and orientations about information security to the Board of Directors. Our Information Security Committee is accountable for supervising and governing corporate information security. It supervises, evaluates and verifies information security management mechanisms and orientations.
To execute information security strategies formulated by its information security organizations, and ensure internal compliance with standards, procedures, laws and regulations about information security, Sercomm Corporation has specially built the Information Security Committee, where the COO acts as convener. Legal, human resource, R&D, MIS and other departments recommend and appoint personnel to be members of the committee. The committee convenes regular meetings to review and resolutions on information security and protection policies as well as effectiveness of information security management measures.

(2) Structure of Information Security Committee



2. Information security policies

(1) Corporate information security management strategies and architecture

For effective information security management, the Information Security Committee convenes regular meetings on a quarterly basis through the Information Security Team which covers all Taiwan plants and overseas subsidiaries, to review appropriateness of information security policies and protective measures based on the Plan-Do-Check-Act (PDCA) management cycle. Besides, regular reports are made to the Information Security Committee about the outcomes in executing the policies and measures.

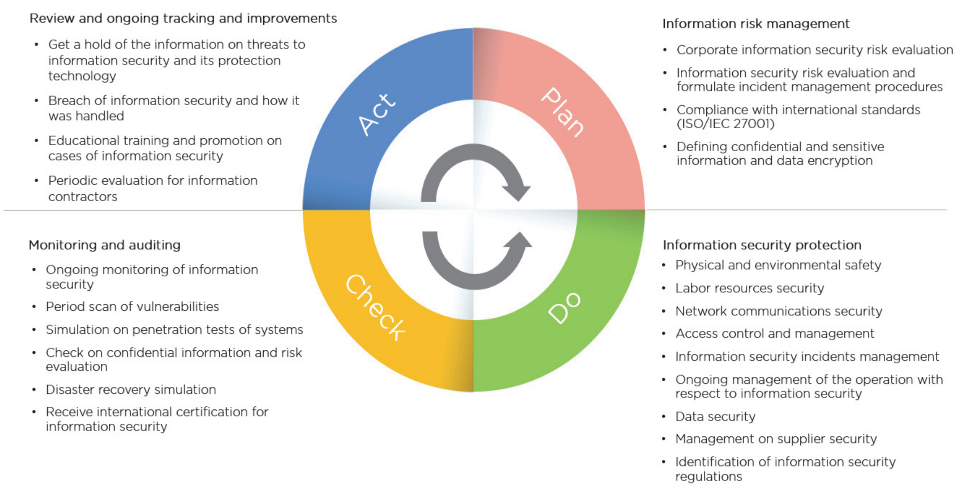
[Plan] Focus on information security risk management, construct a complete information security management system (ISMS) and procure plants to continuously pass certifications of international information security management systems (ISO/IEC 27001), to systematically and technologically decrease corporate information security threats from the perspective of procedures, and develop the most standard services for protecting commercial information in accordance with customer requirements.

[Act] Guarantee information security at multiple levels and constantly introduce new creative information security technologies; integrate information security control and management mechanisms into software and hardware maintenance and operation, suppliers' information security management, and other platform operations, to systematically monitor information security, and protect confidentiality, integrity and availability of the Company's important assets.

[Check] Actively monitor outcomes in monitoring information security; measure and quantitatively analyze information security indicators on the basis of check results; evaluate maturity of information security through regular simulation practices and penetration tests.

[Act] For the purpose of review and constant improvement, perform supervision and check to maintain validity of information security rules. When employees violate relevant rules and procedures, punish them according to punishment procedures for information security, and take disciplinary actions specific to these employees' dependent upon their violations, including taking such violations into account in the employees' annual performance and taking necessary legal actions. In addition, regularly review and implement information security measures, educational training and promotion as well as other improvement measures based on performance indicators and maturity evaluation results; regularly check information assets and store all important confidential information by encryption, to protect the Company's important confidential information against disclosure.

(2) Corporate Information Security Risk Management and Constant Architecture Improvement



3. Specific management proposal

Cybersecurity	• Import network behavior detection systems and detect malicious connections. • Physically separate office network from production network to avoid cross-regional impacts of viruses or attacks.
Devices Security	• Network access control (NAC) mechanism prevents unauthorized access of equipment into the Company's network environment. • Construct an endpoint detection and response (EDR) system and reinforce detection of malicious acts.
Application security	• Develop procedures for system development, maintenance and control; ensure that the procedures are controllable in accordance with rules of the Company during test, maintenance, modification, and adjustment of upper limits, to avoid emergence of information security risks.
Supplier information security	• Regularly evaluate suppliers, to ensure that their services will not result in information security risks. • Regularly communicate the Company's latest information security rules and instructions, and enter into non-disclosure agreements with suppliers, in hope of procuring suppliers to be more cooperative and comply with rules on information security management.
Data encryption	• Regularly check information assets and evaluate risks, to define how confidential related information is. • Confidential and strictly confidential data must be encrypted through an encryption system to prevent data disclosure.
Educational training and promotion	• Increase employees' awareness of protecting information security and make employees more cautious about phishing emails. • Perform tests and examinations on information security through an e-Learning system.
Information security evaluation	• Perform penetration tests of systems in accordance with procedures and test items of ISECOM OSSTMM and OWASP Testing Guide V4.0. • Conduct third party risk analysis and evaluation; improve and enhance system security through related information analysis.
Information Security Information Sharing	• Join the Taiwan CERT/CSIRT Alliance to achieve synergistic effects of cross-domain cybersecurity threat co-defense through diverse intelligence sharing channels.

4. Resources input for information security management

Outcomes in promoting corporate information security measures in 2023

Certification	• Certified by ISO 27001 in terms of information security • Certified by Customs-Trade Partnership against Terrorism (C-TPAT) • Information security audit of customers' production systems
Training/promotion	• 2022-2023: A total of 11,645 participations were completed in the online information security education and training courses. • Information Security at Sercomm • Access Control Management • Brief Introduction to ISO 27001 Information Security Rules • Employee Training on Information Security • Promotion and Training on Precautions against Phishing Emails

Important Contracts

Contract Nature	Parties Involved	Contract Start and End Date	Main Content	Restrictive Clauses
Licensing Agreement	Cable Television Laboratories, Inc.	2008/4/29, to the date either party intends to terminate the contract	Technology Usage License	No Special Restrictive Clauses
Licensing Agreement	MediaTek Inc.	2012/8/9, to the date either party intends to terminate the contract	Software Use License	No Special Restrictive Clauses
Licensing Agreement	Via Licensing Corporation	2011/11/21, to the date either party intends to terminate the contract	Patent Use License	No Special Restrictive Clauses
Licensing Agreement	Dolby Laboratories Licensing Corporation	2017/11/28, to the date either party intends to terminate the contract	Patent Use License	No Special Restrictive Clauses
Licensing Agreement	HDMI Licensing Administrator, Inc.	2020/7/22, to the date either party intends to terminate the contract	Patent Use License	No Special Restrictive Clauses
Licensing Agreement	Access Advance LLC (HEVC)	2020/7/31, to the date either party intends to terminate the contract	Patent Use License	No Special Restrictive Clauses
Licensing Agreement	Mpeg LA, L.L.C.	2020/9/17, to the date either party intends to terminate the contract	Patent Use License	No Special Restrictive Clauses
Licensing Agreement	Qualcomm Technologies, Inc.	2020/11/16, to the date either party intends to terminate the contract	Software Use License	No Special Restrictive Clauses
Licensing Agreement	Qualcomm Incorporated	2021/4/26, to the date either party intends to terminate the contract	Patent Use License	No Special Restrictive Clauses
Licensing Agreement	Atlas Global Technologies LLC	2023/10/11, to the expiration date of the licensed patent	Patent Use License	No Special Restrictive Clauses

VI. Financial Review and Analysis

6.1 Financial Summary

6.1.1 Condensed Balance Sheet－IFRSs (Consolidated)

Unit: Thousand NTD

Item		2019	2020	2021	2022	2023
Current Assets		21,424,452	24,382,884	27,944,128	37,378,003	40,259,786
Property, Plant and Equipment		2,995,622	4,163,843	4,385,214	4,928,223	5,367,828
Intangible Assets		341,323	422,172	430,094	478,846	378,471
Other Assets		1,415,683	1,609,849	1,634,816	1,490,545	1,758,444
Total Assets		26,177,080	30,578,748	34,394,252	44,275,617	47,764,529
Current Liabilities	Before Distribution	15,656,189	18,793,179	20,754,345	26,671,265	28,337,368
	After Distribution	16,403,353	19,443,470	21,360,080	27,829,456	—
Noncurrent Liabilities		2,844,892	4,065,490	5,396,370	7,802,910	6,211,007
Total Liabilities	Before Distribution	18,501,081	22,858,669	26,150,715	34,474,175	34,548,375
	After Distribution	19,248,245	23,508,960	26,756,450	35,632,366	—
Equity Attributable to Shareholders of the Parent		7,674,707	7,725,295	8,247,943	9,815,216	13,227,512
Capital Stock		2,490,548	2,517,748	2,523,898	2,587,958	2,791,770
Capital Surplus		1,938,152	2,099,383	2,269,564	2,706,600	4,608,355
Retained Earning	Before Distribution	3,754,633	3,913,705	4,124,000	5,381,160	6,636,783
	After Distribution	3,007,469	3,263,414	3,518,265	4,222,969	—
Others		(508,626)	(696,948)	(669,519)	(653,337)	(689,879)
Treasury Shares		0	(108,593)	0	(207,165)	(119,517)
Noncontrolling Interests		1,292	(5,216)	(4,406)	(13,774)	(11,358)
Total Equity	Before Distribution	7,675,999	7,720,079	8,243,537	9,801,442	13,216,154
	After Distribution	6,928,835	7,069,788	7,637,802	8,643,251	—

Note：The aforementioned financial data have been audited and certified by accountants. As of the date of the annual report printing, there is no financial data for 2024 that has been audited or reviewed by accountants.

6.1.2 Condensed Statement of Comprehensive Income－IFRSs (Consolidated)

Unit: Thousand NTD

Item	2019	2020	2021	2022	2023
Operating Revenue	31,797,130	36,096,281	43,899,508	64,573,720	62,584,493
Gross Profit from Operations	5,079,038	5,438,621	5,668,245	8,618,811	10,262,300
Net Operating Income	986,902	1,135,039	1,053,167	2,417,616	3,113,514
Non-operating Income and Expenses	291,000	(25,902)	(27,035)	(108,272)	(125,481)
Income Before Tax	1,277,902	1,109,137	1,026,132	2,309,344	2,988,033
Net Income	1,034,567	900,626	861,789	1,908,521	2,388,791
Other Comprehensive Income	(109,955)	(207,667)	30,451	77,259	(85,109)
Total Comprehensive Income	924,612	692,959	892,240	1,985,780	2,303,682
Net Income, Attributable to Owners of Parent	1,032,953	907,327	861,201	1,919,423	2,386,305
Net Income, Attributable to Non-controlling of Interests	1,614	(6,701)	588	(10,902)	2,486
Comprehensive Income Attributable to Owners of Parent	923,032	699,467	891,430	1,997,234	2,301,266
Comprehensive Income Attributable to Non-controlling of Interests	1,580	(6,508)	810	(11,454)	2,416
Basic Earnings per share	4.21	3.66	3.44	7.57	9.17

Note：The aforementioned financial data have been audited and certified by accountants. As of the date of the annual report printing, there is no financial data for 2024 that has been audited or reviewed by accountants.

6.1.3 Condensed Balance Sheet－IFRSs (Parent Company Only)

Unit: Thousand NTD

Item		2019	2020	2021	2022	2023
Current Assets		12,106,532	15,304,936	17,091,044	24,722,872	32,257,388
Property, Plant and Equipment		1,568,298	2,589,547	2,814,323	2,751,168	2,789,324
Intangible Assets		311,015	380,278	378,981	470,849	368,291
Other Assets		6,457,336	6,813,322	7,206,645	8,174,996	8,454,956
Total Assets		20,443,181	25,088,083	27,490,993	36,119,885	43,869,959
Current Liabilities	Before Distribution	10,072,829	13,332,308	13,965,967	18,601,436	24,548,054
	After Distribution	10,819,993	13,982,599	14,571,702	19,759,627	—
Noncurrent Liabilities		2,695,645	4,030,480	5,277,083	7,703,233	6,094,393
Total Liabilities	Before Distribution	12,768,474	17,362,788	17,243,050	26,304,669	30,642,447
	After Distribution	13,515,638	18,013,079	17,848,785	27,462,860	—
Capital Stock		2,490,548	2,517,748	2,523,898	2,587,958	2,791,770
Capital Reserve		1,938,152	2,099,383	2,269,564	2,706,600	4,608,355
Retained Earning	Before Distribution	3,754,633	3,913,705	4,124,000	5,381,160	6,636,783
	After Distribution	3,007,469	3,263,414	3,518,265	4,222,969	—
Others		(508,626)	(696,948)	(669,519)	(653,337)	(689,879)
Treasury Shares		—	(108,593)	—	(207,165)	(119,517)
Noncontrolling Interests		—	—	—	—	—
Total Equity	Before Distribution	7,674,707	7,725,295	8,247,943	9,815,216	13,227,512
	After Distribution	6,927,543	7,075,004	7,642,208	8,657,025	—

Note：The aforementioned financial data have been audited and certified by accountants. As of the date of the annual report printing, there is no financial data for 2024 that has been audited or reviewed by accountants.

6.1.4 Condensed Statement of Comprehensive Income－IFRSs (Parent Company Only)

Unit: Thousand NTD

Item	2019	2020	2021	2022	2023
Operating Revenue	26,744,107	33,351,467	41,567,396	60,264,939	56,357,193
Gross Profit from Operations	3,363,335	3,407,159	3,823,840	6,253,379	7,803,759
Net Operating Income	938,523	712,820	907,118	1,909,892	2,754,715
Non-operating Income and Expenses	270,590	324,957	82,135	274,752	144,216
Income Before Tax	1,209,113	1,037,777	989,253	2,184,644	2,898,931
Net Income	1,032,953	907,327	861,201	1,919,423	2,386,305
Other Comprehensive Income	(109,921)	(207,860)	30,229	77,811	(85,039)
Total Comprehensive Income	923,032	699,467	891,430	1,997,234	2,301,266
Basic Earnings per share	4.21	3.66	3.44	7.57	9.17

Note：The aforementioned financial data have been audited and certified by accountants. As of the date of the annual report printing, there is no financial data for 2024 that has been audited or reviewed by accountants.

6.2 Financial Analysis

6.2.1 Financial Analysis - IFRSs

Item		2019		2020		2021		2022		2023	
		Parent Company	Consolidated	Parent Company	Consolidated	Parent Company	Consolidated	Parent Company	Consolidated	Parent Company	Consolidated
Financial Ratio (%)	Total Liabilities to Total Assets	62.46	70.68	69.21	74.75	70.00	76.03	72.83	77.86	69.85	72.33
	Long-term Funds to Property, Plant, Equipment	661.25	351.21	453.97	283.05	480.58	311.04	636.76	357.22	692.71	361.92
Liquidity (%)	Current Ratio	120.19	136.84	114.80	129.74	112.38	134.64	132.91	140.14	131.41	142.07
	Quick Ratio	79.64	97.03	84.24	81.21	81.60	63.84	83.54	74.68	87.62	78.12
	Time Interest Earned	14.78	14.17	17.08	16.78	14.97	13.99	14.36	14.30	11.23	12.40
Operating Performance	AR Turnover (Times)	7.37	5.18	7.56	6.26	6.40	7.26	6.36	7.59	4.46	5.61
	AR Turnover (Days)	49.50	70.47	48.25	58.33	57.02	50.30	57.40	48.09	81.80	65.06
	Inventory Turnover (Times)	7.67	4.89	8.10	4.17	8.40	3.32	7.65	3.60	5.11	3.04
	AP Turnover (Times)	4.23	2.60	4.03	2.59	4.50	2.94	5.37	3.52	3.80	2.92
	Inventory Turnover (Days)	47.58	74.60	45.07	87.52	43.46	109.88	47.72	101.30	71.42	120.06
	Property, Plant, Equipment Turnover (Times)	16.69	10.18	16.04	10.08	15.38	10.27	21.66	13.87	20.34	12.16
	Total Assets Turnover (Times)	1.41	1.28	1.46	1.27	1.58	1.35	1.89	1.64	1.41	1.36
Profitability	Return on Assets (%)	5.82	4.49	4.21	3.37	3.49	2.85	6.45	5.21	6.53	5.65
	Return on Equity (%)	14.07	14.09	11.78	11.70	10.78	10.80	21.25	21.15	20.71	20.76
	Pre-Tax Income to Pay-in Capital (%)	48.55	51.31	41.22	44.05	39.20	40.66	84.42	89.23	107.94	111.25
	Net Income / Sales (%)	3.86	3.25	2.72	2.50	2.07	1.96	3.18	2.96	4.23	3.82
	EPS (NTD)	4.21	4.21	3.66	3.66	3.44	3.44	7.57	7.57	9.17	9.17
Cash Flow	Cash Flow Ratio (%)	4.34	9.35	11.47	6.17	-16.23	-13.39	5.10	12.85	11.16	5.58
	Cash Flow Adequacy Ratio (%)	45.04	89.99	70.97	70.35	29.38	30.00	27.15	30.48	24.12	22.89
	Cash Reinvestment Ratio (%)	-1.68	7.09	6.35	2.89	-20.16	-20.25	1.86	13.46	7.82	1.84
Leverage	Operating Leverage	3.20	3.50	4.66	3.46	4.59	4.25	3.46	3.06	2.55	2.53
	Financial Leverage	1.10	1.11	1.10	1.07	1.08	1.08	1.09	1.08	1.11	1.09

Note：he aforementioned financial data have been audited and certified by accountants. As of the date of the annual report printing, there is no financial data for 2024 that has been audited or reviewed by accountants.

Reasons for Changes:
- The change in accounts receivable turnover is mainly due to the reduction in transfers to banks compared to 2022, resulting in an increase in days to collect cash.
- The change in profitability is primarily due to a significant increase in pre-tax and post-tax profits.
- For changes in cash flow, please refer to the section "Review and Analysis of Financial Condition and Performance and Assessment of Risk Items" under "III. Cash Flow."
- The change in operating leverage is mainly due to an increase in operating income.

6.3 Audit Committee's Review Report

Audit Committee's Review Report

The Board of Director has prepared the Company's 2023 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of PricewaterhouseCoopers (PwC) Taiwan was retained to audit Sercomm's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Sercomm Corporation. According to Article 219 of the Company Law, we hereby submit this report.

To Sercomm Corporation 2024 Annual Shareholders' Meeting

Chair of the Audit Committee
Shih, Chin-Tay
March 5, 2024

6.4 Financial Status and Operating Results

6.4.1 Financial Position

Unit: Thousand NTD

Item	2022	2023	Difference	Change (%)
Current Assets	37,378,003	40,259,786	2,881,783	7.71
Non-Current Assets	6,897,614	7,504,743	607,129	8.80
Total Assets	44,275,617	47,764,529	3,488,912	7.88
Current Liabilities	26,671,265	28,337,368	1,666,103	6.25
Non-Current Liabilities	7,802,910	6,211,007	(1,591,903)	-20.40
Total Liabilities	34,474,175	34,548,375	74,200	0.22
Capital Stock	2,587,958	2,791,770	203,812	7.88
Capital Surplus	2,706,600	4,608,355	1,901,755	70.26
Retained Earnings	5,381,160	6,636,783	1,255,623	23.33
Other Equity	(653,337)	(689,879)	(36,542)	5.59
Treasury Stock	(207,165)	(119,517)	87,648	-42.31
Total Shareholders' Equity	9,801,442	13,216,154	3,414,712	34.84

Significant Changes (Analysis of Changes with an Increase or Decrease Percentage Over 20%):

- Non-current liabilities: Mainly due to corporate bonds of 2023 being reclassified to current liabilities as they are due within a year.
- Capital reserve: Mainly due to the gradual conversion of convertible bonds.
- Retained earnings: Mainly due to the increase in profits in 2023.
- Treasury stock: Mainly due to the partial transfer to employees.

6.4.2 Financial Performance

Unit: Thousand NTD

Item	2022	2023	Difference	Change (%)
Revenues	64,573,720	62,584,493	(1,989,227)	-3.08
Operating Costs	55,954,909	52,322,193	(3,632,716)	-6.49
Gross Profit	8,618,811	10,262,300	1,643,489	19.07
Operating Expenses	6,201,195	7,148,786	947,591	15.28
Operating Income	2,417,616	3,113,514	695,898	28.78
Non-Operating Income	(108,272)	(125,481)	(17,209)	15.89
Income before Tax	2,309,344	2,988,033	678,689	29.39

Significant Changes (Analysis of Changes with an Increase or Decrease Percentage Over 20%):

- Net operating profit: Mainly due to the increase in gross profit margin.
- Pre-tax net profit: Mainly due to the increase in gross profit margin, leading to an increase in net profit.

Expected sales volume for the next fiscal year and the basis for the company's expectation of continued growth in sales volume: Please refer to the expected sales volume and basis of the annual report.

6.4.3 Cash Flow Analysis

Item	2022	2023	Change (%)
Cash Flow Ratio (%)	12.85	5.58	-56.58%
Cash Flow Adequacy Ratio (%)	30.48	22.89	-24.90%
Cash Reinvestment Ratio (%)	13.46	1.80	-94.06%

Analysis of the Change in Percentage Ratios:

- Cash Flow Ratio: Profits increased in 2023, but due to a significant reduction in the factoring amount of accounts receivable, the accounts receivable days increased. Consequently, the net cash from operating activities for this period was lower than in 2022, resulting in a decreased ratio.
- Cash Reinvestment Ratio: The decrease in the ratio is due to a decrease in net cash from operating activities in the current period compared to 2022.

6.4.4 Projected Cash Flow

Unit: Thousand NTD

Beginning Cash Balance	Cash Flows from Operating Activities	Cash Flows from Investing & Financing Activities	Projected Ending Cash Balance	Source of Funding for Cash Shortfall	
				Investing Plan	Financing Plan
8,830,912	3,912,659	4,648,627	8,094,944	Not Applicable	

Analysis of Cash Flow Changes for the Current Fiscal Year:

- Operating Activities: Net cash inflow of NT$3,912,659 thousand, primarily due to a decrease in inventory turnover days and an extension in accounts payable days, leading to an increase.
- Investing Activities: Net cash outflow of NT$1,335,764 thousand, mainly due to the purchase of fixed assets.
- Financing Activities: Net cash outflow of NT$3,312,863 thousand, primarily due to the repayment of corporate bonds and the distribution of cash dividends.

Expected Measures to Cover Cash Shortfall and Liquidity Analysis: NA

6.4.5 Long-term Investment Policy and Results

Sercomm's investments are focused on long-term strategic purposes. However, when we evaluate that an investment no longer has significant strategic value, we may view it as a financial investment. Sercomm will continue to focus on strategic investments and manage investment plans carefully.

6.5 Risk Management

6.5.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

Interest Rate Fluctuation

The effect on income may be categorized into that on the revenue and on capital cost. For the interest revenue, Sercomm focuses the evaluation on low-risk and high-liquidity investment, and deposits residual capital at bank under time deposit, and mitigates the impact produced by interest rate fluctuation in a conservative and stable manner. Accordingly, the future financial management policy remains unchanged. For the capital cost, Sercomm's bank loan and payable leasehold payment are referred to as the debt subject to floating interest rate. Therefore, the market interest rate fluctuation, if any, will result in fluctuation of the effective interest rate for the bank loan and payable leasehold payment and thereby cause the future cash flow to fluctuate. Notwithstanding, upon evaluation, the interest rate fluctuation renders no material effect on the fluctuation of Sercomm's income.

Foreign Exchange Volatility

In recent years, export sales of Sercomm products have accounted for at least 90% of our total revenue. Hence, exchange rate risk arises from the purchase or sales of goods denominated in non-functional currencies. However, Sercomm adopts the principles of natural hedging and uses forward exchange contracts to hedge against exchange rate risk. Forward exchange contracts involve the purchase or sale of foreign currencies that are similar to those of the hedged items. Therefore, Sercomm mainly adopts natural hedging and forward exchange contracts to respond to the impact of changes in exchange rates. The relevant response measures are listed as follows:

A. Pay attention to domestic and overseas political and economic situation at all times to quickly keep abreast of developments in the foreign exchange market, and control whether the payment of account receivables and payables is to be brought forward or delayed according to the movement of denominated currencies.
B. Consider factors affecting fluctuations in exchanges rates when quoting customers and negotiating purchase conditions, in order to protect our reasonable profits and costs.
C. Establish natural hedging for the long or short position held and try to use the same currency for both purchases of goods and business quotations to reduce currency translation risk.
D. Regularly estimate the requirements for net position of imports and exports in foreign currencies, analyze domestic and foreign economic and trade-related information and recommendations from correspondent banks, study the trend of foreign exchange markets, hedge against risks through forward exchange contracts in accordance with the procedures stipulated in the "Procedures for Acquisition of Disposal of Assets."

Inflation

Sercomm's materials whose costs are directly and indirectly affected by fluctuations in raw material prices include CPU, SDRAM, FLASH, PCB, module, connector, and other important parts. In terms of selling price, Sercomm's products are custom-made rather than standardized products with high homogeneity, and are differentiated products tailor-made to meet customer needs, so Sercomm enjoys a more advantageous position when it comes to product pricing and bargaining with customers. In order to reduce the impact of factors affecting price fluctuations on our profits, we take the following response measures:

A. Strengthen cost control (design for cost) from the R&D stage; introduce modular design and converge specifications for purchases of goods in the design part; reduce procurement costs with the advantage of bulk procurement; and develop streamlined, rugged, and practical structural designs with core technical advantages in the mechanism design part to reduce the volume and weight of mechanisms and minimize the consumption of metal and plastic parts.
B. Implement policy-based project procurement plan for raw materials that are expected to experience large fluctuations in market prices, shortages or price hikes to ensure the smooth supply of raw materials and effective control of material costs.
C. Analyze the cost structure of manufacturers' quotations, assist suppliers in improving efficiency and reducing losses to reduce costs, as well as provide forecast to improve the visibility of procurement needs, increase manufacturers' willingness to cooperate, and increase bargaining chips for negotiation.
D. Continue to strengthen the production, sales, and procurement information communication platform, accelerate the speed of response to market information, and adjust procurement plans and sales quotations in a timely manner.

6.5.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company adopts a prudent and conservative financial management policy and follows the Company's "the Operational Procedures for Acquisition and Disposal of Assets "," the Operational Procedures for Loaning of Company Funds" and " the Operational Procedures for Endorsements and Guarantees" for related operations and reporting.

The Company did not engage in any high-risk, highly leveraged investments in recent years. The Company only endorses and guarantees the bank loans of the subsidiaries included in the consolidated financial statements in response to operational needs, which has limited impact on the Company. Derivatives are mainly for hedging purposes and are not traded in other high-risk derivatives.

6.5.3 Future Research & Development Projects and Corresponding Budget

The Company continues to communicate with manufacturers on product performance improvement solutions and continues to strengthening integrated capability to provide local technical support to global telecom operators in order to grow and create a win-win situation. It is expected that the investment in research and development will account for 4-6% of operating revenue in 2024.

6.5.4 Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company will keep timely updated on important domestic and international policies and legal changes, obtains relevant information, and immediately evaluates and discusses necessary measures to meet the Company's operational needs.

6.5.5 Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

Taiwan's networking industry is developed, ranging from networking IC design to end-user devices, all encompassing. Currently, the trend of combining broadband, telecommunications, and digital home appliances is increasingly fermenting, making the internet inseparable from life. The company's operational positioning is to provide comprehensive telecom broadband solutions catering to the diverse needs of different customer segments, dedicated to the research and development of core technologies such as the Internet Protocol, and continuously accumulating intellectual property rights to create a supplier with value differentiation. The company will maintain high sensitivity to industry technological changes, responding swiftly to meet customer needs.

Emphasizing information security is a commitment of our company to our customers, shareholders, and colleagues, ensuring the confidentiality of data and the privacy of customers are respected, which also relates to the company's competitive advantage. The company adheres to various laws and professional ethical standards, established the "Information Security Committee" in 2015, formulated the "ISMS Information Security Policy," actively introduced the "ISO27001 Information Security Management" international standard, and obtained certification through verification by an impartial third party. The Information Security Committee meets biannually, conducting internal audits and discussions on information security regulations, and department representatives promote information security policies among colleagues. Additionally, the company continuously promotes the concepts of "respecting intellectual property rights" and "correct use of legal software" through education, training, and internal announcements. For the implementation of information security policies, specific measures for stakeholders and within the enterprise are as follows, please refer to the "Information and Communication Security Management" chapter of this annual report and the company's website for detailed content.

6.5.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Sercomm's core value has been the development of software and firmware for broadband networks, complemented by hardware manufacturing services, to provide a full range of telecommunications broadband solutions. The Company has become a world-class broadband equipment leader. Headquartered in Taipei, Taiwan, Sercomm has established R&D centers on both sides of the Taiwan Strait and has developed four manufacturing sites to supply global sales demand. In addition, the Company is actively expanding internationally, with marketing locations in North America, Europe, China and Asia Pacific, Latin America, and South Asia, with a total of over 6,000 employees worldwide. Sercomm has continued to leverage its core competencies to achieve operational successes through generational changes in the technology industry, and has taken its technology development, product quality and customer service to the next level.

Our customers include first-tier telecom operators in Europe, the US and emerging markets. Besides, we have been successfully promoted to the ranks of international suppliers. Sercomm not only enhances the added value of hardware products with excellent software integration technology, which helps customers increase their market share, but also invests R&D resources and works with customers in the early stage of design for many new technologies and products based on our commitment and responsibility toward our customers. At the same time, we strive to optimize efficiency and quality in manufacturing, quality control, and customer service, thereby comprehensively improving customer satisfaction.

In response to the new era of digital convergence, Sercomm will continue to engage in innovation and R&D, actively expand into new markets, and integrate new broadband technologies into a wide variety of life applications. Besides, we are committed to creating value differentiation and improving Sercomm's competitiveness through the blue ocean strategy, thus creating a brand new corporate value for Sercomm.

6.5.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The company's merger and acquisition strategy primarily considers the potential synergies related to the networking industry. However, there are currently no plans for mergers and acquisitions.

6.5.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

To adapt to the evolving international situation and supply chain, the Company is utilizing its global presence across five key locations in Taiwan, the Philippines, India, Mexico, and China. This enables Sercomm to offer nearshore manufacturing services to global customers, effectively expanding the Company's telecommunications direct sales.

The company's expansion or construction of new plants is subjected to necessity and feasibility assessments by dedicated task teams, along with related benefits and financial analyses, to grasp potential risks and corresponding measures.

6.5.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

To ensure a diversified supply and increase price flexibility, the Company has adopted a decentralized purchasing strategy by purchasing from multiple distributors in order to increase bargaining power and reduce the risk of material shortage, in addition to the brands specified by our sales customers. Since there are many items of parts and components required for our products, the amount and proportion of purchase from each manufacturer are not high, so there is no risk of over-concentration of supply sources.

In terms of sales, the Company's core competitive advantage lies in its highly efficient integration and development capability to develop and mass-produce products that meet the needs of customers or the market, in order to capture market opportunities and orders, maintain a stable and good co-prosperity relationship with our major customers. Our product development capability is well recognized by our customers. We have signed annual sales contracts with our major customers and have mutually beneficial terms and conditions to help protect the sales of both parties. In recent years, the business model has been transformed, gradually replacing SI vendors and directly supplying telecommunications providers.

The company does not face the risk of excessive concentration in purchases or sales.

6.5.10 Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

There are no such circumstances.

6.5.11 Risks Relating to and Response to the Changes in Management Rights

There is no unusual transfer of ownership in the market and there should be no risk of change in management rights.

6.5.12 Litigation or Non-litigation Matters

Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.

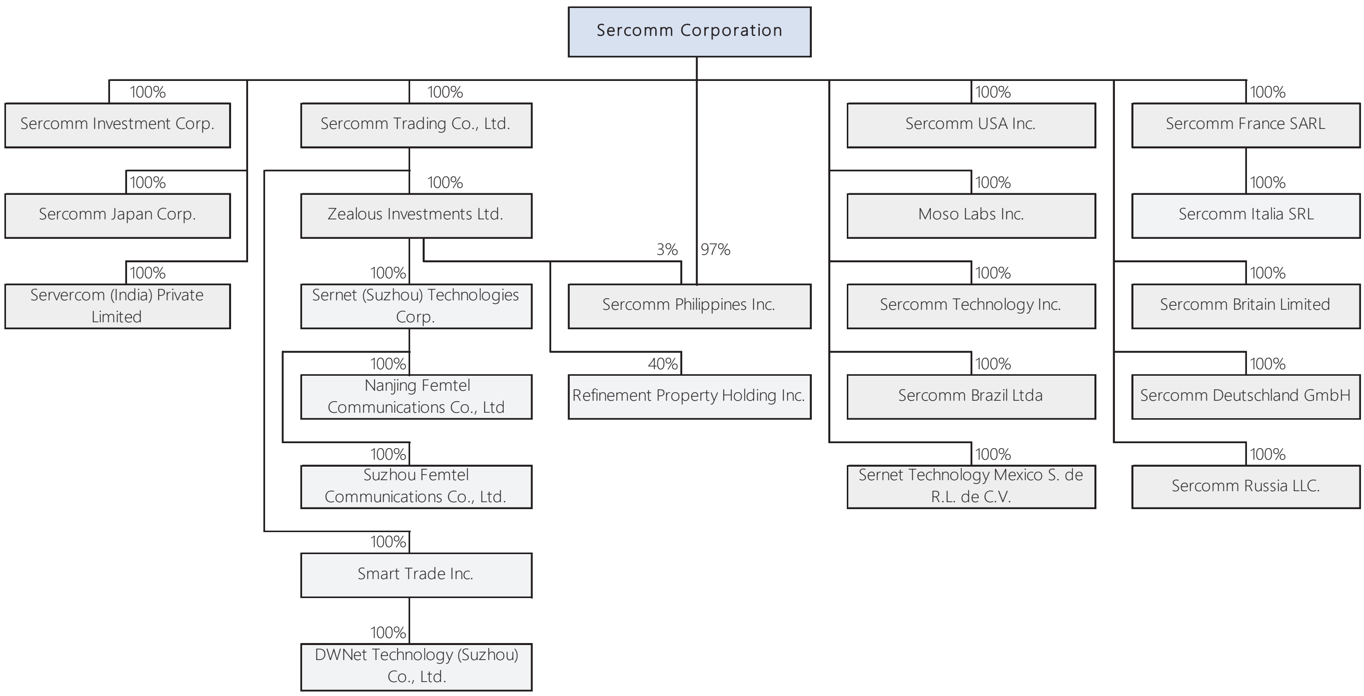
Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

VII. Special Disclosures

7.1 Affiliated Companies

7.1.1 Affiliated Companies Chart

12/31/2023



Note1 : Suzhou Femtel Communications Co., Ltd. applied for cancellation announcement on December 15, 2023.

7.1.2 Affiliated Companies

As of 2023/12/31

Company	Date of Incorporation	Address	Paid-in Capital (in thousands)	Major Business
Sercomm USA Inc	1996/09/25	42808 Christy St. STE 231, Fremont, CA 94538, USA	USD 650	Local market consultation and customer support services of network communication
Sercomm Investments Ltd.	2002/12/31	8th Floor, No. 3-1, Yuanqu Street, Nangang District, Taipei City	NTD 28,000	General investment
Sercomm Trading Co., Ltd.	2002/06/24	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 16,800	Overseas Investment
Zealous Investments Ltd.	1999/08/12	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 10,956	Overseas Investment
Sernet (Suzhou) Technologies Corporation	2000/02/18	No. 8, Tangzhuang Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province, China	USD 29,900	R&D and Manufacturing Center of Routers, Operating Systems and Networking Related System
Smart Trade Inc.	2003/03/21	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 6,000	Overseas Investment
DWNet Technology (Suzhou) Co., Ltd.	2004/01/14	No. 26, Xinghai Street, Suzhou Industrial Park, Suzhou City, Jiangsu Province, China	USD 16,000	R&D Center and Sales Office of Routers, Operating Systems and Networking Related System
Sercomm Japan Corp.	2010/03/15	Tennozu Yusen Bldg. 21F, 2-2-20 Higashi-shinagawa, Shinagawa-Ku, Tokyo 140-0002 Japan	JPY 490,000	Sales of communication products and quotation, tender, general import and export business related the products
Sercomm France SARL	2011/01/27	2/4 Rue Maurice Hartmann 92130 Issy Les Moulineaux, France	EUR 100	Local market consultation and customer support services of network communication
Sercomm Italia SRL	2012/02/21	Via Pompeo Litta 4, 20020 Lainate (MI), Italy	EUR 10	Local market consultation and customer support services of network communication
Sercomm Deutschland GmbH	2012/06/29	Prinzenallee 7, 40549 Dusseldorf, Germany	EUR 600	Local market consultation and customer support services of network communication
Sercomm Russia LLC.	2013/04/18	Russia, 127273, Moscow, Otradnaya street, 2B/9, 3rd floor	RUB 28,948	Sales of network communication products and provision of quotation, tender, general import and export business to the related the products
Nanjing Femtel Communications Co., Ltd	2013/01/16	Room 303, Building 03, Kairun Building, No. 8, Wenzhu Road, Yuhuatai District, Nanjing City, China	CNY 2,500	Telecom equipment, software development and provide related technology service

Company	Date of Incorporation	Address	Paid-in Capital (in thousands)	Major Business
Suzhou Femtel Communications Co., Ltd. (Note 1)	2009/11/20	No. 26, Xinghai Street, Suzhou Industrial Park, Suzhou City, Jiangsu Province, China	-	Telecom equipment, software development and provide related technology service
Sercomm Technology Inc.	2018/08/29	42808 Christy ST. STE 231, Fremont, CA 94538, USA	USD 5,000	Local market consultation and customer support services of network communication
Sercomm Philippines Inc.	2019/03/22	Lot 15, Road 3, Carmelray Industrial Park (CIP I), BRGY. Canlubang, Calamba City,Laguna/4028	PHP 2,000,000	Manufacturing of communication products, operating system and related software
Sercomm Britain Limited	2019/06/04	43 Overstone Road, London W6 0 AD	GBP 350	Local market consultation and customer support services of network communication
Refinement Property Holding Inc. (Note 2)	2019/09/26	Unit 3B Basic Petroleum Bldg. 104 C.Palanca St. Legaspi Village Makati City	PHP 448,200	Lease of real estate
Sernet Technology Mexico S. de R.L. de C.V.	2019/10/09	Bahía De Las Palmas 1 INT. 2, Col. Veronica Anzures, Alcaldía Miguel Hidalgo, CDMX C.P. 11300	MXN 400	Local market consultation and customer support services of network communication
Servercom (India) Private Limited	2019/12/06	E-43/1 Okhla Industrial Area, Phase II New Delhi -110020	INR 35,000	Manufacturing and sales of communication products, operating system and related software
Moso Labs Inc.	2022/05/11	2974 BOLLA CTSAN JOSE, CA 95124	USD 2,500	Telecom equipment, software development and provide related technology service
Sercomm Brazil Ltda	2022/11/25	R EZEQUIEL RAMOS 345	BRL 500	Manufacturing and sales of communication products, operating system and related software

Note 1： Suzhou Femtel Communications Co., Ltd. applied for a cancellation announcement on December 15, 2023.
Note 2：Under the substantial control of the company. The company's investment of US$8,000 thousand in preferred shares only entails distribution rights and is not counted in the shareholding percentage. The registration has not yet been completed.

7.1.3 Directors, Supervisors and Presidents of Affiliated Companies

Company Name	Representative	Director	Supervisor	Number of Shares Held (Shares) and Capital Contribution (Thousand Dollars)	Shareholding Ratio (Note 1)
Sercomm USA Inc.	Paul Wang	Paul Wang、Ben Lin、Janus Hao	—	650,000 USD 650	100%
Sercomm Investments Ltd.	James Wang	James Wang、Ben Lin、Leo Chen	Max Cheng	2,800,000 NTD 28,000	100%
Sercomm Trading Co., Ltd.	James Wang	James Wang	—	16,800,000 USD 16,800	100%
Zealous Investments Ltd.	James Wang	James Wang	—	10,956,000 USD 10,956	100%
Sernet (Suzhou) Technologies Corporation	Vincent Han	James Chiang、Sandy Huang、Vincent Han	Charles Chu	— USD 29,900	100%
Smart Trade Inc.	Ben Lin	Ben Lin	—	6,000,000 USD 6,000	100%
DWNet Technology (Suzhou) Co., Ltd.	Vincent Han	Vincent Han、Charles Chu、James Chiang	—	USD 16,000	100%
Sercomm Japan Corp.	James Wang	James Wang、Ben Lin、Michael Lee	Charles Chu	9,800 JPY 490,000	100%
Sercomm France SARL	Michael Lee、Pierre Schuler	—	—	100,000 EUR 100	100%
Sercomm Italia SRL	Michael Lee	—	—	10,000 EUR 10	100%
Sercomm Deutschland GmbH	Michael Lee、Pierre Schuler	—	—	600,000 EUR 600	100%
Sercomm Russia LLC.	Gleb Fedorov	James Wang、Ben Lin、Michael Lee	—	28,948,000 RUB 28,948	100%
Nanjing Femtel Communications Co., Ltd	Vincent Han	Vincent Han、Ben Lin、James Chiang	Sandy Huang	— CNY 2,500	100%
Suzhou Femtel Communications Co., Ltd. (Note 2)	—	—	—	—	100%
Sercomm Technology Inc.	Todd Babic	James Wang、Ben Lin、Todd Babic	—	5,000,000 USD 5,000	100%
Sercomm Philippines Inc.	Jack Yueh	James Wang、Dean Wang、Jack Yueh、Spain Chen	—	2,000,000,000 PHP 2,000,000	100%
Sercomm Britain Limited	Michael Lee	—	—	350,000 GBP 350	100%
Refinement Property Holding Inc. (Note 3)	Max Cheng	Max Cheng、Spain Chen	—	200,000 PHP 200	40%
Sernet Technology Mexico S. de R.L. de C.V.	Michael Lee	—	—	400,000 MXN 400	100%

Servercom (India) Private Limited	James Wang	James Wang、Vardhman Doogar	—	34,999,990 INR 35,000	100%
Moso Labs Inc.	Stephen Leotis	James Wang、Stephen Leotis、Janus Hao	—	2,500,000 USD 2,500	100%
Sercomm Brazil Ltda	Michael Lee	—	—	500,000 BRL 500	100%

Note 1： Represents the consolidated shareholding ratio of the company.
Note 2：Suzhou Femtel Communications Co., Ltd. applied for a cancellation announcement on December 15, 2023.
Note 3：Under the substantial control of the company. The company's investment of US$8,000 thousand in preferred shares only entails distribution rights and is not counted in the shareholding percentage. The registration has not yet been completed.

7.1.4 Operational Highlights of Sercomm Subsidiaries

Unit: Thousand NTD / Year 2023

Company	Capital	Assets	Liabilities	Net Worth	Net Revenue	Operation Income (Loss)	Net Income	Basic EPS
Sercomm USA Inc.	20,739	59,499	22,858	36,641	131,222	6,614	4,085	-
Sercomm Investments Ltd.	28,000	38,390	4	38,386	0	-89	703	-
Sercomm Trading Co., Ltd.	556,786	5,393,860	16	5,393,844	0	0	176,321	-
Zealous Investments Ltd.	379,758	5,236,937	115,118	5,121,819	0	-98,861	131,325	-
Sernet (Suzhou) Technologies Corporation	933,252	9,890,187	6,016,529	3,873,658	20,803,576	-105,985	201,828	-
Smart Trade Inc.	177,029	759,888	7,805	752,083	0	-251	44,997	-
DWNet Technology (Suzhou) Co., Ltd.	481,829	1,762,931	1,008,934	753,997	1,962,889	20,144	46,513	-
Sercomm Japan Corp.	157,721	739,062	665,713	73,349	1,344,944	51,236	35,835	-
Sercomm France SARL	4,004	49,915	10,523	39,392	52,484	2,724	4,307	-
Sercomm Italia SRL	388	16,579	8,683	7,896	35,679	1,831	1,574	-
Sercomm Deutschland GmbH	19,412	10,683	8,331	2,352	24,557	1,233	-113	-
Sercomm Russia LLC	28,042	4,362	13,235	-8,873	24,591	-2,097	645	-
Nanjing Femtel Communications Co., Ltd	12,538	16,846	7,747	9,099	31,264	-1,509	-1,669	-
Suzhou Femtel Communications Co., Ltd. (Note 1)	32,599	0	0	0	0	3,938	3,927	-
Sercomm Technology Inc.	153,880	113,982	51,139	62,843	444,459	21,943	20,078	-
Sercomm Philippines Inc.	1,130,085	9,989,869	8,675,840	1,314,029	22,165,219	182,724	182,024	-
Sercomm Britain Limited	13,535	9,107	3,976	5,131	12,082	682	697	-
Refinement Property Holding Inc.	240,119	241,442	249,014	-7,572	9,538	5,599	4,144	-
Sernet Technology Mexico S. de R.L. de C.V.	507	6,484	18,018	-11,534	26,703	2,323	26	-

Company	Capital	Assets	Liabilities	Net Worth	Net Revenue	Operation Income (Loss)	Net Income	Basic EPS
Servercom (India) Private Limited	15,000	2,062,302	1,933,478	128,824	4,129,634	256,277	153,421	-
Moso Labs Inc.	77,418	43,112	1,100	42,012	4,613	-15,988	-15,988	-
Sercomm Brazil Ltda	3,208	2,587	4	2,583	0	-605	-576	-

Note 1: Suzhou Femtel Communications Co., Ltd. applied for a cancellation announcement on December 15, 2023.

SERCOMM CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023 AND 2022

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT

PWCR23000466

To the Board of Directors and Shareholders of Sercomm Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Sercomm Corporation and subsidiaries (the "Group") as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 for 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2023 are stated as follows:

Timing of revenue recognition from hub sales

Description

For the accounting policies of revenue recognition, please refer to Note 4(34); and for the details of revenue, please refer to Note 6(22).

The Group is mainly engaged in sales of global network communication software and equipment activities, and its sales types are mainly divided into shipped directly from factories and goods picked up from hubs. For pick-ups from hub, the Group recognises sales revenue when their customers pick up the goods (satisfies the performance obligation) from hubs. The Group recognises sales revenue based on movements of inventories contained in the statements or other information provided by the hub custodians. As the hubs are located around the world with numerous custodians, the frequency and contents of statements provided by custodians vary, and the process of revenue recognition involves numerous manual procedures, these factors may potentially result in inaccurate timing of sales revenue recognition and discrepancy between physical inventory quantities in the hubs and quantities as reflected in the accounting records. As the transaction amounts from hubs prior to and after the balance sheet date are significant to the financial statements, we consider the timing of revenue recognition from hub sales as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed and tested the appropriateness of internal controls over hub sales revenue, including understanding and testing the statements between the Group and hub custodians periodically.

2. Obtained the stock details of each hub at the balance sheet date and agreed to respective supporting documents provided by hub custodians.
3. Confirmed inventory quantities held at hubs and agreed to accounting records to validate the revenue recognition in proper period.

Valuation of inventory

Description

For the accounting policies of inventory, please refer to Note 4(14); and for the accounting estimates of valuation of inventory and assumption uncertainty, please refer to Note 5. For details on loss on inventory valuation, please refer to Note 6(7). As of December 31, 2023, the cost of inventory and loss on inventory valuation are $18,323,952 thousand and $790,655 thousand, respectively.

Due to rapid technological innovations and intense competition in the telecom market, there is a higher risk of inventory losses due to market value decline or obsolescence. The Group recognises inventories at the lower of cost and net realisable value, and the net realisable value is estimated based on historical experience, such as inventories aged over a certain period of time or individually identified as obsolete.

Since the industry which the Group is engaged in rapidly changes, and the estimate of net realizable value for obsolete inventory is subject to management's judgment, we consider valuation of inventory as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed the reasonableness of accounting policies and procedures in relation to inventory valuation, including the classification of aged, damaged and obsolete inventory.

2. Reviewed the Group's annual counting plan and conducted their physical counts on inventories to evaluate the control effectiveness on inventory classification.

3. Validated the inventory classification and the amount of net realisable value, recalculated the loss of inventory and further evaluated the rationality.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Sercomm Corporation as at and for the years ended December 31, 2023 and 2022.

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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Ya-Fang, Wen　　　Yen, Yu-Fang

Wen, Ya-Fang　　　Yen, Yu-Fang

For and on behalf of PricewaterhouseCoopers, Taiwan

March 5, 2024

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

SERCOMM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 8,830,912	19	$ 8,022,856	18
1110	Financial assets mandatorily measured at fair value through profit or loss - current	6(2)	1,190,590	2	-	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	-	-	140,227	-
1136	Financial assets at amortised cost - current	8	60,855	-	184,081	1
1139	Financial assets for hedging - current	6(4)	998	-	1,511	-
1150	Notes receivable, net	6(5)	78,138	-	38,801	-
1170	Accounts receivable, net	6(5)	11,502,602	24	10,678,935	24
1200	Other receivables	6(6)	445,590	1	739,670	2
1220	Current income tax assets		1,681	-	24,227	-
130X	Inventories	6(7)	17,533,297	37	16,843,763	38
1410	Prepayments		588,137	1	616,096	1
1470	Other current assets		26,986	-	87,836	-
11XX	**Current assets**		40,259,786	84	37,378,003	84
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2)	4,616	-	-	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	24,720	-	24,161	-
1535	Financial assets at amortised cost - non-current	8 and 9	117,822	-	97,969	-
1550	Investments accounted for using equity method	6(8)	7,305	-	7,732	-
1600	Property, plant and equipment	6(9) and 8	5,367,828	11	4,928,223	11
1755	Right-of-use assets	6(10)	377,769	1	469,264	1
1780	Intangible assets	6(11)	378,471	1	478,846	1
1840	Deferred income tax assets	6(28)	897,142	2	562,413	1
1915	Prepayments for business facilities	6(30)	149,093	-	140,152	1
1920	Guarantee deposits paid	8 and 9	163,010	1	164,593	1
1990	Other non-current assets, others		16,967	-	24,261	-
15XX	**Non-current assets**		7,504,743	16	6,897,614	16
1XXX	**Total assets**		$ 47,764,529	100	$ 44,275,617	100

(Continued)

SERCOMM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(12)	$ 429,925	1	$ 1,639,995	4
2120	Financial liabilities at fair value through profit or loss - current	6(2)	1,097	-	-	-
2126	Financial liabilities for hedging - current	6(4)	32,490	-	132,274	-
2130	Contract liabilities - current	6(22)	751,271	2	681,606	2
2150	Notes payable		636,314	1	847,397	2
2170	Accounts payable		16,372,388	34	17,929,493	40
2200	Other payables		4,843,532	10	4,055,230	9
2230	Current income tax liabilities		748,161	2	346,564	1
2250	Provisions for liabilities - current	6(17)	684,969	1	503,294	1
2280	Current lease liabilities		65,121	-	77,273	-
2320	Long-term liabilities, current portion	6(13)	2,300,000	5	-	-
2365	Current refund liabilities	6(22)	369,661	1	325,960	1
2399	Other current liabilities, others	9	1,102,439	2	132,179	-
21XX	**Current liabilities**		28,337,368	59	26,671,265	60
	Non-current liabilities					
2500	Financial liabilities at fair value through profit or loss - non-current	6(2)	17,400	-	23,400	-
2511	Financial liabilities for hedging- non-current	6(4)	3,757	-	-	-
2530	Bonds payable	6(13)	5,669,790	12	6,524,008	15
2540	Long-term borrowings	6(14)	-	-	687,120	2
2570	Deferred income tax liabilities	6(28)	305,179	1	302,338	1
2580	Non-current lease liabilities		142,533	-	185,065	-
2640	Net defined benefit liability- non-current	6(15)	43,452	-	46,879	-
2645	Guarantee deposits received		28,896	-	34,100	-
25XX	**Non-current liabilities**		6,211,007	13	7,802,910	18
2XXX	**Total liabilities**		34,548,375	72	34,474,175	78
	Equity					
	Equity attributable to owners of parent					
	Share capital					
3110	Common stock	6(18)	2,685,781	6	2,587,958	6
3140	Advance receipts for share capital	6(13)	105,989	-	-	-
	Capital surplus	6(19)				
3200	Capital surplus		4,608,355	9	2,706,600	5
	Retained earnings	6(20)				
3310	Legal reserve		1,572,874	3	1,386,585	3
3320	Special reserve		653,337	2	669,519	1
3350	Undistributed retained earnings		4,410,572	9	3,325,056	8
	Other equity interest	6(21)				
3400	Other equity interest		(689,879)	(1)	(653,337)	(1)
	Treasury stocks					
3500	Treasury stocks	6(18)	(119,517)	-	(207,165)	-
31XX	**Equity attributable to owners of the parent**		13,227,512	28	9,815,216	22
36XX	Non-controlling interest		(11,358)	-	(13,774)	-
3XXX	**Total equity**		13,216,154	28	9,801,442	22
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant subsequent events	11				
3X2X	**Total liabilities and equity**		$ 47,764,529	100	$ 44,275,617	100

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

SERCOMM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2023		2022	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(22)	$ 62,584,493	100	$ 64,573,720	100
5000	Operating costs	6(7) and 7	(52,322,193)	(84)	(55,954,909)	(87)
5900	Gross profit		10,262,300	16	8,618,811	13
	Operating expenses					
6100	Selling expenses	7	(2,636,545)	(4)	(2,228,297)	(3)
6200	General and administrative expenses	7	(1,346,086)	(2)	(1,151,231)	(2)
6300	Research and development expenses	7	(3,127,890)	(5)	(2,815,066)	(4)
6450	Impairment loss	12(2)	(38,265)	-	(6,601)	-
6000	Total operating expenses		(7,148,786)	(11)	(6,201,195)	(9)
6900	Operating profit		3,113,514	5	2,417,616	4
	Non-operating income and expenses					
7100	Interest income		124,791	-	53,061	-
7010	Other income	6(23)	18,794	-	41,702	-
7020	Other gains and losses	6(24)	(6,338)	-	(32,619)	-
7050	Finance costs	6(25)	(262,002)	-	(173,590)	-
7060	Share of (loss) profit of associates and joint ventures accounted for using equity method	6(8)	(726)	-	3,174	-
7000	Total non-operating income and expenses		(125,481)	-	(108,272)	-
7900	**Profit before income tax**		2,988,033	5	2,309,344	4
7950	Income tax expense	6(28)	(599,242)	(1)	(400,823)	(1)
8200	**Profit for the period**		$ 2,388,791	4	$ 1,908,521	3

(Continued)

SERCOMM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2023 AMOUNT	2023 %	2022 AMOUNT	2022 %
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans	6(16)	($ 1,903)	-	($ 3,347)	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(21)	14,358	-	(23,146)	-
8317	Gains (losses) on hedging instrument	6(21)	(3,262)	-	68,494	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	1,033	-	(25,230)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		10,226	-	16,771	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive (loss) income, before tax, exchange differences on translation		(98,349)	-	101,737	-
8368	Gains (losses) on hedging instruments	6(21)	3,767	-	(51,561)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(21)	(753)	-	10,312	-
8360	Components of other comprehensive income that will be reclassified to profit or loss		(95,335)	-	60,488	-
8300	**Other comprehensive (loss) income (net)**		($ 85,109)	-	$ 77,259	-
8500	**Total comprehensive income for the period**		$ 2,303,682	4	$ 1,985,780	3
	Profit (loss), attributable to					
8610	Owners of the parent		$ 2,386,305	4	$ 1,919,423	3
8620	Non-controlling interest		2,486	-	(10,902)	-
	Total		$ 2,388,791	4	$ 1,908,521	3
	Comprehensive income (loss) attributable to					
8710	Owners of the parent		$ 2,301,266	4	$ 1,997,234	3
8720	Non-controlling interest		2,416	-	(11,454)	-
	Total		$ 2,303,682	4	$ 1,985,780	3
	Earnings per share	6(29)				
9750	Basic earnings per share		$ 9.17		$ 7.57	
9850	Diluted earnings per share		$ 8.80		$ 7.22	

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

SERCOMM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent												
		Share capital			Retained Earnings			Other equity interest						
	Notes	Common stock	Advance receipts for share capital	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Undistributed retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) on financial assets at fair value through other comprehensive income	Gains (losses) on hedging instruments	Treasury stocks	Total	Non-controlling interest	Total equity
Year 2022														
Balance at January 1, 2022		$ 2,523,898	$ -	$ 2,269,564	$ 1,300,526	$ 696,948	$ 2,126,526	($ 633,478)	($ 36,041)	$ -	$ -	$ 8,247,943	($ 4,406)	$ 8,243,537
Profit for the year		-	-	-	-	-	1,919,423	-	-	-	-	1,919,423	(10,902)	1,908,521
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	-	(2,678)	102,289	(35,346)	13,546	-	77,811	(552)	77,259
Total comprehensive income (loss)		-	-	-	-	-	1,916,745	102,289	(35,346)	13,546	-	1,997,234	(11,454)	1,985,780
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	6(20)	-	-	-	86,059	-	(86,059)	-	-	-	-	-	-	-
Reversal of special reserve	6(20)	-	-	-	-	(27,429)	27,429	-	-	-	-	-	-	-
Cash dividends of ordinary share	6(20)	-	-	-	-	-	(605,735)	-	-	-	-	(605,735)	-	(605,735)
Compensation cost of employee stock options		-	-	112,211	-	-	-	-	-	-	-	112,211	-	112,211
Exercise of employee share options	6(18)(19)	64,060	-	124,053	-	-	-	-	-	-	-	188,113	-	188,113
Repurchase of treasury share	6(18)	-	-	-	-	-	-	-	-	-	(398,397)	(398,397)	-	(398,397)
Transfer of treasury shares	6(18)	-	-	-	-	-	-	-	-	-	191,232	191,232	-	191,232
Removal of hedging reserve	6(4)	-	-	-	-	-	-	-	-	(125,086)	-	(125,086)	-	(125,086)
Reclassification of ineffective hedging reserve	6(4)	-	-	-	-	-	-	-	-	6,929	-	6,929	-	6,929
Changes in ownership interests in subsidiaries	6(3)	-	-	(8,628)	-	-	-	-	-	-	-	(8,628)	2,086	(6,542)
Disposal of equity instruments at fair value through other comprehensive profit or loss		-	-	-	-	-	(53,850)	-	53,850	-	-	-	-	-
Issuance of convertible corporate bonds-options	6(13)	-	-	209,400	-	-	-	-	-	-	-	209,400	-	209,400
Balance at December 31, 2022		$ 2,587,958	$ -	$ 2,706,600	$ 1,386,585	$ 669,519	$ 3,325,056	($ 531,189)	($ 17,537)	($ 104,611)	($ 207,165)	$ 9,815,216	($ 13,774)	$ 9,801,442
Year 2023														
Balance at January 1, 2023		$ 2,587,958	$ -	$ 2,706,600	$ 1,386,585	$ 669,519	$ 3,325,056	($ 531,189)	($ 17,537)	($ 104,611)	($ 207,165)	$ 9,815,216	($ 13,774)	$ 9,801,442
Profit for the year		-	-	-	-	-	2,386,305	-	-	-	-	2,386,305	2,486	2,388,791
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	-	(1,522)	(98,279)	14,358	404	-	(85,039)	(70)	(85,109)
Total comprehensive income (loss)		-	-	-	-	-	2,384,783	(98,279)	14,358	404	-	2,301,266	2,416	2,303,682
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	6(20)	-	-	-	186,289	-	(186,289)	-	-	-	-	-	-	-
Reversal of special reserve	6(20)	-	-	-	-	(16,182)	16,182	-	-	-	-	-	-	-
Cash dividends of ordinary share	6(20)	-	-	-	-	-	(1,158,191)	-	-	-	-	(1,158,191)	-	(1,158,191)
Compensation cost of employees stock options	6(16)	-	-	69,220	-	-	-	-	-	-	-	69,220	-	69,220
Exercise of employee share options	6(18)(19)	29,600	-	49,248	-	-	-	-	-	-	-	78,848	-	78,848
Compensation costs of employee restricted stocks	6(16)	-	-	140,184	-	-	-	-	-	-	-	140,184	-	140,184
Restricted stocks vested	6(16)(19)	25,960	-	129,800	-	-	-	-	-	-	-	155,760	-	155,760
Transfer of treasury shares	6(19)	-	-	(2,167)	-	-	-	-	-	-	87,648	85,481	-	85,481
Removal of hedging reserve	6(4)	-	-	-	-	-	-	-	-	65,223	-	65,223	-	65,223
Reclassification of ineffective hedging reserve	6(4)	-	-	-	-	-	-	-	-	10,783	-	10,783	-	10,783
Disposal of equity instruments at fair value through other comprehensive profit or loss	6(3)	-	-	-	-	-	29,031	-	(29,031)	-	-	-	-	-
Issuance of convertible corporate bonds-options	6(13)	-	-	322,500	-	-	-	-	-	-	-	322,500	-	322,500
Conversion of convertible bonds	6(13)(19)	42,263	105,989	1,192,970	-	-	-	-	-	-	-	1,341,222	-	1,341,222
Balance at December 31, 2023		$ 2,685,781	$ 105,989	$ 4,608,355	$ 1,572,874	$ 653,337	$ 4,410,572	($ 629,468)	($ 32,210)	($ 28,201)	($ 119,517)	$13,227,512	($ 11,358)	$13,216,154

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

SERCOMM CORPORATION AND SUBSIDIARIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 2,988,033	$ 2,309,344
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(26)	722,250	716,949
Amortization expense	6(26)	199,997	177,274
Expected credit impairment loss	12(2)	38,265	6,601
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(24)	11,216	(30,294)
Interest income		(124,791)	(53,061)
Interest expense	6(25)	262,002	173,590
Dividend income	6(23)	(5,427)	(14,901)
Compensation cost of employee stock options	6(16)	209,404	112,211
Share of loss (profit) of associates accounted for using equity method	6(8)	726	(3,174)
Gains on disposals of investments	6(24)	-	(10,356)
Impairment loss on goodwill	6(24)	-	47,356
Loss (gain) on disposal of property, plant and equipment	6(24)	(359)	22,938
Loss on disposals of intangible assets	6(24)	-	267
Loss from lease modification	6(24)	121	336
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss-current		(82,641)	34,073
Notes receivable		(39,337)	10,686
Accounts receivable		(861,571)	(4,435,602)
Other receivables		304,841	408,284
Inventories		(689,534)	(2,629,176)
Prepayments		27,959	(133,850)
Other current assets		54,915	(28,729)
Changes in operating liabilities			
Contract liabilities		69,665	462,454
Notes payable		(211,083)	640,163
Accounts payable		(1,557,105)	5,095,803
Other payables		700,554	735,173
Payments of lease liabilities		182,431	221,440
Current refund liabilities		43,701	67,522
Other current liabilities		(27,829)	(9,364)
Net defined benefit liabilities - non-current		(5,330)	(4,942)
Cash inflow generated from operations		2,211,073	3,889,015
Interest received		112,505	48,063
Interest paid		(220,995)	(148,801)
Payments of income tax		(522,764)	(361,161)
Net cash flows from operating activities		1,579,819	3,427,116

(Continued)

SERCOMM CORPORATION AND SUBSIDIARIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(30)	($ 1,010,473)	($ 758,063)
Proceeds from disposal of property, plant and equipment		46,623	6,479
Acquisition of intangible assets	6(30)	(109,963)	(76,036)
Acquisition of financial assets at fair value through profit or loss		(1,750,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss		600,000	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	154,026	48,639
Decrease (increase) in guarantee deposit paid		1,583	(81,756)
Decrease (increase) in current financial assets at amortised cost		104,437	(157,035)
Dividends received	6(23)	5,427	14,901
Increase in other non-current assets		-	(24,261)
Net cash flows used in investing activities		(1,958,340)	(1,027,132)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term debts	6(31)	8,629,871	9,540,703
Payments of short-term debts	6(31)	(9,833,296)	(10,591,553)
Proceeds from long-term debts	6(31)	1,278,376	1,564,310
Payments of long-term debts	6(31)	(1,965,496)	(2,205,110)
Increase in short-term notes and bills payable	6(31)	-	599,532
Decrease in short-term notes and bills payable	6(31)	-	(1,159,285)
Proceeds from issuing bonds	6(31)	3,090,000	3,030,000
Payments to acquire treasury shares		-	(398,397)
Proceeds from transfer of treasury shares	6(18)	85,481	191,232
Exercise of employee share options	6(18)	234,608	188,113
Increase in guarantee deposits received	6(31)	1,049,028	6,515
Decrease in guarantee deposits received	6(31)	(55,627)	(16,152)
Decrease in lease liabilities	6(31)	(90,592)	(77,539)
Cash dividends paid	6(20)	(1,158,191)	(605,735)
Net cash flows from financing activities		1,264,162	66,634
Effect of exchange rate changes		(77,585)	82,873
Net increase in cash and cash equivalents		808,056	2,549,491
Cash and cash equivalents at beginning of year		8,022,856	5,473,365
Cash and cash equivalents at end of year		$ 8,830,912	$ 8,022,856

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

SERCOMM CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Sercomm Corporation (the "Company") was incorporated on July 29, 1992. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in research and development, manufacturing and sales of networking communication software and equipment.

The common stocks of the Company were traded on the Taipei Exchange since May 1999 and have been listed on the Taiwan Stock Exchange since December 2007.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 5, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS®") Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC and became effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

A. Amendments to IAS 1, 'Disclosure of accounting policies'

The amendments require an entity to disclose its material accounting policy information rather than its significant accounting policies. The amendments also explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material.

B. Amendments to IAS 8, 'Definition of accounting estimates'

The amendments clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

C. Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'

The amendments require an entity to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

D. Amendments to IAS 12, 'International tax reform - pillar two model rules'

The amendments give companies temporary relief from accounting for deferred income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). An entity shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Except for amendments to IAS 12 whose related information is provided in Note 6(28), the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

A. Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’

The amendments to IFRS 16 address the subsequent measurement of the lease liability and the right-of-use asset arising from the leaseback where the lease payments include variable payments that do not depend on an index or rate. The seller-lessee shall determine ‘lease payments’ or ‘revised lease payments’ in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments also include examples illustrating the measurement of lease liability for reference.

B. Amendments to IAS 1, ‘Classification of liabilities as current or non-current’

The amendments clarify that classification of liabilities depends on the rights that exist at the end of the reporting period. An entity shall classify a liability as current when it does not have a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. Also, the amendments define ‘settlement’ as the extinguishment of a liability with cash, other economic resources or an entity’s own equity instruments. For the terms of a liability that could result in its settlement by the transfer of the entity’s own equity instruments, such terms do not affect the classification of liabilities as current or non-current only if the entity classifies the option as an equity instrument to be recognised as an equity component of a compound financial instrument.

C. Amendments to IAS 1, ‘Non-current liabilities with covenants’

The amendments clarify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. The amendments introduce additional disclosure requirements as to non-current liability which is subject to the covenants.

D. Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’

The amendments require disclosures on supplier finance arrangements, including their effects on the Group’s liabilities from financing activities and exposure to liquidity risk.

Except for the amendments to IFRS 7, the impact of which will be disclosed when the assessment is completed, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

A. Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'

The amendments resolve a current inconsistency between IFRS 10 and IAS 28. The gain or loss resulting from a transaction that involves sales or contribution of assets between an investor and its associates or joint ventures is recognised either in full or partially depending on the nature of the assets sold or contributed:

(a) If sales or contributions of assets constitute a 'business', the full gain or loss is recognised;

(b) If sales or contributions of assets do not constitute a 'business', the partial gain or loss is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

B. IFRS 17, 'Insurance contracts'

IFRS 17 'Insurance contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall, at initial recognition, disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a modified simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

C. Amendments to IFRS 17, 'Insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

D. Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9' – comparative information'

The amendment permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

E. Amendments to IAS 21, 'Lack of exchangeability'

The amendments define exchangeability and provide the related application guidance on how anentity determines the spot exchange rate at the measurement date when a currency lacks exchangeability. In addition, the amendments require entities to provide more useful information in their financial statements when a currency cannot be exchanged into another currency.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC® Interpretations, and SIC® Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets and liabilities at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Name of Investment Company	Name of subsidiary	Main business activities	Ownership (%) December 31, 2023	Ownership (%) December 31, 2022	Remark
The Company	Sercomm USA Inc.	Local market consultation and customer support services of network communication products	100	100	
〃	Sercomm Trading Co. Ltd.	Overseas investment	100	100	
〃	Sercomm Investment Corp.	General investment	100	100	
〃	Sercomm France SARL	Local market consultation and customer support services of network communication products	100	100	
〃	Sercomm Deutschland GmbH	Local market consultation and customer support services of network communication products	100	100	
〃	Sercomm Japan Corp.	Sales of network communication products and quotation, tender, general import and export business related the products	100	100	
〃	Sercomm Russia Limited Liability Company	Sales of network communication products and provision of quotation, tender, general import and export business to the related the products	100	100	
〃	Sercomm Technology Inc.	Local market consultation and customer support services of network communication products	100	100	
〃	Sercomm Britain Limited	Local market consultation and customer support services of network communication products	100	100	
〃	Sernet Technology Mexico	Local market consultation and customer support services of network communication products	100	100	
〃	MosoLabs Inc.	Retail business services of network communication products	100	100	
〃	Servercom (India) Private Limited	Manufacturing and sales of communication products, operating system (OS) and related software	100	100	
〃	Secrcomm Philippines Inc.	Manufacturing and sales of communication products, operating system (OS) and related software	97	88.24	
〃	Sercomm Brazil Ltda	Local market consultation and customer support services of network communication products	100	-	Note 2

Name of Investment Company	Name of subsidiary	Main business activities	Ownership (%) December 31, 2023	Ownership (%) December 31, 2022	Remark
Sercomm Trading Co. Ltd.	Zealous Investments Ltd.	Overseas investment	100	100	
〃	Smart Trade Inc.	Overseas investment	100	100	
Sercomm France SARL	Sercomm Italia SRL	Local market consultation and customer support services of network communication products	100	100	
Zealous Investments Ltd.	Sernet (Suzhou) Technologies Corporation	Research and development (R&D) and manufacturing of communication products	100	100	
〃	Sercomm Philippines Inc.	Manufacturing of communication products, operating system (OS) and related software	3	11.76	
〃	Refinement Property Holding Inc.	Lease of real estate	40	40	Note 1
Smart Trade Inc.	DWNet Technology (Suzhou) Co., Ltd.	Manufacturing and sales of routers, operating system (OS) and related software	100	100	
Sernet (Suzhou) Technologies Corporation	Suzhou Femtel Communications Co., Ltd.	Sales of network communication products and related software	100	100	Note 3
〃	Nanjing Femtel Communications Co., Ltd.	Research and development (R&D) of network communication products and related software	100	-	Note 3
Suzhou Femtel Communications Co., Ltd.	Nanjing Femtel Communications Co., Ltd.	Research and development (R&D) of network communication products and related software	-	100	Note 3

Note 1: The subsidiary was controlled by the Group so it was included in the consolidated financial statements.

Note 2: The Company injected capital into Sercomm Brazil Ltda. in the second quarter of 2023.

Note 3: The Group originally reinvested in Nanjing Femtel Commucations Co., Ltd. through Suzhou Femtel Communications Co., Ltd. However, in order to simplify the investment structure, Sernet (Suzhou) Technologies Corporation acquired 100% equity interests in Nanjing Femtel Commucations Co., Ltd. in the fourth quarter of 2023. On December 15, 2023, Suzhou Femtel Communications Co., Ltd. applied for deregistration with a public announcement.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured by using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within "other gains and losses."

B. Translation of foreign operations

The operating results and financial position of all the Group's entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;
(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with maturity within 12 months).

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in profit or loss.

(11) Impairment of financial assets

For financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Leasing arrangements (lessor)-operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(15) Investments accounted for using the equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of.

(16) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	31 ~ 58 years
Machinery and equipment	5 ~ 11 years
Research and development equipment	5 ~ 6 years
Office and other equipment	2 ~ 10 years
Leasehold improvements	3 ~ 10 years

(17) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease.Lease payments are fixed payments, less any lease incentives receivable.The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(18) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 15 years.

B. Internally generated intangible assets-research and development expenditures

(a) Research expenditures are recognised as an expense as incurred.

(b) Development expenditures that do not meet the following criteria are recognised as expenses as incurred, but are recognised as intangible assets when the following criteria are met:

i. It is technically feasible to complete the intangible asset so that it will be available for use or sale;

ii. An entity intends to complete the intangible asset and use or sell it;

iii. An entity has the ability to use or sell the intangible asset;

iv. It can be demonstrated how the intangible asset will generate probable future economic benefits;

v. Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

vi. The expenditure attributable to the intangible asset during its development can be reliably measured.

(c) Upon being available for use, internally generated intangible assets are amortised on a straight-line basis over their estimated useful life of 1-5 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

D. Patents

Patents are stated at cost and amortised on a straight-line basis over its estimated useful life of 5 years.

(19) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(21) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading, except for derivatives that are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(23) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

(24) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to'finance costs'over the period of circulation using the effective interest method.

C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

E. When bondholders exercise conversion options, the liability component of the bonds(including 'bonds payable' and'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(25) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expired.

(26) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(27) Hedge accounting

A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

B. The Group designates the cash flow hedge as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

C. Cash flow hedges

(a) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):

i. the cumulative gain or loss on the hedging instrument from inception of the hedge; and

ii. the cumulative change in fair value of the hedged item from inception of the hedge.

(b) The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognised in profit or loss.

(c) The amount that has been accumulated in the cash flow hedge reserve in accordance with item (a) is accounted for as follows:

i. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.

ii. For cash flow hedges other than those covered by item i. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

iii. If that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

(d) When the hedging instrument expires, or is sold, terminated, exercised or when the hedging relationship ceases to meet the qualifying criteria, if the forecast transaction is still expected to occur, the amount that has been accumulated in the cash flow hedge reserve shall remain in the cash flow hedge reserve until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(28) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(29) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(30) Employee share-based payments

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Company recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Company and the Company must refund their payments on the stocks, the Group recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in ‘capital surplus – restricted stock’.

(31) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(32) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(33) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Company's Board of Directors. Stock dividends are recorded as stock dividends to be distributed in the period in which they are resolved by the Company's shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(34) Revenue recognition

A. Revenue is recognised when control of the products has transferred, and the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

The Group uses five steps to determine the revenue recognition:

Step 1: Identify the contract.

Step 2: Identify the obligation in contract.

Step 3: Determine transaction price.

Step 4: Distribute transaction price to each obligation in contract.

Step 5: Recognise revenue when those obligations are satisfied.

B. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected payable to customers in relation to sales made until the end of the reporting period.

C. The Group's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.

D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(35) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(36) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation. For the details of evaluation of inventories, please refer to Note 6.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and revolving funds	$ 2,568	$ 3,003
Checking accounts and demand deposits	3,940,140	7,524,061
Time deposits	4,888,204	495,792
	$ 8,830,912	$ 8,022,856

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group's restricted deposits that were pledged as collateral for performance guarantee had been reclassified to 'financial assets at amortised cost'. Refer to Note 8 for details.

C. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets and liabilities at fair value through profit or loss

Assets	December 31, 2023	December 31, 2022
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificate	$ 1,150,000	$ -
Forward foreign exchange contract	39,346	-
Valuation adjustment	1,244	-
	$ 1,190,590	$ -
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bonds	$ 4,169	$ 4,169
Unlisted stocks	33,088	33,088
Valuation adjustment	(37,257)	(37,257)
	-	-
Embedded derivatives		
The embedded call options and put options in convertible bonds	4,616	-
	$ 4,616	$ -

Liabilities	December 31, 2023	December 31, 2022
Current items:		
Financial liabilities held for trading		
Forward foreign exchange contract	$ 1,097	$ -
Non-Current items		
Embedded derivatives		
The embedded call options and put options in convertible bonds	$ 17,400	$ 23,400

A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	Year ended December 31	
	2023	2022
Financial assets mandatory measured at fair value through profit or loss/ financial liabilities held for trading		
Embedded derivatives	$ 31,916	($ 2,700)
Beneficiary certificate	1,932	-
Forward foreign exchange contract	(45,064)	32,994
	($ 11,216)	$ 30,294

B. The Group entered into forward foreign exchange contracts to sell and buy various currency to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting. The summary of contracts not yet matured and entered into by the Group are as follows: (December 31, 2022: Nil)

	December 31, 2023		
	Currency	Contract period	Contract amount
Forward foreign exchange contracts	Buy USD/Sell VND	2023/06~2024/04	VND 41,810,197 thousand
Forward foreign exchange contracts	Buy USD/ Sell INR	2023/12~2024/01	INR 1,418,362 thousand
Forward foreign exchange contracts	Buy TWD/ Sell JPY	2023/12~2024/01	JPY 300,000 thousand
Forward foreign exchange contracts	Buy TWD/Sell USD	2023/12~2024/01	USD 49,500 thousand
Forward foreign exchange contracts	Buy TWD/Sell EUR	2023/12~2024/01	EUR 14,000 thousand

C. The Group's financial assets at fair value through profit or loss were not pledged to others as collateral.

D. Information relating to fair value of financial assets at fair value through profit or loss is provided in Note 12(3).

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

	December 31, 2023	December 31, 2022
Current items:		
Designation of equity instruments		
Listed stocks	$ -	$ 124,995
Valuation adjustment	-	15,232
	$ -	$ 140,227
Non-current items:		
Designation of equity instruments		
Unlisted stocks	$ 69,603	$ 69,603
Valuation adjustment	(44,883)	(45,442)
	$ 24,720	$ 24,161

A. The Group has elected to classify investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $24,720 and $164,388 as at December 31, 2023 and 2022, respectively.

B. Considering the financial strategy and market risk, the Group sold $154,026 and $48,639 of equity securities at fair value and resulted in $29,031 and $7,150 of gains on disposal in the second quarter of 2023 and the third quarter of 2022, respectively.

C. The Group derecognized the original investment cost in the second quarter of 2022 due to the dissolution of the invested company and transferred the loss to retained earnings amounted to $61,000.

D. Amounts recognised in other comprehensive income in relation to the equity instruments at fair value through other comprehensive income are listed below:

	Year ended December 31	
	2023	2022
Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	$ 14,358	($ 23,146)
Cumulative loss transfer to retained earnings due to dissolution	($ 29,031)	$ 53,850
Dividend income recognised in profit or loss		
Held at end of period	$ -	$ 11,080
Derecognised during the period	4,800	3,821
	$ 4,800	$ 14,901

E. The Group's financial assets at fair value through other comprehensive income were not pledged to others as collateral.

F. Information relating to fair value of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Hedging financial assets and liabilities

	December 31, 2023			
	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Cash flow hedges:				
Exchange rate risk				
Forward foreign exchange contract	$ 998	$ -	$ 32,490	$ 3,757

	December 31, 2022			
	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Cash flow hedges:				
Exchange rate risk				
Forward foreign exchange contract	$ 1,511	$ -	$ 132,274	$ -

A. Hedge accounting is applied to remove the accounting inconsistency between the hedging instrument and the hedged item. As the Group's EUR and GBP denominated accounts receivable, and USD denominated accounts payable are exposed to the impact of variable exchange rate, the Group uses forward foreign exchange contract of exposed risk with 1:1 hedge ratio to control the exchange rate risk under their acceptable range based on the Group's risk management policies.

B. Transaction information associated with the Group adopting hedge accounting is as follows:

December 31, 2023				
Hedged items	Derivative instruments designated as hedges	Fair value of instruments designated as hedges	Period of anticipated cash flow	Period of gain (loss) expected to be recognised in statements of comprehensive income
Forecast transaction	Forward foreign exchange contracts	($ 35,249)	2024/01~2025/02	2024/01~2025/02

December 31, 2022				
Hedged items	Derivative instruments designated as hedges	Fair value of instruments designated as hedges	Period of anticipated cash flow	Period of gain (loss) expected to be recognised in statements of comprehensive income
Forecast transaction	Forward foreign exchange contracts	($ 130,763)	2023/01~2024/02	2023/01~2024/02

C. Information of contracts not yet matured is as follows:

	December 31, 2023		
	Currency	Contract period	Contract amount
Forward foreign exchange contracts	Sell GBP / Buy USD	2022/12~2024/04	GBP 4,900 thousand
Forward foreign exchange contracts	Sell EUR / Buy USD	2023/03~2025/02	EUR 61,000 thousand

	December 31, 2022		
	Currency	Contract period	Contract amount
Forward foreign exchange contracts	Sell EUR / Buy USD	2022/10~2023/08	EUR 79,000 thousand
Forward foreign exchange contracts	Sell GBP / Buy USD	2022/10~2024/02	GBP 12,100 thousand

D. Cash flow hedge:

	2023	2022
Other equity – cash flow hedge reserve		
At January 1	($ 104,611)	$ -
Profit or loss on hedge effectiveness-amount recognised in other comprehensive income	(55,788)	37,214
Reclassified to profit or loss as the hedged item has affected profit or loss	56,192	(23,668)
Adjusted inventories as the hedged item has not been sold	65,223	(125,086)
Reclassified to profit or loss-forecast transaction is no longer expected to occur	10,783	6,929
At December 31	($ 28,201)	($ 104,611)

To hedge exposed exchange rate risk arising from forecast sales revenue and forecast purchase of inventory, the Group entered into a forward forecast sale agreement of EUR and GBP, or/and a forward forecast purchase agreement of USD, and the hedge ratio is 1:1. The effective portion with respect to the changes in the fair value of the hedging instruments is deferred to recognise in the cash flow hedge reserve, which is under other comprehensive income, and will be directly included in the sales revenue when the hedged items are subsequently recognised in accounts receivable; and will be directly included in the inventory when the hedge items are subsequently recognised in inventory.

E. Information relating to credit risk of hedging financial assets and liabilities is provided in Note 12(3).

(5) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	$ 78,138	$ 38,801
Accounts receivable	$ 11,560,200	$ 10,698,832
Less: Allowance for loss	(57,598)	(19,897)
	$ 11,502,602	$ 10,678,935

A. None of the Group's notes receivable are overdue. For the ageing analysis of the notes receivable and accounts receivable, please refer to Note 12(2).
The Group grants credit term to customers from 30 days to 210 days after the delivery date. Ageing analysis is conducted on the basis of the number of days overdue. Please refer to Note 12 for disclosures of credit risk and information on movement of impairment and analysis of accounts receivable.

B. As of December 31, 2023 and 2022, the balances of receivables (including notes receivable) were all from contracts with customers. And as of January 1, 2022, the total balance of receivables from contracts with customers amounted to $6,313,048 and loss allowance amounted to $13,450.

C. As of December 31, 2023 and 2022, without taking into account any other credit enhancements, the maximum hedge to credit risk in respect of the amount that best represents the Group's notes receivable and accounts receivable were $11,580,740 and $10,717,736, respectively.

(6) Transfer of financial assets

A. The Group entered into a factoring agreement with financial institutions to sell its accounts receivable. Under the agreement, the Group prepared an offering document of purchase. The offering document states that the factoring is without the right of recourse, and the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable, thus, the condition of financial asset derecognition is met.
The derecognised accounts receivable are summarised as follows:

December 31, 2023						
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate range of amount advanced
DBS Bank (Taiwan) Ltd.	$ 783,922 (USD 25,506,000)	$ 783,922	USD 73,313,000	$ 694,480 (USD 22,596,000)	$ 89,442	5.90%~5.95%
Taipei Fubon Commercial Bank	325,280 (USD 10,583,000)	325,280	USD 75,000,000	291,983 (USD 9,500,000)	33,297	5.98%
	$ 1,109,202	$ 1,109,202		$ 986,463	$ 122,739	

December 31, 2022						
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate range of amount advanced
DBS Bank (Taiwan) Ltd.	$ 1,124,029 (USD 36,604,000)	$ 1,124 ,029	USD 73,313,000	$ 918,169 (USD 29,900,000)	$ 205,860	5.14%~5.40%
Taipei Fubon Commercial Bank	1,841,570 (USD 59,970,000)	1,841,570	USD 54,000,000	1,653,905 (USD 53,859,000)	187,665	5.34%
Taishin International Bank	-	-	USD 1,700,000	-	-	-
	$ 2,965,599	$ 2,965,599		$ 2,572,074	$ 393,525	

B. As of December 31, 2023 and 2022, the amount that arose from factoring of accounts receivable but not yet received from banks in advance amounted to $122,739 and $393,525, respectively, which were reclassified as other receivables.

C. Information of the pledged assets due to above factoring agreements are provided in Note 9.

(7) Inventories

	December 31, 2023	December 31, 2022
Raw materials	$ 8,947,088	$ 7,734,012
Work in progress	1,449,115	1,479,412
Finished goods	6,884,618	7,163,431
Inventory in transit	252,476	466,908
	$ 17,533,297	$ 16,843,763

The cost of inventories recognised as expense for the period:

	Year ended December 31	
	2023	2022
Cost of goods sold	$ 51,585,592	$ 55,747,957
Write-downs of inventories to net realizable value	736,601	206,952
	$ 52,322,193	$ 55,954,909

(8) Investments accounted for using the equity method

	2023	2022
At January 1	$ 7,732	$ 4,240
Share of profit or loss of investments accounted for using the equity method	(726)	3,174
Effect of exchange rate changes	299	318
At December 31	$ 7,305	$ 7,732

The Group acquired 30% of the shares of the associated company, MECSware GmbH, whose principal place of business is in Germany, its net (loss) income for years ended December 31, 2023 and 2022 were ($2,419) and $10,582, respectively.

(9) Property, plant and equipment

	2023							
	Land	Buildings and structures	Machinery and equipment	Research and development equipment	Office and other equipment	Leasehold improvements	Unfinished construction	Total
January 1								
Cost	$ 1,454,778	$ 1,960,767	$ 3,030,820	$ 1,227,385	$ 1,425,528	$ 5,500	$ 156,664	$ 9,261,442
Accumulated depreciation	-	(490,132)	(2,090,341)	(913,116)	(835,834)	(3,796)	-	(4,333,219)
	$ 1,454,778	$ 1,470,635	$ 940,479	$ 314,269	$ 589,694	$ 1,704	$ 156,664	$ 4,928,223
At January 1	$ 1,454,778	$ 1,470,635	$ 940,479	$ 314,269	$ 589,694	$ 1,704	$ 156,664	$ 4,928,223
Additions	-	44,955	363,861	118,974	197,229	-	319,259	1,044,278
Reclassifications	-	153,693	51,005	2,562	(1,597)	-	(153,693)	51,970
Disposals	-	(36)	(42,488)	(356)	(3,384)	-	-	(46,264)
Depreciation charge	-	(56,123)	(239,858)	(115,596)	(181,921)	(884)	-	(594,382)
Net exchange differences	628	(8,842)	(3,066)	(843)	(892)	(11)	(2,971)	(15,997)
At December 31	$ 1,455,406	$ 1,604,282	$ 1,069,933	$ 319,010	$ 599,129	$ 809	$ 319,259	$ 5,367,828
December 31								
Cost	$ 1,455,406	$ 2,144,582	$ 3,156,407	$ 1,322,708	$ 1,590,085	$ 4,312	$ 319,259	$ 9,992,759
Accumulated depreciation	-	(540,300)	(2,086,474)	(1,003,698)	(990,956)	(3,503)	-	(4,624,931)
	$ 1,455,406	$ 1,604,282	$ 1,069,933	$ 319,010	$ 599,129	$ 809	$ 319,259	$ 5,367,828

	2022							
	Land	Buildings and structures	Machinery and equipment	Research and development equipment	Office and other equipment	Leasehold improvements	Unfinished construction	Total
January 1								
Cost	$ 1,307,662	$ 1,796,055	$ 2,697,668	$ 1,160,235	$ 1,226,648	$ 126,940	$ -	$ 8,315,208
Accumulated depreciation	-	(447,930)	(1,899,726)	(814,065)	(674,364)	(93,909)	-	(3,929,994)
	$ 1,307,662	$ 1,348,125	$ 797,942	$ 346,170	$ 552,284	$ 33,031	$ -	$ 4,385,214
At January 1	$ 1,307,662	$ 1,348,125	$ 797,942	$ 346,170	$ 552,284	$ 33,031	$ -	$ 4,385,214
Additions	7,653	65,397	196,256	84,632	203,994	-	156,664	714,596
Reclassifications	138,909	120,615	157,515	408	12,791	-	-	430,238
Disposals	-	(22,683)	(4,789)	(9)	(1,936)	-	-	(29,417)
Depreciation charge	-	(51,976)	(217,444)	(118,902)	(179,212)	(31,963)	-	(599,497)
Net exchange differences	554	11,157	10,999	1,970	1,773	636	-	27,089
At December 31	$ 1,454,778	$ 1,470,635	$ 940,479	$ 314,269	$ 589,694	$ 1,704	$ 156,664	$ 4,928,223
December 31								
Cost	$ 1,454,778	$ 1,960,767	$ 3,030,820	$ 1,227,385	$ 1,425,528	$ 5,500	$ 156,664	$ 9,261,442
Accumulated depreciation	-	(490,132)	(2,090,341)	(913,116)	(835,834)	(3,796)	-	(4,333,219)
	$ 1,454,778	$ 1,470,635	$ 940,479	$ 314,269	$ 589,694	$ 1,704	$ 156,664	$ 4,928,223

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(10) Leasing arrangements - lessee

A. The Group leases various assets including land, land use right, buildings and equipment. Lease agreements are typically made for periods of 2 to 40 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any restriction to the Group, but leased assets may not be used as collateral for borrowing, transfer, sublease and share purposes.

B. Short-term leases with a lease term of no more than 12 months include certain dormitories, business vehicles and premises.

C. The movements of right-of-use assets of the Group are as follows:

2023	Land	Land use right	Buildings	Machinery and equipment	Transportation equipment	Total
At January 1	$ -	$ 75,705	$ 391,999	$ 1,560	$ -	$ 469,264
Additions	5,796	-	39,893	-	1,104	46,793
Lease modifications	-	-	(9,302)	-	-	(9,302)
Depreciation charge	(1,895)	(2,760)	(122,453)	(453)	(307)	(127,868)
Net exchange differences	-	(1,366)	238	10	-	(1,118)
At December 31	$ 3,901	$ 71,579	$ 300,375	$ 1,117	$ 797	$ 377,769

2022	Land	Land use right	Buildings	Machinery and equipment	Transportation equipment	Total
At January 1	$ -	$ 77,083	$ 210,980	$ 1,839	$ -	$ 289,902
Additions	-	-	266,928	-	-	266,928
Lease modifications	-	-	19,164	132	-	19,296
Depreciation charge	-	(2,748)	(114,268)	(436)	-	(117,452)
Net exchange differences	-	1,370	9,195	25	-	10,590
At December 31	$ -	$ 75,705	$ 391,999	$ 1,560	$ -	$ 469,264

D. The information on income and expense accounts relating to lease agreements is as follows:

	Year ended December 31	
	2023	2022
Items affecting profit or loss		
Interest expense on lease liabilities	$ 5,546	$ 3,984
Expense on short-term lease contracts	31,896	69,594
Expense on leases of low-value assets	157	610
Losses from lease modification	121	336

E. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases amounted to $128,191 and $151,727, respectively.

(11) Intangible assets

	Computer software	Development expenditure	Goodwill	Patents	Total
January 1, 2023					
Cost	$ 979,188	$ 314,716	$ 46,458	$ 26,946	$ 1,367,308
Accumulated amortisation and impairment	(537,267)	(287,729)	(46,458)	(17,008)	(888,462)
	$ 441,921	$ 26,987	$ -	$ 9,938	$ 478,846
At January 1, 2023	$ 441,921	$ 26,987	$ -	$ 9,938	$ 478,846
Additions-acquired separately	91,781	-	-	2,653	94,434
Additions-from internal development	-	5,386	-	-	5,386
Amortisation charge	(163,747)	(32,373)	-	(3,877)	(199,997)
Net exchange differences	(198)	-	-	-	(198)
At December 31, 2023	$ 369,757	$ -	$ -	$ 8,714	$ 378,471
December 31, 2023					
Cost	$ 1,077,351	$ 320,102	$ 46,458	$ 29,258	$ 1,473,169
Accumulated amortisation and impairment	(707,594)	(320,102)	(46,458)	(20,544)	(1,094,698)
	$ 369,757	$ -	$ -	$ 8,714	$ 378,471

	Computer software	Development expenditure	Goodwill	Patents	Total
January 1, 2022					
Cost	$ 735,770	$ 299,096	$ 46,458	$ 24,140	$ 1,105,464
Accumulated amortisation and impairment	(400,158)	(261,499)	-	(13,713)	(675,370)
	$ 335,612	$ 37,597	$ 46,458	$ 10,427	$ 430,094
At January 1, 2022	$ 335,612	$ 37,597	$ 46,458	$ 10,427	$ 430,094
Additions-acquired separately	252,770	-	-	4,180	256,950
Additions-from internal development	-	15,620	-	-	15,620
Disposals	-	-	-	(267)	(267)
Impairment loss	-	-	(47,356)	-	(47,356)
Amortisation charge	(146,642)	(26,230)	-	(4,402)	(177,274)
Net exchange differences	181	-	898	-	1,079
At December 31, 2022	$ 441,921	$ 26,987	$ -	$ 9,938	$ 478,846
December 31, 2022					
Cost	$ 979,188	$ 314,716	$ 46,458	$ 26,946	$ 1,367,308
Accumulated amortisation and impairment	(537,267)	(287,729)	(46,458)	(17,008)	(888,462)
	$ 441,921	$ 26,987	$ -	$ 9,938	$ 478,846

A. Details of amortisation on intangible assets are as follows:

	Year ended December 31	
	2023	2022
Operating costs	$ 33,096	$ 27,217
Operating expenses	166,901	150,057
	$ 199,997	$ 177,274

B. Since the acquisition in 2015, rapid technological innovations keep changing the customer composition. Considering the marketing strategies, the Group assessed that the recoverable amount is $0, and recognised $47,356 of impairment loss for goodwill in 2022.

C. The Group has no intangible assets pledged to others as collateral.

(12) Short-term borrowings

Type of borrowings	December 31, 2023	December 31, 2022
Bank borrowings		
Unsecured borrowings	$ 429,925	$ 1,639,995
Interest rate range	2.9%~4.29%	0.00%~2.28%

(13) Bonds payable

	December 31, 2023	December 31, 2022
Bonds payable	$ 3,700,000	$ 3,700,000
Unsecured convertible bonds payable	4,591,600	3,000,000
Less: Discount on bonds payable	(321,810)	(175,992)
Less: Current portion corporate bonds due within one year	(2,300,000)	-
	$ 5,669,790	$ 6,524,008

A. The terms of the unsecured corporate bonds issued by the Company are as follows:

The Company issued the first domestic unsecured corporate bonds in 2020 and 2019 amounting to $1,400,000 and $2,300,000 based on the face value at an annual rate of 1% and 1.02%, respectively, as approved by the regulatory authority. Those bonds mature in 5 years from the issue date, and the periods are from July 17, 2020 to July 17, 2025 and July 26, 2019 to July 26, 2024, respectively. The bonds are listed on the Taipei Exchange and will be redeemed in cash at face value at the maturity date.

B. The issuance of domestic convertible bonds by the Company are as follows:

(a) The Company issued the sixth domestic unsecured convertible bonds in 2022 amounting to $3,000,000 based on the face value at an annual rate of 0%, as approved by the regulatory authority. The bonds mature in 5 years from the issue date, and the period is from May 17, 2022 to May 17, 2027. The bond is listed on the Taipei Exchange and will be redeemed in cash at face value at the maturity date.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and the conversion price at issuance was NT$ 100 (in dollars). The aforementioned conversion price had been reset as NT$95 (in dollars) according to the terms starting from April 19, 2023 (the effective date of price resetting). For the year ended December 31, 2023 , the amount that the bondholders applied to exercise was $1,408,400, the 14,825 thousand ordinary shares were exchanged and capital surplus had been increased by $1,192,970 due to the exercise of conversion options. As of December 31, 2023, the 10,599 thousand exchanged ordinary shares were shown as ‘advance receipts for share capital’ as the effective date of the capital increase was yet to be resolved by the Board of Directors.

(d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds’ face value in cash upon three years.

(e) The Company may repurchase all the bonds outstanding in cash at the bonds’ face value at any time after the following events occur: the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.

(f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued or re-sold and all rights and obligations attached to the bonds are also extinguished.

(g) Regarding the issuance of convertible bonds, the equity conversion options amounting to $209,400 were separated from the liability component and were recognised in ‘capital surplus-share options’ in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial liabilities at fair value through profit or loss’ in net amount of $20,700 in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. Convertible bonds were recorded at the fair value when issuing, and the discount amount of the bonds was $200,100. The effective interest rate of the bonds payable after such separation was 1.38 %.

C. The issuance of the seventh domestic unsecured convertible bonds by the Company are as follows:

(a) The Company issued the seventh domestic unsecured convertible bonds amounting to $3,000,000 based on the face value at an annual rate of 0%, as approved by the regulatory authority. The bonds mature in 5 years from the issue date, and the period is from December 6, 2023 to December 6, 2028. The bond is listed on the Taipei Exchange and will be redeemed in cash at face value at the maturity date.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and the conversion price at issuance was NT$145 (in dollars).

(d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value in cash upon three years.

(e) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.

(f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued or re-sold and all rights and obligations attached to the bonds are also extinguished.

(g) Regarding the issuance of convertible bonds, the equity conversion options amounting to $322,500 were separated from the liability component and were recognised in 'capital surplus-share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial liabilities at fair value through profit or loss' in net amount of $21,300 in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. Convertible bonds were recorded at the fair value when issuing, and the discount amount of the bonds was $253,800. The effective interest rate of the bonds payable after such separation was 1.77 %.

(14) Long-term borrowings(December 31, 2023：Nil.)

Type of borrowings	Borrowing period	December 31, 2022	Interest rate
Secured borrowings	Borrowing period is from December 22, 2021 to December 22, 2026	$ 687,120	2.06%~2.45%

A. In December 2021, the Group has entered a medium and long-term syndicated revolving credit facility agreement. The credit line was $1,700,000, which can be drawn down in installments, the duration of each loan drawn down is no longer than 180 days, if without any default, the Group may submit an application to the bank to draw down a new loan with principal equal to the original loan before its maturity, and the new loan is directly used to repay the original loan. The bank and the Group are not required to make remittances for such draw-down and repayment, which is considered that the Group has received the new loan on the maturity of original loan. Additionally, the Group had early terminated the above borrowing contract in December 2023 due to capital management.

B. The Group about the long-term borrowings that were secured is provided in Note 8.

(15) Pensions

A. Defined benefit plans

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) Amounts recognised in balance sheet is as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	$ 146,226	$ 145,815
Fair value of plan assets	(102,774)	(98,936)
Net defined benefit liabilities	$ 43,452	$ 46,879

(c) Change of net defined obligation is as follows:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit obligation
Year 2023			
January 1	$ 145,815	($ 98,936)	$ 46,879
Current service cost	313	-	313
Interest expense (income)	1,751	(1,187)	564
	147,879	(100,123)	47,756
Remeasurements:			
Experience adjustments	2,416	(513)	1,903
Pension fund contribution	-	(6,207)	(6,207)
Paid pension	(4,069)	4,069	-
December 31	$ 146,226	($ 102,774)	$ 43,452

	Defined benefit obligation	Fair value of plan assets	Net defined benefit obligation
Year 2022			
January 1	$ 150,547	($ 102,074)	$ 48,473
Current service cost	586	-	586
Interest expense (income)	1,054	(714)	340
	152,187	(102,788)	49,399
Remeasurements:			
Change in financial assumptions	(5,044)	-	(5,044)
Experience adjustments	15,852	(7,461)	8,391
	10,808	(7,461)	3,347
Pension fund contribution	-	(5,867)	(5,867)
Paid pension	(17,180)	17,180	-
December 31	$ 145,815	($ 98,936)	$ 46,879

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The assumptions of pensions are as follows:

	Year ended December 31	
	2023	2022
Discount rate	1.20%	1.20%
Future salary increases	3.00%	3.00%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

The effect to defined benefit obligation since changing of main actuarial assumptions is as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2023				
Effect to present value of defined benefit obligation	($ 2,265)	$ 2,335	$ 1,969	($ 1,923)
December 31, 2022				
Effect to present value of defined benefit obligation	($ 2,408)	$ 2,483	$ 2,115	($ 2,065)

The sensitivity analysis is based on other assumptions that are unchanged to analyse the effect of one assumption that changed. In practice, more than one assumption may change all at once. The method used to calculate the net pension liabilities in the balance sheet and sensitivity analysis is the same. The method used in the preparation of sensitivity analysis in the current period is the as same as in the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ended December 31, 2024 amount to $6,299.

(g) As of December 31, 2023, the weighted average duration of the pension plan is 7 years. The analysis of timing of the future pension payment was as follows:

Not later than 1 year	$ 31,996
1 to 2 years	12,647
2 to 5 years	36,330
More than 5 years	77,148
	$ 158,121

B. Defined contribution plans

(a) The Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's Mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The Group's other foreign subsidiaries contributed pension to the relevant pension authorities under local regulations.

(d) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were $336,653 and $284,622, respectively.

(16) Share-based payment

A. Certain employees of the Company are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

B. The arrangements of share-based payment for the years ended December 31, 2023 and 2022 are as follows:

Type of arrangement	Grant date	Grant quantity (in thousand)	Contract period	Vesting condition
Employee option plan	2015.05.27	10,000	10 years	(Note 1)
Employee option plan	2020.08.20	12,000	10 years	(Note 1)
Treasury share to employee plan	2023.03.09	1,100	N/A	Immediately vested
Employee option plan	2023.05.03	3,000	10 years	(Note 2)
The vesting conditions of restricted stocks to employees	2023.08.15	2,596	N/A	(Note 3)

(Note 1) The Company issues new shares when employees exercise options. The vesting period of option and exercisable ratio are as follows:

Vesting period of option	Accumulated ratio of exercisable stock option
After 2 years	50%
After 3 years	75%
After 4 years	100%

(Note 2) The Company issues new shares when employees exercise options. The vesting period of option and exercisable ratio are as follows:

Vesting period of option	Accumulated ratio of exercisable stock option
After 2 years	100%

(Note 3) The vesting conditions of restricted stocks to employees are the conditions for the service period and performance achievements.

The restricted stocks issued by the Group cannot be transferred during the vesting period, but voting right and dividend right are not restricted on these stocks. Employees are required to return the stocks but not required to return the dividends received if they resign during the vesting period.

C. Details of the share-based payment arrangements in 2015 are as follows:

	2022	
	No. of options (in thousand)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	530	$ 45.9
Options exercised	(530)	44.5
Options outstanding at December 31	-	-
Options exercisable at December 31	-	

The Company's share-based payment arrangements in 2015 were all exercised in 2022.

D. Details of the share-based payment arrangements in 2020 are as follows:

	2023		2022	
	No. of options (in thousand)	Weighted-average exercise price (in dollars)	No. of options (in thousand)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	6,124	$ 28.0	12,000	$ 28.9
Options exercised	(2,960)	26.6	(5,876)	28.0
Options outstanding at December 31	3,164	26.6	6,124	28.0
Options exercisable at December 31	164		124	

As at December 31, 2023 and 2022, the exercise prices of stock options outstanding was NT$26.6 (in dollars) and NT$28 (in dollars), respectively; the remaining contractual period was 6.6 years, and 7.6 years, respectively.

E. Details of the share-based payment arrangements in 2023 are as follows:

	2023	
	No. of options (in thousand)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	$ -
Options exercised	3,000	82.9
Options outstanding at December 31	3,000	82.9
Options exercisable at December 31	-	

As at December 31, 2023, the exercise prices of stock options outstanding was NT$82.9 (in dollars); the remaining contractual period was 9.3 years.

F. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2023 and 2022 was NT $122.6 (in dollars)and NT $81.7 (in dollars), respectively.

G. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars) (Note 1)	Expected price Volatility (Notes 2)	Expected option life (Note 4)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2015.5.27							
-After 2 years		$ 63.6	$ 57.6	27.79%	6.0 years	4.79%	1.17%	$ 9.15
-After 3 years		63.6	57.6	27.79%	6.5 years	4.79%	1.24%	9.26
-After 4 years		63.6	57.6	27.79%	7.0 years	4.79%	1.31%	9.34

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars) (Note 1)	Expected price Volatility (Notes 3)	Expected option life (Note 4)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2020.8.20							
-After 2 years		$ 74.7	$ 30	27.61%	6.0 years	3.88%	0.33%	$ 31.90
-After 3 years		74.7	30	27.84%	7.0 years	3.88%	0.35%	30.54
-After 4 years		74.7	30	27.50%	8.0 years	3.88%	0.36%	29.14

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars) (Note 1)	Expected price Volatility (Notes 3)	Expected option life (Note 4)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2023.5.3							
-After 2 years		$ 82.9	$ 82.9	29.71%	6.0 years	4.53%	1.12%	$ 13.55

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price Volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
The vesting conditions of restricted stocks to employees	2023.8.15	$ 114.0	$ 60.0	-	-	-	-	$ 54.00

Note 1:The exercise prices have been adjusted to reflect the change of outstanding shares (e.g., issuance of new shares for cash to increase capital, cash dividends, an appropriation of earnings, issuance of new shares in connection with merger or acquiring shares of other companies.) in accordance with the employee stock option plan.

Note 2:Expected price volatility is based on the historical average volatility of one year before valuation date. The source is from the Taiwan Stock Exchange.

Note 3:Expected price volatility is based on the recent historical average volatility of the stock prices coincident with expected life of each tranche of the stock options. The source is from the Taiwan Stock Exchange.

Note 4:The expected life of the share options is based on historical data and current expectations.

H. The Company transferred treasury shares to employees, the fair value of the award and its detailed information are as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Fair value per unit (in dollars)
Treasury share to employee plan	2023.03.09	$ 91.10	$ 77.71	$ 13.39

I. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31	
	2023	2022
Compensation cost of employee stock options	$ 209,404	$ 112,211

(17) Provisions for liabilities - current

	Warranty	Royalty	Total
At January 1, 2023	$ 236,268	$ 267,026	$ 503,294
Additional provisions	341,330	168,092	509,422
Utilisation/reversal during the period	(222,114)	(104,877)	(326,991)
Effect of exchange rate changes	(756)	-	(756)
At December 31, 2023	$ 354,728	$ 330,241	$ 684,969

	Warranty	Royalty	Total
At January 1, 2022	$ 134,160	$ 147,632	$ 281,792
Additional provisions	276,138	165,422	441,560
Utilisation/reversal during the period	(174,092)	(46,028)	(220,120)
Effect of exchange rate changes	62	-	62
At December 31, 2022	$ 236,268	$ 267,026	$ 503,294

A. Warranty

A provision for repairs and maintenance obligation is recognised for expected warranty claims on products sold, based on historical claims data and management’s judgement for future probable product repairs or replacement in next 12 months.

B. Royalty

The Group estimates the possible royalty expenses based on the industry characteristics, other known events and management’s judgement and recognises such expenses within ‘cost of goods sold’ when related product is sold. Any changes in industry circumstances might affect materially the provision for royalty.

(18) Share capital

A. The Company's authorized capital was all $5,000,000 as at December 31, 2023 and 2022, consisting of 500,000 thousand shares and the paid-in capital were $2,685,781 and $2,587,958, respectively, with par value of NT$10 (in dollars). All proceeds from shares issued have been collected.

The number of ordinary shares at the beginning and the end of the period is reconciled as below:

	2023 (in thousand)	2022 (in thousand)
At January 1	256,196	252,390
Exercise of employee stock options	2,960	6,406
Restricted stock awards	2,596	-
Conversion of convertible bonds	4,226	-
Transfer of treasury shares	1,100	2,400
Purchase of treasury shares	-	(5,000)
At December 31	267,078	256,196

B. In order to boost the Company's working capital, repay bank loans, enhance financial structure, purchase raw materials, and/or acquire funding needed for long-term development, the shareholders resolved in their meeting held on June 8, 2022 to raise capital by private placement of either issuing new ordinary shares or domestic/foreign convertible bonds. Private placement of the ordinary shares shall not exceed 50,000 thousand shares, and private placement of domestic/foreign convertible bonds shall not exceed $3,000,000 or US$100,000 thousand. Considering that the aforementioned capital increase was not processed within one year after the resolution date, the Company will no longer process the increase in capital as resolved by the Board of Directors on March 9, 2023.

C. The shareholders of the Company during their meeting on June 13, 2023 adopted a resolution to issue employee restricted ordinary shares of 6,000 thousand shares, which could be issued in several times. This issuance was approved by the Financial Supervisory Commission on July 24, 2023. The Board of Directors during their meeting on July 28, 2023 adopted a resolution to issue employee restricted ordinary shares with the effective date set on August 15, 2023. The subscription price is $60 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

D. Treasury stocks

(a) Reasons for the share repurchase and the number of the Company's treasury stocks are as follows:

		December 31, 2023	
Name of company holding the shares	Reason for repurchase	Number of shares (in thousand)	Carrying amount
The Company	To be transferred to employees	1,500	$ 119,517

		December 31, 2022	
Name of company holding the shares	Reason for repurchase	Number of shares (in thousand)	Carrying amount
The Company	To be transferred to employees	2,600	$ 207,165

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares repurchased as treasury stocks should not exceed 10% of the number of the Company's issued and outstanding shares and the amount of shares repurchased should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should not be pledged as collateral nor is entitled to shareholders' rights before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should be transferred to the employees within five years from the repurchase date and shares not transferred within the five-year period are to be retired.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of ordinary shares and donations can be used to offset accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to offset accumulated deficit unless the legal reserve is insufficient.

	2023							
	Additional paid-in capital in excess of par, ordinary share	Conversion premium of convertible corporate bonds	Treasury stock transactions	Employee stock options	Employee restricted stocks	Expired stock options	Convertible bond options	Total
At January 1	$ 884,932	$ 1,382,485	$ 28,949	$ 174,900	$ 25,934	$ -	$ 209,400	$ 2,706,600
Compensation cost of employee stock options	-	-	-	69,220	140,184	-	-	209,404
Employee stock options exercised	148,480	-	-	(99,232)	-	-	-	49,248
Restricted stock awards	269,984	-	-	-	(140,184)	-	-	129,800
Expired employee stock options	-	-	-	-	(25,934)	25,934	-	-
Issuance of convertible corporate bonds	-	-	-	-	-	-	322,500	322,500
Conversion of convertible bonds	-	1,291,276	-	-	-	-	(98,306)	1,192,970
Treasury stock transferred	-	-	12,562	(14,729)	-	-	-	(2,167)
At December 31	$ 1,303,396	$ 2,673,761	$ 41,511	$ 130,159	$ -	$ 25,934	$ 433,594	$ 4,608,355

	2022							
	Additional paid-in capital in excess of par, ordinary share	Conversion premium of convertible corporate bonds	Treasury stock transactions	Employee stock options	Employee restricted stocks	Changes in ownership interests in subsidiaries	Convertible bond options	Total
At January 1	$ 615,023	$ 1,382,485	$ 28,949	$ 208,545	$ 25,934	$ 8,628	$ -	$ 2,269,564
Compensation cost of employee stock options		-	-	112,211	-	-	-	112,211
Employee stock options exercised	269,909	-	-	(145,856)	-	-	-	124,053
Issuance of convertible corporate bonds	-	-	-	-	-	-	209,400	209,400
Disposal of subsidiaries	-	-	-	-	-	(8,628)	-	(8,628)
At December 31	$ 884,932	$ 1,382,485	$ 28,949	$ 174,900	$ 25,934	$ -	$ 209,400	$ 2,706,600

(20) Retained earnings

A. Under the Company's Articles of Incorporation adopted by the shareholders during their meeting, the current year's earnings, if any, shall first be used to pay all taxes and offset accumulated deficit and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve is equal to the amount of paid-in capital. After the provision or reversal of special reserve, the appropriation of the remaining earnings along with the unappropriated earnings of prior years and current adjustment on unappropriated earnings as distributable retained earnings. The distribution of all or part of dividends and bonuses shall be made by issuing new shares, which shall be approved by the shareholders. Distribution of earnings by way of cash dividends should be approved by Board of Directors and reported to shareholders in its meeting.

B. The policy for dividend distribution should consider level of current year earnings and stabilised dividend ratio to support the Company's steady growth, and should reflect factors such as current and future investment environment, fund requirements, domestic and international competition and capital expenditure budgets, as well as the benefit of stockholders, dividend equilibrium, and long-term financial planning etc. It may be paid in cash or in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

C. Except for offsetting accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1090150022 , dated March 31, 2021, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

(c) As of January 1, 2018, the amount of special reserve set aside for the first-time adoption of IFRSs amounted to $131,678. Furthermore, the Company did not reverse special reserve to retained earnings during the years ended December 31, 2023 and 2022 as a result of the use, disposal or reclassification of related assets. As of December 31, 2023 and 2022, the amount of special reserve set aside for the first-time adoption of IFRSs all amounted to $131,678.

E. (a) The appropriations of earnings of 2022 and 2021 as resolved by shareholders on June 13, 2023 and June 8, 2022, respectively, are as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve appropriated	$ 186,289		$ 86,059	
Special reserve appropriated	(16,182)		(27,429)	
Cash dividends	1,158,191	$ 4.50	605,735	$ 2.40

(b) Details of 2023 earnings appropriation proposed by the Board of Directors on March 5, 2024 are as follows:

	Year ended December 31, 2023	
	Amount	Dividends per share (in dollars)
Legal reserve appropriated	$ 241,381	
Special reserve appropriated	36,538	
Cash dividends	1,472,126	$ 5.00

Information about the appropriation of retained earnings of the Company as proposed by the Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Other equity items

	2023			
	Financial statements translation differences of foreign operations	Unrealised gains (losses) on financial assets at fair value through other comprehensive income	Cash flow hedge reserve	Total
At January 1	($ 531,189)	($ 17,537)	($ 104,611)	($ 653,337)
Currency translation differences:				
–Group	(98,279)	-	-	(98,279)
Revaluation – gross	-	14,358	-	14,358
Revaluation transferred to retained earnings	-	(29,031)	-	(29,031)
Gains (losses) on hedging instruments:				
-Gains (losses) on fair value	-	-	(69,735)	(69,735)
-Tax on fair value gains (losses)	-	-	13,947	13,947
-Transfers to sales of goods	-	-	70,240	70,240
-Tax on transfers to sales of goods	-	-	(14,048)	(14,048)
-Transfers to inventories	-	-	81,528	81,528
-Tax on transfers to inventories	-	-	(16,305)	(16,305)
-Ineffective hedging transfer to profit or loss	-	-	13,479	13,479
-Tax on ineffective hedging transfer to profit or loss	-	-	(2,696)	(2,696)
At December 31	($ 629,468)	($ 32,210)	($ 28,201)	($ 689,879)

	2022			
	Financial statements translation differences of foreign operations	Unrealised gains (losses) on financial assets at fair value through other comprehensive income	Cash flow hedge reserve	Total
At January 1	($ 633,478)	($ 36,041)	$ -	($ 669,519)
Currency translation differences:				
–Group	102,289	-	-	102,289
Revaluation – gross	-	(23,146)	-	(23,146)
Revaluation – tax	-	(12,200)	-	(12,200)
Revaluation transferred to retained earnings	-	53,850	-	53,850
Gains (losses) on hedging instruments:				
-Gains (losses) on fair value	-	-	46,518	46,518
-Tax on fair value gains (losses)	-	-	(9,304)	(9,304)
-Transfers to sales of goods	-	-	(29,585)	(29,585)
-Tax on transfers to sales of goods	-	-	5,917	5,917
-Transfers to inventories	-	-	(156,357)	(156,357)
-Tax on transfers to inventories	-	-	31,271	31,271
-Ineffective hedging transfer to profit or loss	-	-	8,661	8,661
-Tax on ineffective hedging transfer to profit or loss	-	-	(1,732)	(1,732)
At December 31	($ 531,189)	($ 17,537)	($ 104,611)	($ 653,337)

(22) Operating revenue

A. Disaggregation of revenue from contracts with customers

Sales revenue is recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group derives revenue from the transfer of goods at a point in time in the following major product lines:

	Year ended December 31	
	2023	2022
Fixed mobile convergence products (BB CPE)	$ 40,158,735	$ 41,864,871
Enterprise (ENT)	14,776,198	13,952,660
IoT Solutions (Infra. & IoT)	5,890,090	7,022,199
Others	1,759,470	1,733,990
	$ 62,584,493	$ 64,573,720

B. Contract liabilities

Contract liabilities recognised by the Group as a result of revenue from contracts with customers are as follows:

	December 31, 2023	December 31, 2022	January 1, 2022
Sales contract	$ 751,271	$ 681,606	$ 219,152

(a) Significant changes in contract liabilities

For the year ended December 31, 2023 and 2022, the change in the Group's contract liabilities were due to the customer's operation changes with industrial needs, the timing difference between the prepayments made according to the contract and the Group's performance obligations satisfied.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period

	Year ended December 31	
	2023	2022
Sales contract	$ 650,863	$ 217,269

C. Refund liabilities

Sales revenue is recognised based on contract price net of sales discounts and allowances. The merchandise is often sold with sales discounts and allowances based on aggregate sales over a 12-month period. Historical experience is used to estimate and provide for the sales discounts and allowances, using the most possible amount, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date.

A refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The payment terms for sales are normally 30 to 210 days after delivery. The time between the transfer of promised goods or services to the client and collection of payment does not exceed one year. The Group does not adjust the transaction price to reflect the time value of money.

	December 31, 2023	December 31, 2022
Refund labilities	$ 369,661	$ 325,960

(23) Other income

	Year ended December 31	
	2023	2022
Government grants	$ 7,140	$ 7,925
Dividend income	5,427	14,901
Rental income	2,088	2,942
Income from an ad-hoc tax refund	-	5,132
Others	4,139	10,802
	$ 18,794	$ 41,702

(24) Other gains and losses

	Year ended December 31	
	2023	2022
Net (losses) gains on financial assets/liabilities at fair value through profit or loss	($ 11,216)	$ 30,294
Net currency exchange gains	8,051	4,998
and equipment	359	(22,938)
Losses from lease modification	(121)	(336)
Losses on disposals of intangible assets	-	(267)
Losses arising from lease modifications	-	-
Impairment loss on goodwill	-	(47,356)
Gains on disposals of investment	-	10,356
Others	(3,411)	(7,370)
	($ 6,338)	($ 32,619)

(25) Finance costs

	Year ended December 31	
	2023	2022
Interest expense		
-Bank borrowing	$ 178,165	$ 106,900
-Bonds payable	78,264	61,568
-Lease contracts	5,546	3,984
-Short-term notes and bills payable	-	1,135
-Others	27	3
	$ 262,002	$ 173,590

(26) Additional information of expenses by nature

	Year ended December 31	
	2023	2022
Employee benefit expense	$ 5,762,623	$ 5,377,137
Depreciation charges on property, plant and equipment	594,382	599,497
Amortisation charges on intangible assets	199,997	177,274
Depreciation charges on right-of-use assets	127,868	117,452
	$ 6,684,870	$ 6,271,360

(27) Employee benefit expense

	Year ended December 31	
	2023	2022
Wages and salaries	$ 4,744,298	$ 4,507,431
Pension costs	337,530	285,548
Labor and health insurance fees	194,742	184,228
Directors' remuneration	50,174	48,144
Compensation cost of employee stock options	209,404	112,211
Other personnel expenses	226,475	239,575
	$ 5,762,623	$ 5,377,137

A. According to the Articles of Incorporation, 12%-18% of profit of the current year is distributable as employees' compensation and no higher than 2.5% of profit of the current year is distributable as remuneration to directors. Qualification requirements of employees include the employees of subsidiaries or controlled entities of the Company meeting certain specific requirements. If the Company has an accumulated deficit, earnings should be reserved to offset deficit first. Independent directors do not participate in the abovementioned distribution of directors' remuneration.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at $545,400 and $428,210, respectively; directors' remuneration was accrued at $39,600 and $39,790, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2023, the employees' compensation and directors' remuneration were estimated and accrued based on 15.65% and 1.14%, respectively, of distributable profit of current year.

The 2022 employees' compensation and directors' remuneration as resolved by the Board of Directors amounted to $428,210 and $39,790, respectively. Also, there was no difference between with such amounts and those shown in the 2022 financial statements. The employees' compensation and directors' remuneration will be distributed in the form of cash.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2023	2022
Current tax:		
Current tax on profits for the period	$ 929,664	$ 476,846
Tax on undistributed earnings	14,660	5,788
Prior year income tax underestimation	7,040	6,839
Total current tax	951,364	489,473
Deferred tax:		
Origination and reversal of temporary differences	(352,122)	(109,802)
Origination and reversal of tax losses	-	21,152
Total deferred tax	(352,122)	(88,650)
Income tax expense	$ 599,242	$ 400,823

(b) Income tax (credit) charge relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2023	2022
Profit or loss of hedging instruments in cash flow hedge	($ 19,102)	$ 26,152
Changes in fair value of financial assets at fair value through other compressive income	-	(12,200)
Remeasurement of defined benefit obligations	381	669
	($ 18,721)	$ 14,621

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 746,192	$ 566,750
Expenses disallowed by tax regulation	33,026	34,341
Tax exempt income by tax regulation	(89,464)	(110,762)
Prior year income tax underestimation	7,040	6,839
Effect from investment tax credits	(102,588)	(175,709)
Tax on remittance of overseas earnings	14,739	55,067
Change in assessment of realisation of deferred tax assets	(24,363)	18,509
Surtax on unappropriated retained earnings	14,660	5,788
Income tax expense	$ 599,242	$ 400,823

Note: The basis of the applicable tax rate is calculated based on the applicable tax rate of the relevant country.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2023				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Translation Differences	December 31
Deferred tax assets:					
Temporary differences					
Unrealised bonus and other expenses	$ 246,764	$ 256,317	$ -	($ 1,570)	$ 501,511
Provisions for liabilities	101,764	36,046	-	(161)	137,649
Unrealised inventory loss	58,175	42,639	-	(1,165)	99,649
Refund liabilities	65,192	8,740	-	-	73,932
Unrealised foreign exchange loss	1,118	20,263	-	4	21,385
Unrealised loss on financial assets at fair value	14,046	5,843	-	-	19,889
Interest from unrealised convertible bonds	-	12,983	-	-	12,983
Net defined benefit liabilities	9,376	(1,066)	381	-	8,691
Unrealised loss on hedging instruments	26,152	-	(19,102)	-	7,050
Unrealised sales discount and allowance	24,261	(18,711)	-	6	5,556
Unrealised profit from sales of subsidiaries	-	3,049	-	-	3,049
Other	11,888	(9,781)	-	10	2,117
Tax losses	3,677	-	-	4	3,681
Subtotal	562,413	356,322	(18,721)	(2,872)	897,142
Deferred tax liabilities:					
Temporary differences					
Income from investment accounted for using equity method	(243,417)	(49,815)	-	144	(293,088)
Gain on financial assets at fair value		(7,527)	-	-	(7,527)
Unrealised foreign exchange gain	(50,886)	46,598	-	1,189	(3,099)
Tax difference from depreciation	(1,553)	62	-	26	(1,465)
Tax difference from research development expenditure	(6,475)	6,475	-	-	-
Other	(7)	7	-	-	-
Subtotal	(302,338)	(4,200)	-	1,359	(305,179)
Total	$ 260,075	$ 352,122	($ 18,721)	($ 1,513)	$ 591,963

	2022				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Translation Differences	December 31
Deferred tax assets:					
Temporary differences					
Unrealised bonus and other expenses	$ 164,068	$ 81,486	$ -	$ 1,210	$ 246,764
Provisions for liabilities	56,611	45,138	-	15	101,764
Unrealised inventory loss	64,122	(6,504)	-	557	58,175
Refund liabilities	51,687	13,505	-	-	65,192
Unrealised exchange losses	3,397	(2,288)	-	9	1,118
Unrealised loss on financial assets at fair value	24,950	1,296	(12,200)	-	14,046
Net defined benefit liabilities	9,694	(987)	669	-	9,376
Unrealised loss on hedging instruments	-	-	26,152	-	26,152
Unrealised sales discounts and allowances	19,372	4,553	-	336	24,261
Impairment loss on goodwill	-	8,601	-	(13)	8,588
Expected credit loss	2,491	(84)	-	41	2,448
Other	1,524	(690)	-	18	852
Tax losses	23,043	(21,152)	-	1,786	3,677
Subtotal	420,959	122,874	14,621	3,959	562,413
Deferred tax liabilities:					
Temporary differences					
Income from investment accounted for using equity method	(249,351)	15,598	-	(9,664)	(243,417)
Unrealised foreign exchange gain	-	(51,131)	-	245	(50,886)
Tax difference from depreciation	(1,753)	258	-	(58)	(1,553)
Tax difference from research development expenditure	(7,520)	1,045	-	-	(6,475)
Unrealised gain on hedging instruments	-	-	-	-	-
Other	(25)	6	-	12	(7)
Subtotal	(258,649)	(34,224)	-	(9,465)	(302,338)
Total	$ 162,310	$ 88,650	$ 14,621	($ 5,506)	$ 260,075

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2023					
Region	Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
Americas	2018-2019	$ 135,617	$ 89,125	$ 15,039	Note

December 31, 2022					
Region	Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
Mainland China	2017	$ 19,938	$ 6,175	$ 1,544	2027
Americas	2018-2019	135,498	109,907	19,407	Note

Note: Under the regulations of the country where the overseas subsidiaries are located, tax losses can be applied to taxable profit in the succeeding years with no limitation on times.

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	Year ended December 31	
	2023	2022
Deducible temporary differences	$ 137,817	$ 116,278

F. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2023 and 2022, the amounts of temporary difference unrecognised as deferred tax liabilities were $1,024,866 and $920,176, respectively.

G. Assessment and approval of income tax returns by the Tax Authority:

	Latest year assessment by Tax Authority
The Company	2020
Sercomm Investment Corp.	2021

H. The Group's exposure to Pillar Two income taxes arising from the Pillar Two legislation is as follows:

(a) The Group is within the scope of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). However, no Pillar Two legislation was enacted in the place where the Group was incorporated as of December 31, 2023.

(b) Under the Pillar Two legislation, the Group is liable to pay a top up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate.

(c) For 2023, due to the application for tax incentives, the average effective tax rate calculated in accordance with IAS 12 of subsidiaries operating in jurisdiction Mainland China and the Philippine was 7.4% and 0.6%, income tax expense was $16,045 and $1,148, and accounting profit was $217,873 and $183,172, respectively. However, due to the complexities in applying the legislation and calculating GloBE income, the average effective tax rates of the subsidiaries in the above jurisdictions were affected by specific adjustments envisaged in the Pillar Two legislation after Mainland China and the Philippines enacted the legislation, which give rise to different effective tax rates compared to those calculated in accordance with IAS 12, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. The Group will continue to track the related matters applicable to the Pillar Two legislation and assess its impact.

(29) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 2,386,305	260,359	$ 9.17
Diluted earnings per share			
Dilutive effect of potential ordinary shares			
Employee stock options	-	3,989	
Conversion of convertible bonds		1,347	
Employees' compensation	-	4,916	
Treasury stocks	-	440	
Profit attributable to owners of the parent plus dilutive effect of potential ordinary shares	$ 2,386,305	271,051	$ 8.80

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 1,919,423	253,558	$ 7.57
Diluted earnings per share			
Dilutive effect of potential ordinary shares			
Employee stock options	-	5,986	
Employees' compensation	-	6,126	
Treasury stocks	-	14	
Profit attributable to owners of the parent plus dilutive effect of potential ordinary shares	$ 1,919,423	265,684	$ 7.22

A. The convertible bonds issued by the Company in 2023 have an anti-dilution effect, so they are not listed on diluted earnings per share from the year ended December 31, 2023.

B. The convertible bonds issued by the Company in 2022 have an anti-dilution effect, so they are not listed on diluted earnings per share from the year ended December 31, 2022.

C. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issuance.

(30) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31 2023	Year ended December 31 2022
Purchase of property, plant and equipment	$ 1,096,248	$ 1,144,834
Add: Ending balance of advance payment	104,618	105,883
Less: Opening balance of advance payment	(105,883)	(486,609)
Add: Opening balance of payable for equipment or other payables	66,328	60,283
Less: Ending balance of payable for equipment or other payables	(150,838)	(66,328)
Cash paid during the period	$ 1,010,473	$ 758,063
Purchase of intangible assets	$ 99,820	$ 272,570
Add: Ending balance of advance payment	44,475	34,269
Less: Opening balance of advance payment	(34,269)	(258,736)
Add: Opening balance of payable for equipment or other payables	2,409	30,342
Less: Ending balance of payable for equipment or other payables	(2,472)	(2,409)
Cash paid during the period	$ 109,963	$ 76,036

(31) Changes in liabilities from financing activities

2023

	Short-term borrowings	Long-term borrowings	Guarantee deposits received (Note 2)	Lease liabilities	Short-term notes and bills payable	Bonds payable	Liabilities from financing activities-gross
At January 1	$ 1,639,995	$ 687,120	$ 34,100	$ 262,338	$ -	$ 6,524,008	$ 9,147,561
Changes in cash flow from financing activities	(1,203,425)	(687,120)	993,401	(90,592)	-	3,090,000	2,102,264
Interest paid (Note 1)	-	-	-	(5,546)	-	-	(5,546)
Impact of changes in foreign exchange rate	(6,645)	-	(516)	(1,704)	-	-	(8,865)
Changes in other non-cash items	-	-	-	43,158	-	(1,644,218)	(1,601,060)
At December 31	$ 429,925	$ -	$ 1,026,985	$ 207,654	$ -	$ 7,969,790	$ 9,634,354

2022

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Short-term notes and bills payable	Bonds payable	Liabilities from financing activities-gross
At January 1	$ 2,655,946	$ 1,327,920	$ 42,965	$ 59,813	$ 553,135	$ 3,700,000	$ 8,339,779
Changes in cash flow from financing activities	(1,050,850)	(640,800)	(9,637)	(77,539)	(559,753)	3,030,000	691,421
Interest paid (Note 1)	-	-	-	(3,984)	(1,135)	-	(5,119)
Impact of changes in foreign exchange rate	34,899	-	772	(6,496)	-	-	29,175
Changes in other non-cash items	-	-	-	290,544	7,753	(205,992)	92,305
At December 31	$ 1,639,995	$ 687,120	$ 34,100	$ 262,338	$ -	$ 6,524,008	$ 9,147,561

Note 1: Shown in 'Cash flows from operating activities'.

Note 2: Including guarantee deposits received with maturity within one year, and shown in 'Other current liabilities, others'.

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Year ended December 31	
	2023	2022
Short-term employee benefits	$ 273,387	$ 219,217
Post-employment benefits	1,570	1,511
Share-based payments	62,821	33,663
	$ 337,778	$ 254,391

8. PLEDGED ASSETS

The Group's assets pledged at book value are as follows:

Pledged asset	December 31, 2023	December 31, 2022	Purpose
Property, plant and equipment	$ -	$ 1,971,596	Long-term bank secured borrowings
Financial assets measured at amortised cost	105,855	210,294	Bank acceptance bill guarantee, custom duty guarantee and performance guarantee
Guarantee deposits paid	35	117,386	Performance guarantee
	$ 105,890	$ 2,299,276	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

A. The Company has entered into an agreement with an overseas customer. The agreement provided that the overseas customer was required to pay a fee toward specified items prescribed in the agreement and the Company shall be liable for any third party infringement claims. The amount received has been deposited in a trust fund set up by the Company. The Company recognised the trust fund as other non-current financial assets and other current liabilities.

	December 31, 2023	December 31, 2022
Non-current financial assets measured at amortised cost	$ 72,822	$ 71,756
Other current liabilities	57,811	57,811

As of December 31, 2023 and 2022, the accumulated interest of the trust fund assets was recognised as 'non-current financial assets measured at amortised cost' in the amounts of $15,011 and $13,945, respectively.

B. To stabilise the supply of raw materials, the Group and a supplier signed a long-term supply contract whereby the Group shall pay performance guarantee of USD 3,708 thousand (shown as guarantee deposits paid $103,252). If the Group achieves the agreed purchase amount every year, the guarantee can be recovered year by year in proportion to the number of years achieved.

C. As of December 31, 2023, the amount of contracted but not yet paid commitments for the purchase of equipment、computer software and construction in progress was $379,339.

D. The amounts of performance letters of guarantee issued by banks for shipment guarantee are as follows:

	December 31, 2023	December 31, 2022
USD (in thousands)	$ 11,336	$ 14,090
RMB (in thousands)	3,500	2,000
EUR (in thousands)	800	800

E. The amounts of promissory notes issued by banks for factoring accounts receivable and bank borrowing are as follows:

	December 31, 2023	December 31, 2022
NTD	$ 5,120,000	$ 5,070,000
USD (in thousands)	307,013	288,413

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. For the appropriations of earnings of 2023 resolved by the Board of Directors, please refer to Note 6(20) for details.

B. In accordance with Article 18 of the Company's issuance of the sixth domestic unsecured convertible bonds terms, on January 23, 2024, the Company exercised the call options on the corporate bonds during the periods from February 1, 2024 to March 1, 2024. The redeemed price was 100% of the face value of the bond. The effective date for redemption was set on March 1, 2024 and the corporate bond transactions on the Taipei Exchange were set to be terminated on March 4, 2024. As of February 16, 2024, the corporate bonds were cumulatively converted amounting to $2,628,700 and the ordinary shares had been issued in the amount of 27,670 thousand shares.

12. OTHERS

(1) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss	$ 1,195,206	$ -
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 24,720	$ 164,388
Financial assets at amortised cost		
Loans and receivables		
Cash and cash equivalents	$ 8,830,912	$ 8,022,856
Financial assets measured at amortised cost	178,677	282,050
Notes receivable, net	78,138	38,801
Accounts receivable, net	11,502,602	10,678,935
Other receivables	445,590	739,670
Guarantee deposits paid	163,010	164,593
	$ 21,198,929	$ 19,926,905
Financial assets for hedging	$ 998	$ 1,511

	December 31, 2023	December 31, 2022
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	$ 1,097	$ -
Embedded derivatives	17,400	23,400
	$ 18,497	$ 23,400
Financial liabilities at amortised cost		
Short-term borrowings	$ 429,925	$ 1,639,995
Notes payable	636,314	847,397
Accounts payable	16,372,388	17,929,493
Other payables	4,843,532	4,055,230
Bonds payable (including current portion)	7,969,790	6,524,008
Long-term borrowings	-	687,120
Guarantee deposits received (including current portion)	1,026,985	34,100
	$ 31,278,934	$ 31,717,343
Lease liability (including current portion)	$ 207,654	$ 262,338
Financial liabilities for hedging	$ 36,247	$ 132,274

B. Financial risk management policies

(a) The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

(b) The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(c) To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments. Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Notes 6(2) and (4).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and EUR. Exchange rate risk arises from future commercial transactions and recognized assets and liabilities.

ii. The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria.

iii. The Group's risk management policy is to hedge anticipated cash flows from sales in EUR and GBP, and purchase in USD.

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, EUR and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023			
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)
Financial assets				
Monetary items				
USD:NTD	$	447,726	30.74	$ 13,763,097
USD:PHP		168,088	55.57	5,167,025
USD:RMB		125,469	7.09	3,856,917
EUR:NTD		17,845	34.01	606,908
USD:JYP		17,624	141.44	541,762
Non-monetary items				
USD:NTD	$	7,807	30.74	$ 240,000
Investments accounted for using the equity method				
EUR:NTD	$	215	34.01	7,305
Financial liabilities				
Monetary items				
USD:NTD	$	385,465	30.74	$ 11,849,194
USD:PHP		271,060	55.57	8,332,384
USD:RMB		223,260	7.09	6,863,012
USD:INR		62,629	83.18	1,925,215
USD:JYP		18,755	141.44	576,529

	December 31, 2022			
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)
Financial assets				
Monetary items				
USD:NTD	$	392,932	30.71	$ 12,066,942
USD:PHP		145,160	55.71	4,457,864
USD:RMB		214,371	6.95	6,583,333
EUR:NTD		22,120	32.71	723,545
Non-monetary items				
USD:NTD	$	16,750	30.71	$ 514,400
Investments accounted for using the equity method				
EUR:NTD	$	236	32.71	$ 7,732
Financial liabilities				
Monetary items				
USD:NTD	$	346,797	30.71	$ 10,650,136
USD:PHP		266,280	55.71	8,177,459
USD:RMB		205,888	6.95	6,322,820
USD:INR		37,777	82.73	1,160,132
EUR:NTD		25,000	32.71	817,750

v. It is not applicable to disclose the exchange gains or losses for each functional currency because the functional currencies used by the Group's entities are diverse.

vi. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022 amounted to $8,051 and $4,998, respectively.

vii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	For the year ended December 31, 2023		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 137,631	$ -
USD:PHP	1%	51,670	-
USD:RMB	1%	38,569	-
EUR:NTD	1%	6,069	-
USD:JYP	1%	5,418	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 118,492	$ -
USD:PHP	1%	83,324	-
USD:RMB	1%	68,630	-
USD:INR	1%	19,252	-
USD:JYP	1%	5,765	-

	For the year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 120,669	$ -
USD:PHP	1%	44,579	-
USD:RMB	1%	65,833	-
EUR:NTD	1%	7,235	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 106,501	$ -
USD:PHP	1%	81,775	-
USD:RMB	1%	63,228	-
USD:INR	1%	11,601	-
EUR:NTD	1%	8,178	-

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

ii. The Group's investments in equity and debt securities comprise shares issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity and debt securities had increased/decreased by 1% with all other variables held constant, post-tax profit For the years ended December 31, 2023 and 2022 would have increased/decreased by $11,512 and $0, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other comprehensive income would have increased/decreased by $247 and $1,644, respectively.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Except for the Group's borrowings denominated in New Taiwan dollars were at variable rate as of December 31 2022, others were all at fixed rate.

ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax, for the years ended December 31, 2023 and 2022 would have increased/decreased by $0 and $18,617, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at fair value through profit or loss and financial assets at amortised cost.

ii. Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customers' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

iii. Credit risk from balances with banks and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions with high credit rating.

iv. The Group assesses whether there is any evidence that the credit risk of financial instruments has been significantly increased after initial recognition based on the historical experience. If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 270 days.

v. The following indicators are used to determine whether the credit impairment of financial assets has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) Default.

vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using provision matrix or loss rate methodology to estimate expected credit loss.

vii. The Group used the forecast ability of Taiwan Institute of Economic Research report to adjust historical and timely information to assess the default possibility of notes and accounts receivable. As of December 31, 2023 and 2022, the provision matrix are as follows:

December 31, 2023	Without past due	Up to 1-90 days	Up to 91 to 180 days	Up to 181 to 270 days	Over 271 days	Total
Group 1						
Expected loss rate	0.67%	9.02%	38.76%	74.39%	100.00%	
Total book value	$ 8,671,977	$ 876,682	$ 269,190	$ 12,428	$ 8,505	$ 9,838,782
Loss allowance	$ 58,445	$ 79,117	$ 104,345	$ 9,245	$ 8,505	$ 259,657
Group 2						
Expected loss rate	1.02%	2.63%	-	28.57%	100.00%	
Total book value	$ 1,792,130	$ 6,209	$ -	$ 63	$ 1,154	$ 1,799,556
Loss allowance	$ 18,360	$ 163	$ -	$ 18	$ 1,154	$ 19,695
Total book value	$ 10,464,107	$ 882,891	$ 269,190	$ 12,491	$ 9,659	$11,638,338
Loss allowance	$ 76,805	$ 79,280	$ 104,345	$ 9,263	$ 9,659	$ 279,352

December 31, 2022	Without past due	Up to 1-90 days	Up to 91 to 180 days	Up to 181 to 270 days	Over 271 days	Total
Group 1						
Expected loss rate	0.81%	5.51%	19.74%	37.55%	100%	
Total book value	$ 9,474,660	$ 548,790	$ 69,096	$ 87,515	$ 6,155	$10,186,216
Loss allowance	$ 77,149	$ 30,259	$ 13,641	$ 32,866	$ 6,155	$ 160,070
Group 2						
Expected loss rate	0.44%	7.41%	-	-	100%	
Total book value	$ 538,365	$ 12,976	$ -	$ -	$ 76	$ 551,417
Loss allowance	$ 2,356	$ 961	$ -	$ -	$ 76	$ 3,393
Total book value	$ 10,013,025	$ 561,766	$ 69,096	$ 87,515	$ 6,231	$10,737,633
Loss allowance	$ 79,505	$ 31,220	$ 13,641	$ 32,866	$ 6,231	$ 163,463

Note: Customer types that are classified based on the Group's credit risk management policy are as follows:

Group 1: The credit risk of customers has been insured by professional insurance companies.

Group 2: The credit risk of customers has not been insured by professional insurance companies.

Considering that the accounts receivable are insured, the Group did not recognise the impairment loss amounting to $221,754 and $143,566 as of December 31, 2023 and 2022, respectively.

viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2023	2022
At January 1	$ 19,897	$ 13,450
Provision for impairment	38,265	6,601
Write-offs	(203)	(331)
Effect of exchange rate changes	(361)	177
At December 31	$ 57,598	$ 19,897

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

ii. The Group invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2023	December 31, 2022
Floating rate:		
Expiring within one year	$ 13,941,343	$ 13,565,054
Expiring beyond one year	-	1,012,880
	$ 13,941,343	$ 14,577,934

iv. The Group's non-derivative financial liabilities were analysed based on the remaining period at the balance sheet date to the contractual maturity date, derivative financial liabilities were analysed based on the fair value on balance sheet date.

Except that the contractual undiscounted cash flows of notes payable, accounts payable, other payables and forward foreign exchange contracts are approximately equal to its book value and mature within one year, the contractual undiscounted cash flows of remaining financial liabilities are disclosed in the following table:

December 31, 2023	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Short-term borrowings	$ 434,213	$ -	$ -	$ -
Lease liabilities	71,356	52,521	93,224	-
Bonds payable	2,327,369	1,407,556	4,591,600	-

December 31, 2022	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Short-term borrowings	$ 1,640,659	$ -	$ -	$ -
Lease liabilities	81,115	62,309	115,845	13,354
Bonds payable	37,460	2,327,240	4,407,556	-
Long-term borrowings	16,437	16,016	718,801	-

The Group did not expect the occurrence timing of cash flow of expiry date analysis would be significantly earlier, or the actual amount would significantly differ.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in certain derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in convertible corporate bonds and equity investment without active market are included in Level 3.

B. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current assets, financial assets measured at amortised cost, short-term borrowings, notes payable, accounts payable, other payables, other current liabilities and long-term borrowings are approximate to their fair values.

	December 31, 2023			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 7,969,790	$ -	$ 7,934,637	$ -

	December 31, 2022			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 6,524,008	$ -	$ 6,422,458	$ -

(b) Bonds payable: They are measured at present value, which is calculated based on the cash flow expected to be paid and discounted using a market rate prevailing at balance sheet date.

C. Financial instruments and non-financial instruments measured at fair value

(a) The related information of the assets and liabilities classified into the three levels is as follows:

As at December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 1,151,244	$ -	$ -	$ 1,151,244
Forward foreign exchange contracts		39,346	-	39,346
Financial assets for hedging				
Forward foreign exchange contracts	-	998	-	998
Financial assets at fair value through other comprehensive income				
Unlisted stocks	-	-	24,720	24,720
Embedded derivatives				
Convertible bonds payable include call options and put options	-	4,616	-	4,616
	$ 1,151,244	$ 44,960	$ 24,720	$ 1,220,924

As at December 31, 2023	Level 1	Level 2	Level 3	Total
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	$ -	$ 1,097	$ -	$ 1,097
Financial liabilities for hedging				
Forward foreign exchange contracts	-	36,247	-	36,247
Embedded derivatives				
Convertible bonds payable include call options and put options	-	17,400	-	17,400
	$ -	$ 54,744	$ -	$ 54,744

	Level 1	Level 2	Level 3	Total
As at December 31, 2022				
Assets				
Recurring fair value measurements				
Financial assets for hedging				
Forward foreign exchange contracts	$ -	$ 1,511	$ -	$ 1,511
Financial assets at fair value through other comprehensive income				
Listed stocks	140,227	-	-	140,227
Unlisted stocks	-	-	24,161	24,161
	$ 140,227	$ 1,511	$ 24,161	$ 165,899

	Level 1	Level 2	Level 3	Total
As at December 31, 2022				
Liabilities				
Recurring fair value measurements				
Financial liabilities for hedging				
Forward foreign exchange contracts	$ -	$ 132,274	$ -	$ 132,274
Embedded derivatives				
Convertible bonds payable include call options and put options	-	23,400	-	23,400
	$ -	$ 155,674	$ -	$ 155,674

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Closed-end fund	Open-end fund	Government bonds	Corporate bonds	Convertible (exchangeable) bond
Market quoted price	Closing price	Closing price	Net asset value	Transaction price	Weighted average quoted price	Closing price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

iv. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3) I.

v. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate. Structured interest derivative instruments are measured by using appropriate option pricing models (i.e. Black-Scholes model) or other valuation methods, such as Monte Carlo simulation.

vi. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk, etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

vii. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	2023	2022
	Equity securities	Equity securities
At January 1	$ 24,161	$ 20,257
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	559	3,904
At December 31	$ 24,720	$ 24,161

F. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

G. The finance department of the Group performs the valuation of financial instruments classified as Level 3. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship between inputs and fair value
Non-derivative equity instrument:					
Unlisted stocks	$ 24,720	Market comparable companies	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship between inputs and fair value
Non-derivative equity instrument:					
Unlisted stocks	$ 24,161	Market comparable companies	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement results. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2023		December 31, 2022	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Liquidity	±5%	$ 1,768	$ 1,768	$ 1,726	$ 1,726

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Please refer to table 5.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 6.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 7.

I. Derivative instrument transaction undertaken during the reporting periods: Please refer to Notes 6(2), 6(4) and 12.

J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 9.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 10.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to tables 1, 2, 6, 7, and 8.

(4) Major shareholders information

The Company does not have a single shareholder holding 5% or more of the shares.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The financial information is concentrated on product sales, however since each plant shares similar economic characteristics, produces similar products by using similar production processes, the Group’s segments are aggregated into a single reportable segment.

(2) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is the same information shown in the balance sheets and statements of comprehensive income.

(3) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31	
	2023	2022
Americas	$ 41,593,326	$ 42,237,825
Europe	9,470,924	13,046,261
Asia	11,520,243	9,289,634
	$ 62,584,493	$ 64,573,720

Revenue is categorized by the country in which the customer is located.

Non-current assets:

	December 31, 2023	December 31, 2022
Taiwan	$ 3,431,697	$ 3,510,866
Philippines	1,397,740	1,054,514
Mainland China	1,382,823	1,388,775
Others	60,901	62,330
	$ 6,273,161	$ 6,016,485

(4) Major customer information

Major customer information of the Group for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31	
	2023	2022
A customer	$ 10,173,701	$ 5,582,635
B customer	8,279,809	8,296,841
C customer	5,385,564	8,995,574
D customer	3,740,956	7,204,250

(Blank)

Sercomm Corporation and Subsidiaries
Loans to others
Year ended December 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate(%)	Nature of loan (Note 4)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
0	The Company	Sernet (Suzhou) Technologies Corporation	Other receivables-related party	Y	$ 889,500	$ -	$ -	-	(2)	$ -	Additional operating capital	$ -	None	$ -	$ 2,645,502	$ 5,291,004	Note 2(2)
1	DWNet Technology (Suzhou) Co., Ltd.	Sernet (Suzhou) Technologies Corporation	Other receivables-related party	Y	444,750	259,620	-	-	(2)	-	Additional operating capital	-	None	-	376,998	753,997	Note 3(3)
2	Zealous Investments Ltd.	Sercomm Corporation	Other receivables-related party	Y	1,134,665	1,075,725	1,014,255	5.00	(2)	-	Additional operating capital	-	None	-	2,560,909	5,121,819	Note 3(3)

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1)The Company is '0'.
(2)The subsidiaries are numbered in order starting from '1'.

Note 2: The aggregate amount of loans to others shall not exceed 40% of the Company's net assets based on the latest audited or reviewed financial statements.
The loan limit for each entity depending on the purpose of the loan is as follows:
(1) Nature of loans is related to business transactions: The amount shall not exceed the higher of the sales or purchases amount to/ from the borrower for the year as of the time of the lending event or for the most recent year.
(2) As short-term financing: The amount shall not exceed 20% of the Company's net assets based on the latest audited or reviewed financial statements.
(3) Financing between the Company's 100% directly- or indirectly- held overseas investee is not limited to 40% of the Company's net assets based on the latest audited or reviewed financial statements.
However, total loans shall not exceed 100% net assets. Loans to a signal party shall not exceed 50% net assets.

Note 3: The aggregate amount of loans from subsidiaries to others shall not exceed 40% of stockholders' equity as stated in the subsidiary's or the Company's most recent audited or reviewed financial statements, whichever is lower.
The loan limit for each entity depending on the purpose of the loan is as follows:
(1) Nature of loans is related to business transactions: The amount shall not exceed the higher of the sales or purchases amount to/ from the trading partner for the year as of the time of the lending event or for the most recent year.
(2) As short-term financing: The amount shall not exceed 20% of the subsidiary or the Company's net assets based on the latest audited or reviewed financial statements.
(3) Financing between the group's investee which is 100% directly- or indirectly- held by the parent company is not limited to the ratio as stated in the preceding paragraph.
However, total loans shall not exceed 100% net assets as stated in the parent company's most recent audited or reviewed financial statement. Loans to individual investee shall not exceed 50% net assets.

Note 4: (1)Nature of loans is related to business transactions : The trading amounts refer to the business transaction amounts within the recent year between the lender company and the lendee entity.
(2)Short-term financing

Sercomm Corporation and Subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	The Company	DWNet Technology (Suzhou) Co., Ltd.	(2)	$ 6,613,756	$ 1,382,392	$ 768,375	$ 220,231	$ -	5.81	$ 13,227,512	Y	N	Y	
0	〃	Sernet (Suzhou) Technologies Corporation	(2)	6,613,756	972,570	922,050	-	-	6.97	13,227,512	Y	N	Y	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(a) The Company is ‘0’.

(b) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:

(a) Having business relationship.

(b) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(c) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(d) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(e) Mutual guarantee of the trade as required by the construction contract.

(f) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(g) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: The Company's 'Procedures for Provision of Endorsements and Guarantees' are as follows:

(1)Limit on total endorsements is 50% of the Company’s net assets based on the latest audited or reviewed financial statements, and limit on endorsements to a single party is 25%.

(2)The restriction stated in (1) shall not apply to provision of endorsements and guarantees between subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares. However the endorsement / guarantee amount should not exceed 100% net assets. Endorsements / guarantees provided to individual investees should not exceed 50% net assets.

(3)The amounts permitted to make in endorsements/guarantees to single subsidiary shall not exceed 50% of the Company's stockholders' equity as stated in its latest financial statements; the total amount shall not exceed 100% of stockholders' equity as stated in its latest financial statement.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Sercomm Corporation and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2023			
				Number of shares (in thousand shares)	Book value	Ownership (%)	Fair value
	Beneficiary certificates						
The Company	Capital Money Market Fund	None	Financial assets at fair value through profit or los - current	48,250	$ 800,326	-	$ 800,326
〃	Taishin Ta-Chong Money Market Fund	〃	Financial assets at fair value through profit or los - current	24,021	350,918	-	350,918
	Convertible bonds						
〃	Siklu Inc.	〃	Financial assets at fair value through profit or los - current	137	-	3.06%	-
	Unlisted preference share						
〃	Siklu Inc.	〃	Financial assets at fair value through other comprehensive income - non-current	2,018	-	3.06%	-
	Unlisted stocks						
Sercomm Investment Corp.	Cerpass Technology Co., Ltd.	〃	Financial assets at fair value through other comprehensive income - non-current	627	24,720	3.69%	24,720
	Unlisted stocks						
Zealous Investments Ltd.	Bossa Nova Robotics Holding Corp.	〃	Financial assets at fair value through profit or loss - non-current	3,845	-	8.64%	-

Sercomm Corporation and Subsidiaries
Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital
December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2023		Addition		Disposal				Evaluation at December 31, 2023		Balance as of December 31, 2023	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	Number of shares	Amount
The Company	Taishin 1699 Money Market Fund	Note 1	N/A	N/A	-	$ -	21,617	$ 300,000	21,617	$ 300,406	$ 300,000	$ 406	-	$ -	-	$ -
〃	Taishin Ta-Chong Money Market	Note 1	N/A	N/A	-	-	44,633	650,000	20,612	300,282	300,000	282	-	918	24,021	350,918
〃	Capital Money Market Fund	Note 1	N/A	N/A	-	-	48,250	800,000	-	-	-	-	-	326	48,250	800,326

Note 1: It was recognised in 'Financial assets measured at fair value through profit or loss-current'.

Table 4 Page 1

Sercomm Corporation and Subsidiaries

Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more

Year ended December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

								If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:						
Real estate acquired by	Real estate acquired	Date of the event	Currency	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Currency	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Sercomm Philippines Inc.	SPI Rsite	2023/5/9	PHP	975,371,000	Paid based on the agreement (Note)	China Construction Front General Devt. Corporation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	The Group commissioned the construction of expanding plants on the original leased land for the needs of future operation	N/A

Note: As of December 31, 2023, the Company had paid PHP 487,686 thousand based on the agreement.

Sercomm Corporation and Subsidiaries
Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more
Year ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)(%)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)(%)	Footnote
The Company	Sercomm Philippines Inc.	Subsidiary	Purchases	$ 22,072,952	41	60	Note 1	Note 1	($ 5,095,986)	(38)	
〃	Sernet (Suzhou) Technologies Corporation	Subsidiary	Purchases	18,046,222	33	60	Note 1	Note 1	(2,009,278)	(15)	
〃	Sercomm Philippines Inc.	Subsidiary	Sales	(3,396,582)	(6)	180	Note 2	Note 2	2,599,233	19	
〃	Servercom (India) Private Limited	Subsidiary	Sales	(2,604,767)	(5)	180	Note 2	Note 2	1,877,060	13	
〃	Sercomm Japan Corp.	Subsidiary	Sales	(1,204,190)	(2)	180	Note 2	Note 2	645,872	5	
〃	Sernet (Suzhou) Technologies Corporation	Subsidiary	Sales	(324,651)	(1)	180	Note 2	Note 2	103,274	1	
Sernet (Suzhou) Technologies Corporation	Sercomm Philippines Inc.	Affiliate	Sales	(2,581,918)	(12)	180	Note 3	Note 3	671,602	24	

Note 1: The purchase price to the above related parties was determined through mutual agreement based on the market conditions. The payment period for related parties was month-end 60 days, while the terms for domestic third party purchase was net 60-120 days. The payment period for overseas purchase was net 30-210 days.

Note 2: The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection period for related parties was month-end 180 days, while the terms for domestic third party sales was net 30-75 days. The collection period for overseas sales was net 30-210 days.

Note 3: The transaction price to the inter-subsidiary transactions was determined through mutual agreement based on the market conditions. The collection period and payment period for related parties were month-end 180 days, while the terms for domestic third party transaction was net 30-120 days. The collection period and payment period for overseas transaction were net 30-210 days.

Sercomm Corporation and Subsidiaries
Receivables from related parties reaching $100 million or 20% of paid-in capital or more
December 31, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as of December 31, 2023	Turnover rate(%)	Overdue receivables: Amount	Overdue receivables: Action taken	Amount collected subsequent to the balance sheet date (Note)	Allowance for loss
The Company	Sercomm Philippines Inc.	Subsidiary	$ 2,599,233	-	$ -	-	$ 132,353	$ -
〃	Servercom (India) Private Limited	Subsidiary	1,877,060	-	-	-	78,364	-
〃	Sercomm Japan Corp.	Subsidiary	645,872	-	-	-	907,086	-
〃	Sernet (Suzhou) Technologies Corporation	Subsidiary	103,274	-	-	-	103,274	-
Sernet (Suzhou) Technologies Corporation	The Company	Ultimate parent company	2,009,278	-	-	-	2,009,278	-
〃	Sercomm Philippines Inc.	Affiliate	671,602	-	-	-	321,429	-
Sercomm Philippines Inc.	The Company	Ultimate parent company	5,095,986	-	-	-	3,898,941	-

Note 1: Information was collected as of February 29, 2024.

Sercomm Corporation and Subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (%)(Note 3)
0	The Company	Sercomm France SARL	1	Other payables	$ 15,632	-	-
0	〃	〃	1	Commissions expense	52,737	-	-
0	〃	Sercomm Italia SRL	1	Other payables	8,579	-	-
0	〃	〃	1	Commissions expense	35,755	-	-
0	〃	Sercomm Deutschland GmbH	1	Commissions expense	24,666	-	-
0	〃	Servercom (India) Private Limited	1	Accounts receivable	1,877,060	-	4
0	〃	〃	1	Other receivables	29,333		
0	〃	〃	1	Sales revenue	2,604,767	Note 4	4
0	〃	Sercomm Japan Corp.	1	Accounts receivable	645,872	-	1
0	〃	〃	1	Sales revenue	1,204,190	Note 4	2
0	〃	〃	1	Commissions expense	26,621	-	-
0	〃	Sernet Technology Mexico	1	Prepayments	11,541	-	-
0	〃	〃	1	Commissions expense	27,072	-	-
0	〃	Sercomm Britian Inc.	1	Other payables	5,272	-	-
0	〃	〃	1	Commissions expense	12,350	-	-
0	〃	Sercomm USA Inc.	1	Other payables	43,418	-	-
0	〃	〃	1	Commissions expense	130,617	-	-
0	〃	Sercomm Technology Inc.	1	Other payables	72,640	-	-
0	〃	〃	1	Commissions expense	442,736	-	-
0	〃	Sernet (Suzhou) Technologies Corporation	1	Accounts payable	2,009,278	-	4
0	〃	〃	1	Accounts receivable	103,274	-	-
0	〃	〃	1	Purchase	18,046,222	-	29
0	〃	〃	1	Sales revenue	324,651	Note 4	1
0	〃	Sercomm Philippines Inc.	1	Accounts payable	5,095,986	-	11
0	〃	〃	1	Accounts receivable	2,599,233	-	5
0	〃	〃	1	Other receivables	7,685	-	-
0	〃	〃	1	Purchase	22,072,952	-	35
0	〃	〃	1	Sales revenue	3,396,582	-	5
0	〃	Moso Labs Inc.	1	Sales revenue	(17,517)	Note 4	-
0	〃	DWNet Technology (Suzhou) Co., Ltd.	1	Accounts receivable	11,045	-	-
0	〃	〃	1	Accounts payable	5,288		-
0	〃	〃	1	Sales revenue	12,322	Note 4	-
0	〃	Zealous Investments Ltd.	1	Other payables	1,053,922	-	2
0	〃	〃	1	Interest expense	39,667		-

Sercomm Corporation and Subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (%)(Note 3)
1	Sernet (Suzhou) Technologies Corporation	DWNet Technology (Suzhou) Co., Ltd.	1	Accounts receivable	$ 43,409	-	-
1	〃	〃	1	Other receivables	11,122	-	-
1	〃	〃	1	Processing fees revenue	77,305	-	-
1	〃	〃	1	Repairs and maintenance revenue	9,161	-	-
1	〃	〃	1	Rent income	15,238	-	-
1	〃	Sercomm Philippines Inc.	3	Accounts receivable	671,602	-	1
1	〃	〃	3	Other receivables	6,892	-	-
1	〃	〃	3	Accounts payable	11,197	-	-
1	〃	〃	3	Sales revenue	2,581,918	Note 4	4
1	〃	〃	3	Purchase	52,442	-	-
1	〃	Sercomm Russia Limited Liability Company	3	Purchase	28,646	-	-
1	〃	Nanjing Femtel Communications Co., Ltd.	3	Other payables	11,446	-	-
1	〃	〃	3	Service expense	31,264	-	-
2	Sercomm Philippines Inc.	Refinement Property Holding Inc.	3	Rent expense	9,567	-	-
2	〃	Servercom (India) Private Limited	3	Sales revenue	46,724	Note 4	-
2	〃	〃	3	Accounts receivable	46,225	-	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following Six categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount during the year to consolidated total operating revenues for income statement accounts.

Note 4: The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection period for third party was month-end 60-180 days, while the terms for domestic sales was net 30-75 days. The collection period for overseas sales was net 30-210 days.

Note 5: Only disclose transactions with amount of $5,000 or more.

Sercomm Corporation and Subsidiaries
Information on investees (excluding investees in Mainland China)
Year ended December 31, 2023

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held and book value as at December 31, 2023					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares (in thousand shares)	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
The Company	Sercomm USA Inc.	USA	Local market consultation and customer support services of network communication products	$ 20,739	$ 20,739	650	100	$ 36,641	$ 4,085	$ 4,085	Subsidiary
〃	Sercomm Trading Co. Ltd.	Samoa	Overseas indirect investment	556,786	1,471,186	16,800	100	5,393,844	176,321	113,906	Subsidiary
〃	Sercomm Investment Corp.	Taiwan	General investment	28,000	28,000	28,000	100	38,386	703	703	Subsidiary
〃	Sercomm Japan Corp.	Japan	Sales of communication products and quotation, tender, general import and export business related the products	157,721	157,721	10	100	73,349	35,835	35,835	Subsidiary
〃	Sercomm France SARL.	France	Local market consultation and customer support services of network communication products	4,004	4,004	1	100	39,392	4,307	4,307	Subsidiary
〃	Sercomm Deutschland GmbH	Germany	Local market consultation and customer support services of network communication products	19,412	19,412	-	100	2,352	(113)	(113)	Subsidiary
〃	Sercomm Russia Limited Liability Company	Russia	Sales of network communication products and provision of quotation, tender, general import and export business to the related the products	28,042	28,042	28,948	100	(8,873)	645	645	Subsidiary
〃	Sercomm Technology Inc.	USA	Sales of network communication products and provision of quotation, tender, general import and export business to the related the products	153,880	153,880	5,000	100	62,843	20,078	20,078	Subsidiary
〃	Sercomm Britain Limited	UK	Local market consultation and customer support services of network communication products	13,535	13,535	350	100	5,131	697	697	Subsidiary
〃	Sernet Technology Mexico	Mexico	Local market consultation and customer support services of network communication products	507	507	400	100	(11,534)	26	26	Subsidiary
〃	Servercom (India) Private Limited	India	Manufacturing and sales of communication products, operating system (OS) and related software	15,000	15,000	35,000	100	128,824	153,421	153,421	Subsidiary
〃	Sercomm Philippines Inc.	Philippines	Manufacturing and sales of communication products, operating system (OS) and related software	1,094,819	542,926	1,940,000	97	1,160,758	182,024	43,818	Subsidiary
〃	Refinement Property Holding Inc.	Philippines	Real estate for rent	240,000	24,000	-	-	-	-	-	Second-tier subsidiary (Note 1)
〃	Mosolabs Inc.	USA	Retail business services of network communication products	77,418	29,526	2,500	100	42,012	(15,988)	(15,988)	Subsidiary
〃	Presciense Limited	UK	Design, R&D and application of smarthome platform technology	-	-	3	25	-	-	-	Associate
〃	Sercomm Brazil Ltda	Brazil	Local market consultation and customer support services of network communication products	3,208	-	500	100	2,583	(576)	(576)	Subsidiary

Sercomm Corporation and Subsidiaries
Information on investees (excluding investees in Mainland China)
Year ended December 31, 2023

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2023	Initial investment amount: Balance as at December 31, 2022	Shares held and book value as at December 31, 2023: Number of shares (in thousand shares)	Shares held and book value as at December 31, 2023: Ownership (%)	Shares held and book value as at December 31, 2023: Book value	Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
Sercomm Trading Co. Ltd.	Zealous Investments Ltd.	Samoa	Overseas investment	379,758	989,358	10,956	100	5,121,819	131,325	-	Second-tier subsidiary
〃	Smart Trade Inc.	Samoa	Overseas investment	177,029	481,829	6,000	100	752,083	44,997	-	Second-tier subsidiary
Sercomm France SARL	Sercomm Italia SRL.	Italy	Local market consultation and customer support services of network communication products	388	388	10	100	7,896	1,574	-	Second-tier subsidiary
Zealous Investments Ltd.	Sercomm Philippines Inc.	Philippines	Manufacturing and sales of communication products, operating system (OS) and related	35,266	35,266	60,000	3	153,271	182,024		Second-tier subsidiary
〃	Refinement Property Holding Inc.	Philippines	Lease of real estate	119	119	200	40	(7,572)	4,144	-	Second-tier subsidiary
Sercomm Deutschland GmbH	MECSware GmbH	Germany	Sale of IT products	30,144	30,144	11	30	7,305	(2,419)	(726)	Associate

Note 1: Due to the the Group's operating strategies, the Company invested in preferred stocks in the third quarter of 2022. As of the financial statement reporting date, the registration is still in progress. It was shown as 'prepayments for investments' of $240,000.

Sercomm Corporation and Subsidiaries
Information on investments in Mainland China
Year ended December 31, 2023

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount remitted from Taiwan to Mainland China as of January 1, 2023	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023: Remitted to Mainland China	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023: Remitted back to Taiwan	Accumulated amount remitted from Taiwan to Mainland China as of December 31, 2023	Net income of investeefor for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
Sernet (Suzhou) Technologies Corporation	Research and development (R&D) and manufacturing of communication products	$ 933,252	(2)	$ 912,698	$ -	$ -	$ 912,698	$ 201,828	100	$ 201,828	$ 3,873,658	$ -	Notes 2 and 3
DWNet Technology (Suzhou) Co., Ltd.	Manufacturing and sales of communication products, operating system (OS) and related software	481,829	(2)	481,829	-	-	481,829	46,513	100	46,513	753,997	-	Note 4
Suzhou Femtel Communications Co., Ltd.	Sales of network communication products and related software	32,599	(2)	-	-	-	-	3,927	100	3,927	-	-	Notes 3 and 5
Nanjing Femtel Communications Co., Ltd.	Research and development (R&D) and sales of network communication products and related software	12,538	(2)	-	-	-	-	(1,669)	100	(1,669)	9,099	-	Note 3

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:
(1) Directly invest in a company in Mainland China.
(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(3) Others
Note 2: Investment income (loss) was recognised based on the financial statement audited by the parent company's independent auditors.
Note 3:The Company established Sercomm Trading Co. Ltd. in a third region. The Company reinvested in Zealous Investments Ltd. through Sercomm Trading Co. Ltd. and then invested in Mainland China.
Note 4:The Company established Sercomm Trading Co. Ltd. in a third region. The Company reinvested Smart Trade Inc. through Sercomm Trading Co. Ltd. and then invested in Mainland China
Note 5:On December 15, 2023, the Company's reinvestment through Sernet (Suzhou) Technologies Corporation was applied for deregistration with a public announcement. On January 8, 2024, the deregistration had been completed and the remaining investment amount of RMB 2,527 thousand was redeemed.
Note 6:The Company's investment in Mainland China is not subject to an upper limit as it is deemed corporate operations headquarters as it complied with the Examination Standards of Investments and Technical Cooperation in the Mainland China area published by Investment Commission, MOEA.

Company name	Accumulated amount remitted from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of MOEA	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	$ 1,394,527 (USD 44,900,000)	$1,407,475 (USD 45,144,000)	No limitation (Note 6)

SERCOMM CORPORATION

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023 AND 2022

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT

PWCR23000462

To the Board of Directors and Shareholders of Sercomm Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Sercomm Corporation (the "Company") as at December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

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 at December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 for 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Timing of revenue recognition from hub sales

Description

For the accounting policies of revenue recognition, please refer to Note 4(33); and for the details of revenue, please refer to Note 6(22).

The Company is mainly engaged in sales of global network communication software and equipment activities, and its sales types are mainly divided into shipped directly from factories and goods picked up from hubs. For pick-ups from hub, the Company recognises sales revenue when their customers pick up the goods (satisfies the performance obligation) from hubs. The Company recognises sales revenue based on movements of inventories contained in the statements or other information provided by the hub custodians. As the hubs are located around the world with numerous custodians, the frequency and contents of statements provided by custodians vary, and the process of revenue recognition involves numerous manual procedures, these factors may potentially result in inaccurate timing of sales revenue recognition and discrepancy between physical inventory quantities in the hubs and quantities as reflected in the accounting records. As the transaction amounts from hubs prior to and after the balance sheet date are significant to the financial statements, we consider the timing of revenue recognition from hub sales as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed and tested the appropriateness of internal controls over hub sales revenue, including understanding and testing the statements between the Company and hub custodians periodically.

2. Obtained the stock details of each hub at the balance sheet date and agreed to respective supporting documents provided by hub custodians.
3. Confirmed inventory quantities held at hubs and agreed to accounting records to validate the revenue recognition in proper period.

Valuation of inventory

Description

For the accounting policies of inventory, please refer to Note 4(13); and for the accounting estimates of valuation of inventory and assumption uncertainty, please refer to Note 5. For details on loss on inventory valuation, please refer to Note 6(7). As of December 31, 2023, the cost of inventory and loss on inventory valuation are $10,545,493 thousand and $238,636 thousand, respectively.

Due to rapid technological innovations and intense competition in the telecom market, there is a higher risk of inventory losses due to market value decline or obsolescence. The Company recognises inventories at the lower of cost and net realisable value, and the net realisable value is estimated based on historical experience, such as inventories aged over a certain period of time or individually identified as obsolete.

Since the industry which the Company is engaged in rapidly changes, the estimate of net realizable value for obsolete inventory is subject to management's judgment, and the aforementioned matters also exist in the Company's subsidiaries (shown as investments accounted for using the equity method), we consider valuation of inventory as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed the reasonableness of accounting policies and procedures in relation to inventory valuation, including the classification of aged, damaged and obsolete inventory.
2. Reviewed the Company's annual counting plan and conducted their physical counts on inventories to evaluate the control effectiveness on inventory classification.
3. Validated the inventory classification and the amount of net realisable value, recalculated the loss of inventory and further evaluated the rationality.

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 the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

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

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

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

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

Ya-Fang, Wen | Yen, Yu-Fang

Wen, Ya-Fang | Yen, Yu-Fang

For and on behalf of PricewaterhouseCoopers, Taiwan

March 5, 2024

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

SERCOMM CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 6,151,094	14	$ 3,467,357	10
1110	Financial assets mandatorily measured at fair value through profit or loss - current	6(2)	1,189,969	3	-	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	-	-	140,227	-
1139	Financial assets for hedging -current	6(4)	998	-	1,511	-
1170	Accounts receivable, net	6(5)	8,649,455	20	9,005,995	25
1180	Accounts receivable due from related parties, net	7	5,236,857	12	2,368,860	7
1200	Other receivables	6(6)	232,370	1	524,577	1
1210	Other receivables due from related parties	7	37,018	-	1,234	-
130X	Inventories	6(7)	10,306,857	23	8,701,099	24
1410	Prepayments	7	441,418	1	481,441	1
1470	Other current assets		11,352	-	30,571	-
11XX	**Current assets**		32,257,388	74	24,722,872	68
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2)	4,616	-	-	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	-	-	-	-
1535	Financial assets at amortised cost - non-current	8 and 9	109,154	-	97,969	-
1550	Investments accounted for using equity method	6(8)	6,986,115	16	6,771,630	19
1600	Property, plant and equipment	6(9) and 8	2,789,324	6	2,751,168	8
1755	Right-of-use assets	6(10)	172,341	-	195,416	1
1780	Intangible assets	6(11)	368,291	1	470,849	1
1840	Deferred income tax assets	6(28)	743,252	2	404,140	1
1915	Prepayments for business facilities	6(30)	87,575	-	80,545	-
1920	Guarantee deposits paid	9	111,903	-	110,896	-
1960	Non-current prepayments for investments		240,000	1	514,400	2
15XX	**Non-current assets**		11,612,571	26	11,397,013	32
1XXX	**Total assets**		$ 43,869,959	100	$ 36,119,885	100

(Continued)

SERCOMM CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(12)	$ 169,900	-	$ 1,639,995	5
2120	Financial liabilities at fair value through profit or loss - current	6(2)	1,097	-	-	-
2126	Financial liabilities for hedging - current	6(4)	32,490	-	132,274	-
2130	Contract liabilities - current	6(22)	723,761	2	666,893	2
2170	Accounts payable		6,472,361	15	3,904,338	11
2180	Accounts payable to related parties	7	7,106,715	16	8,111,152	23
2200	Other payables		3,651,408	8	2,781,003	8
2220	Other payables to related parties	7	1,202,205	3	91,282	-
2230	Current income tax liabilities		724,228	2	316,757	1
2250	Provisions for liabilities - current	6(17)	650,112	1	481,306	1
2280	Current lease liabilities		40,681	-	35,565	-
2320	Long-term liabilities, current portion	6(13)	2,300,000	5	-	-
2365	Current refund liabilities	6(22)	369,661	1	325,960	1
2399	Other current liabilities, others	9	1,103,435	3	114,911	-
21XX	**Current liabilities**		24,548,054	56	18,601,436	52
	Non-current liabilities					
2500	Financial liabilities at fair value through profit or loss - non-current	6(2)	17,400	-	23,400	-
2511	Financial liabilities for hedging - non-current	6(4)	3,757	-	-	-
2530	Bonds payable	6(13)	5,669,790	13	6,524,008	18
2540	Long-term borrowings	6(14)	-	-	687,120	2
2570	Deferred income tax liabilities	6(28)	210,437	1	217,888	1
2580	Non-current lease liabilities		128,916	-	155,870	-
2640	Net defined benefit liability, non-current	6(15)	43,452	-	46,879	-
2645	Guarantee deposits received		234	-	234	-
2650	Credit balance of investments accounted for using equity method	6(8)	20,407	-	47,834	-
25XX	**Non-current liabilities**		6,094,393	14	7,703,233	21
2XXX	**Total liabilities**		30,642,447	70	26,304,669	73
	Equity					
	Share capital					
3110	Common stock	6(18)	2,685,781	6	2,587,958	7
3140	Advance receipts for share capital	6(13)	105,989	-	-	-
	Capital surplus	6(19)				
3200	Capital surplus		4,608,355	10	2,706,600	7
	Retained earnings	6(20)				
3310	Legal reserve		1,572,874	4	1,386,585	4
3320	Special reserve		653,337	1	669,519	2
3350	Undistributed retained earnings		4,410,572	10	3,325,056	9
	Other equity interest	6(21)				
3400	Other equity interest		(689,879)	(1)	(653,337)	(1)
3500	Treasury stocks	6(18)	(119,517)	-	(207,165)	(1)
3XXX	**Total equity**		13,227,512	30	9,815,216	27
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant subsequent events	11				
3X2X	**Total liabilities and equity**		$ 43,869,959	100	$ 36,119,885	100

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

SERCOMM CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2023		2022	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(22) and 7	$ 56,357,193	100	$ 60,264,939	100
5000	Operating costs	6(7) and 7	(48,569,227)	(86)	(53,980,323)	(90)
5900	Gross profit		7,787,966	14	6,284,616	10
5910	Unrealized loss (profit) from sales		14,196	-	(41,949)	-
5920	Realized profit from sales		1,597	-	10,912	-
5950	Gross profit from operations		7,803,759	14	6,253,579	10
	Operating expenses					
6100	Selling expenses	7	(2,348,466)	(4)	(1,928,653)	(3)
6200	General and administrative expenses	7	(884,271)	(2)	(801,321)	(1)
6300	Research and development expenses	7	(1,785,235)	(3)	(1,607,112)	(3)
6450	Impairment loss	12(2)	(31,072)	-	(6,601)	-
6000	Total operating expenses		(5,049,044)	(9)	(4,343,687)	(7)
6900	Operating profit		2,754,715	5	1,909,892	3
	Non-operating income and expenses					
7100	Interest income		43,826	-	7,854	-
7010	Other income	6(23)	7,483	-	24,271	-
7020	Other gains and losses	6(24)	15,315	-	27,717	-
7050	Finance costs	6(25)	(283,252)	(1)	(163,520)	-
7070	Share of profit of associates and joint ventures accounted for using equity method	6(8)	360,844	1	378,430	1
7000	Total non-operating income and expenses		144,216	-	274,752	1
7900	**Profit before income tax**		2,898,931	5	2,184,644	4
7950	Income tax expense	6(28)	(512,626)	(1)	(265,221)	(1)
8200	**Profit for the year**		$ 2,386,305	4	$ 1,919,423	3

(Continued)

SERCOMM CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2023 AMOUNT	2023 %	2022 AMOUNT	2022 %
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans	6(15)	($ 1,903)	-	($ 3,347)	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(21)	13,799	-	(27,050)	-
8317	Gains (losses) on hedging instrument	6(21)	(3,262)	-	68,494	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(21)	559	-	3,904	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(28)	1,033	-	(25,230)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		10,226	-	16,771	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive income, before tax, exchange differences on translation	6(21)	(98,279)	-	102,289	-
8368	Gains (losses) on hedging instrument	6(21)	3,767	-	(51,561)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(28)	(753)	-	10,312	-
8360	Components of other comprehensive income that will be reclassified to profit or loss		(95,265)	-	61,040	-
8300	**Other comprehensive income (net)**		($ 85,039)	-	$ 77,811	-
8500	**Total comprehensive income for the year**		$ 2,301,266	4	$ 1,997,234	3
9750	Basic earnings per share	6(29)	$ 9.17		$ 7.57	
9850	Diluted earnings per share	6(29)	$ 8.80		$ 7.22	

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

SERCOMM CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Share capital			Retained Earnings			Other equity interest				
	Notes	Share capital - common stock	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Undistributed retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) on financial assets at fair value through other comprehensive income	Gains (losses) on hedging instruments	Treasury stocks	Total equity
Year 2022												
Balance at January 1, 2022		$ 2,523,898	$ -	$ 2,269,564	$ 1,300,526	$ 696,948	$ 2,126,526	($ 633,478)	($ 36,041)	$ -	$ -	$ 8,247,943
Profit for the year		-	-	-	-	-	1,919,423	-	-	-	-	1,919,423
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	-	(2,678)	102,289	(35,346)	13,546	-	77,811
Total comprehensive income		-	-	-	-	-	1,916,745	102,289	(35,346)	13,546	-	1,997,234
Appropriation and distribution of retained earnings:	6(20)											
Legal reserve appropriated		-	-	-	86,059	-	(86,059)	-	-	-	-	-
Reversal of special reserve		-	-	-	-	(27,429)	27,429	-	-	-	-	-
Cash dividends of ordinary share		-	-	-	-	-	(605,735)	-	-	-	-	(605,735)
Compensation cost of employees stock options	6(16)	-	-	112,211	-	-	-	-	-	-	-	112,211
Exercise of employee share options	6(18)(19)	64,060	-	124,053	-	-	-	-	-	-	-	188,113
Repurchase of treasury share		-	-	-	-	-	-	-	-	-	(398,397)	(398,397)
Trannsfer of treasury share	6(18)	-	-	-	-	-	-	-	-	-	191,232	191,232
Removal of hedging reserve	6(4)	-	-	-	-	-	-	-	-	(125,086)	-	(125,086)
Reclassification of ineffective hedging reserve	6(4)	-	-	-	-	-	-	-	-	6,929	-	6,929
Changes in ownership interests in subsidiaries	6(19)	-	-	(8,628)	-	-	-	-	-	-	-	(8,628)
Disposal of equity instruments at fair value through other comprehensive profit or loss	6(3)	-	-	-	-	-	(53,850)	-	53,850	-	-	-
Issuance of convertible corporate bonds-options	6(13)	-	-	209,400	-	-	-	-	-	-	-	209,400
Balance at December 31, 2022		$ 2,587,958	$ -	$ 2,706,600	$ 1,386,585	$ 669,519	$ 3,325,056	($ 531,189)	($ 17,537)	($ 104,611)	($ 207,165)	$ 9,815,216
Year 2023												
Balance at January 1, 2023		$ 2,587,958	$ -	$ 2,706,600	$ 1,386,585	$ 669,519	$ 3,325,056	($ 531,189)	($ 17,537)	($ 104,611)	($ 207,165)	$ 9,815,216
Profit for the year		-	-	-	-	-	2,386,305	-	-	-	-	2,386,305
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	-	(1,522)	(98,279)	14,358	404	-	(85,039)
Total comprehensive income		-	-	-	-	-	2,384,783	(98,279)	14,358	404	-	2,301,266
Appropriation and distribution of retained earnings:	6(20)											
Legal reserve appropriated		-	-	-	186,289	-	(186,289)	-	-	-	-	-
Reversal of special reserve		-	-	-	-	(16,182)	16,182	-	-	-	-	-
Cash dividends of ordinary share		-	-	-	-	-	(1,158,191)	-	-	-	-	(1,158,191)
Compensation cost of employees stock options	6(16)	-	-	69,220	-	-	-	-	-	-	-	69,220
Exercise of employee share options	6(18)(19)	29,600	-	49,248	-	-	-	-	-	-	-	78,848
Compensation costs of employee restricted stocks	6(16)	-	-	140,184	-	-	-	-	-	-	-	140,184
Restricted stocks vested	6(18)(19)	25,960	-	129,800	-	-	-	-	-	-	-	155,760
Transfer of treasury shares	6(18)	-	-	(2,167)	-	-	-	-	-	-	87,648	85,481
Removal of hedging reserve	6(4)	-	-	-	-	-	-	-	-	65,223	-	65,223
Reclassification of ineffective hedging reserve	6(4)	-	-	-	-	-	-	-	-	10,783	-	10,783
Disposal of equity instruments at fair value through other comprehensive profit or loss	6(3)	-	-	-	-	-	29,031	-	(29,031)	-	-	-
Issuance of convertible corporate bonds-options	6(13)	-	-	322,500	-	-	-	-	-	-	-	322,500
Conversion of convertible bonds	6(13)(19)	42,263	105,989	1,192,970	-	-	-	-	-	-	-	1,341,222
Balance at December 31, 2023		$ 2,685,781	$ 105,989	$ 4,608,355	$ 1,572,874	$ 653,337	$ 4,410,572	($ 629,468)	($ 32,210)	($ 28,201)	($ 119,517)	$ 13,227,512

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

SERCOMM CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 2,898,931	$ 2,184,644
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(26)	329,565	304,460
Amortization expense	6(26)	196,296	178,879
Expected credit impairment loss	12(2)	31,072	6,601
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(24)	12,345	(30,294)
Interest expense	6(25)	283,252	163,520
Interest income		(43,826)	(7,854)
Dividend income	6(23)	(4,800)	(13,898)
Compensation cost of employee stock options	6(16)	209,404	112,211
Share of loss (profit) of associates accounted for using equity method	6(8)	(360,844)	(378,430)
Loss on disposal of property, plant and equipment	6(24)	206	47
Loss on disposals of intangible assets	6(24)	-	267
Share of (profit) loss of subsidiaries, associates and joint ventures accounted for using the equity method		(15,794)	31,037
Loss from lease modification	6(24)	540	336
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss - current		(83,133)	36,773
Accounts receivable		325,468	(3,613,973)
Accounts receivable due from related parties, net		(2,867,997)	(187,969)
Other receivables		260,910	438,021
Other receivables due from related parties		1,234	6,447
Inventories		(1,605,758)	(3,286,552)
Prepayments		40,023	(200,951)
Other current assets		19,219	(26,543)
Changes in operating liabilities			
Contract liabilities - current		56,868	469,615
Accounts payable		2,568,023	1,322,292
Accounts payable to related parties		(1,004,437)	2,589,797
Other payables		898,837	888,158
Other payables to related parties		1,110,923	(14,546)
Provisions for liabilities - current		168,806	204,493
Current refund liabilities		43,701	67,522
Other current liabilities		(9,566)	2,139
Net defined benefit liabilities - non-current		(5,330)	(4,942)
Cash inflow generated from operations		3,454,138	1,241,307
Interest received		38,105	7,850
Interest paid		(283,282)	(162,730)
Payments of income tax		(470,441)	(138,582)
Net cash flows from operating activities		2,738,520	947,845

(Continued)

SERCOMM CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(30)	($ 318,054)	($ 271,630)
Proceeds from disposal of property, plant and equipment		5,826	1,936
Acquisition of intangible assets	6(30)	(103,881)	(74,480)
Acquisition of financial assets at fair value through profit or loss		(1,750,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss		600,000	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	154,026	48,639
Acquisition of investments accounted for using equity method		(602,993)	(45,211)
Proceeds from capital reduction of investments accounted for using equity method		914,400	-
Increase in non-current prepayments for investments		-	(240,000)
Increase in guarantee deposit paid		(1,007)	(105,535)
Increase in current financial assets at amortised cost		(11,185)	(5,658)
Dividends received	6(23)	4,800	13,898
Net cash flows used in investing activities		(1,108,068)	(678,041)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term debts	6(31)	7,583,239	8,590,500
Payments of short-term debts	6(31)	(9,053,334)	(9,191,335)
Proceeds from long-term debts	6(31)	1,278,376	1,564,310
Payments of long-term debts	6(31)	(1,965,496)	(2,205,110)
Increase in short-term notes and bills payable	6(31)	-	599,532
Decrease in short-term notes and bills payable	6(31)	-	(1,159,285)
Proceeds from issuing bonds	6(31)	3,090,000	3,030,000
Payments to acquire treasury shares		-	(398,397)
Proceeds from transfer of treasury shares	6(18)	85,481	191,232
Exercise of employee share options	6(18)	234,608	188,113
Increase in guarantee deposits received	6(31)	998,089	-
Decrease in lease liabilities	6(31)	(39,487)	(28,767)
Cash dividends paid	6(20)	(1,158,191)	(605,735)
Net cash flows from financing activities		1,053,285	575,058
Net increase in cash and cash equivalents		2,683,737	844,862
Cash and cash equivalents at beginning of year		3,467,357	2,622,495
Cash and cash equivalents at end of year		$ 6,151,094	$ 3,467,357

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

SERCOMM CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Sercomm Corporation (the "Company") was incorporated on July 29, 1992. The Company is primarily engaged in research and development, manufacturing and sales of networking communication software and equipment.

The common stocks of the Company were traded on the Taipei Exchange since May 1999 and have been listed on the Taiwan Stock Exchange since December 2007.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 5, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS®") Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments that came into effect as endorsed by the FSC and became effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

A. Amendments to IAS 1, 'Disclosure of accounting policies'

The amendments require an entity to disclose its material accounting policy information rather than its significant accounting policies. The amendments also explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material.

B. Amendments to IAS 8, ‘Definition of accounting estimates’

The amendments clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

C. Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’

The amendments require an entity to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

D. Amendments to IAS 12, ‘International tax reform - pillar two model rules’

The amendments give companies temporary relief from accounting for deferred income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). An entity shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments require an entity to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Except for amendments to IAS 12 whose related information is provided in Note 6(8), the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024
Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’	January 1, 2024

A. Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’

The amendments to IFRS 16 address the subsequent measurement of the lease liability and the right-of-use asset arising from the leaseback where the lease payments include variable payments that do not depend on an index or rate. The seller-lessee shall determine ‘lease payments’ or ‘revised lease payments’ in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments also include examples illustrating the measurement of lease liability for reference.

B. Amendments to IAS 1, 'Classification of liabilities as current or non-current'

The amendments clarify that classification of liabilities depends on the rights that exist at the end of the reporting period. An entity shall classify a liability as current when it does not have a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. Also, the amendments define 'settlement' as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. For the terms of a liability that could result in its settlement by the transfer of the entity's own equity instruments, such terms do not affect the classification of liabilities as current or non-current only if the entity classifies the option as an equity instrument to be recognised as an equity component of a compound financial instrument.

C. Amendments to IAS 1, 'Non-current liabilities with covenants'

The amendments clarify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. The amendments introduce additional disclosure requirements as to non-current liability which is subject to the covenants.

D. Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'

The amendments require disclosures on supplier finance arrangements, including their effects on the Company's liabilities from financing activities and exposure to liquidity risk.

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

A. Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'

The amendments resolve a current inconsistency between IFRS 10 and IAS 28. The gain or loss resulting from a transaction that involves sales or contribution of assets between an investor and its associates or joint ventures is recognised either in full or partially depending on the nature of the assets sold or contributed:

(a) If sales or contributions of assets constitute a ‘business’, the full gain or loss is recognised;

(b) If sales or contributions of assets do not constitute a ‘business’, the partial gain or loss is recognised only to the extent of unrelated investors’ interests in the associate or joint venture.

B. IFRS 17, ‘Insurance contracts’

IFRS 17 ‘Insurance contracts’ replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall, at initial recognition, disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin (‘CSM’) representing the unearned profit of the contract. An entity may apply a modified simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

C. Amendments to IFRS 17, ‘Insurance contracts’

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

D. Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'

The amendment permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

E. Amendments to IAS 21, ‘Lack of exchangeability’

The amendments define exchangeability and provide the related application guidance on how an entity determines the spot exchange rate at the measurement date when a currency lacks exchangeability. In addition, the amendments require entities to provide more useful information in their financial statements when a currency cannot be exchanged into another currency.

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC® Interpretations, and SIC® Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements are measured by using the currency of the primary economic environment in which the Company operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within "other gains and losses."

B. Translation of foreign operations

The operating results and financial position of all the Company's investees that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(4) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with maturity within 12 months).

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

C. The Company's operating pattern of accounts receivable that are expected to be factored is for the purpose of selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in profit or loss.

(10) Impairment of financial assets

For financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(12) Leasing arrangements (lessor)-operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(14) Investments accounted for using the equity method / subsidiaries

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Inter-company transactions, balances and unrealised gains or losses on transactions between the Company and subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise the losses in proportion to the ownership.

D. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

E. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

F. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	31 ~ 58 years
Machinery and equipment	6 years
Research and development equipment	5 ~ 6 years
Office and other equipment	2 ~ 6 years

(16) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease.

Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(17) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 15 years.

B. Internally generated intangible assets - research and development expenditures

(a) Research expenditures are recognised as an expense as incurred.

(b) Development expenditures that do not meet the following criteria are recognised as expenses as incurred, but are recognised as intangible assets when the following criteria are met:

i. It is technically feasible to complete the intangible asset so that it will be available for use or sale;

ii. An entity intends to complete the intangible asset and use or sell it;

iii. An entity has the ability to use or sell the intangible asset;

iv. It can be demonstrated how the intangible asset will generate probable future economic benefits;

v. Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

vi. The expenditure attributable to the intangible asset during its development can be reliably measured.

(c) Upon being available for use, internally generated intangible assets are amortised on a straight-line basis over their estimated useful life of 1~5 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

D. Patents

Patents are stated at cost and amortised on a straight-line basis over its estimated useful life of 5 years.

(18) Impairment of non-financial assets

A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(22) Bonds payable

Ordinary corporate bonds issued by the Company are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to ‘finance costs’.

(23) Convertible bonds payable

Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company’s common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The embedded call options and put options are recognised initially at net fair value as ‘financial assets or financial liabilities at fair value through profit or loss’. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as ‘gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss’.

B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to ‘finance costs’ over the period of circulation using the effective interest method.

C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in ‘capital surplus—share options’ at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

E. When bondholders exercise conversion options, the liability component of the bonds (including ‘bonds payable’ and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and ‘capital surplus—share options’.

(24) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expired.

(25) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(26) Hedge accounting

A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements.

B. The Company designates the cash flow hedge as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

C. Cash flow hedges

(a) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):

i. the cumulative gain or loss on the hedging instrument from inception of the hedge; and

ii. the cumulative change in fair value of the hedged item from inception of the hedge.

(b) The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognised in profit or loss.

(c) The amount that has been accumulated in the cash flow hedge reserve in accordance with item (a) is accounted for as follows:

i. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.

ii. For cash flow hedges other than those covered by item i. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

iii. If that amount is a loss and the Company expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

(d) When the hedging instrument expires, or is sold, terminated, exercised or when the hedging relationship ceases to meet the qualifying criteria, if the forecast transaction is still expected to occur, the amount that has been accumulated in the cash flow hedge reserve shall remain in the cash flow hedge reserve until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(27) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(28) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(29) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Company and the Company must refund their payments on the stocks, the Company recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – restricted stock.'

(30) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(31) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(32) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Company's Board of Directors. Stock dividends are recorded as stock dividends to be distributed in the period in which they are resolved by the Company's shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(33) Revenue recognition

A. Revenue is recognised when control of the products has transferred, and the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

The Company uses five steps to determine the revenue recognition:

Step 1: Identify the contract.

Step 2: Identify the obligation in contract.

Step 3: Determine transaction price.

Step 4: Distribute transaction price to each obligation in contract.

Step 5: Recognise revenue when those obligations are satisfied.

B. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected payable to customers in relation to sales made until the end of the reporting period.

C. The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation. For the details of evaluation of inventories, please refer to Note 6.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and revolving funds	$ 1,889	$ 1,888
Checking accounts and demand deposits	1,699,205	3,465,169
Time deposits	4,450,000	300
	$ 6,151,094	$ 3,467,357

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company's restricted deposits that were pledged as collateral for performance guarantee had been reclassified to 'financial assets at amortised cost'. Refer to Note 8 for details.

C. The Company has no cash and cash equivalents pledged to others.

(2) Financial assets and liabilities at fair value through profit or loss

Assets	December 31, 2023	December 31, 2022
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificate	$ 1,150,000	$ -
Forward foreign exchange contract	38,725	-
Valuation adjustment	1,244	-
	$ 1,189,969	$ -
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bonds	$ 4,169	$ 4,169
Valuation adjustment	(4,169)	(4,169)
	$ -	$ -
Embedded derivatives		
The embedded call options and put options in convertible bonds	4,616	-
	$ 4,616	$ -

Liabilities	December 31, 2023	December 31, 2022
Current items:		
Financial liabilities held for trading		
Forward foreign exchange contract	$ 1,097	$ -
Non-current items:		
Embedded derivatives		
The embedded call options and put options in convertible bonds	$ 17,400	$ 23,400

A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	Year ended December 31	
	2023	2022
Financial assets mandatory measured at fair value through profit or loss/ financial liabilities held for trading		
Embedded derivatives	$ 31,916	($ 2,700)
Beneficiary certificate	1,932	-
Forward foreign exchange contract	(46,193)	32,994
	($ 12,345)	$ 30,294

B. The Company entered into forward foreign exchange contracts to sell and buy various currency to hedge exchange rate risk of export proceeds and interest rate risk. However, these forward foreign exchange contracts are not accounted for under hedge accounting. The summary of contracts not yet matured and entered into by the Company are as follows: (December 31, 2022: Nil)

	December 31, 2023			
	Currency	Contract period	Contract amount	
Forward foreign exchange contracts	Buy USD/Sell RUB	2023/12~2024/1	RUB	1,418,362 thousand
Forward foreign exchange contracts	Buy TWD/Sell JPY	2023/12~2024/1	JPY	300,000 thousand
Forward foreign exchange contracts	Buy TWD /Sell USD	2023/12~2024/1	USD	49,500 thousand
Forward foreign exchange contracts	Buy TWD /Sell EUR	2023/12~2024/1	EUR	14,000 thousand

C. The Company's financial assets at fair value through profit or loss were not pledged to others as collateral.

D. Information relating to fair value of financial assets at fair value through profit or loss is provided in Note 12(3).

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

	December 31, 2023	December 31, 2022
Current items:		
Designation of equity instruments		
Listed stocks	$ -	$ 124,995
Valuation adjustment	-	15,232
	$ -	$ 140,227
Non-current items:		
Designation of equity instruments		
Unlisted stocks	63,365	63,365
Valuation adjustment	(63,365)	(63,365)
	$ -	$ -

A. The Company has elected to classify investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $0 and $140,227 as at December 31, 2023 and 2022, respectively.

B. Considering the financial strategy and market risk, the Company sold $154,026 and $48,639 of equity investments at fair value and resulted in $29,031 and $7,150 of gains on disposal in second quarter of 2023 and the third quarter of 2022, respectively.

C. The Company derecognized the original investment cost in the second quarter of 2022 due to the dissolution of the invested company and transferred the loss to retained earnings amounted to $61,000.

D. Amounts recognised in other comprehensive income in relation to the equity instruments at fair value through other comprehensive income are listed below:

	Year ended December 31	
	2023	2022
Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	$ 13,799	($ 27,050)
Cumulative loss transfer to retained earnings due to dissolution	($ 29,031)	$ 53,850
Dividend income recognised in profit or loss		
Holding at the period end	$ -	$ 10,077
Derecognised during the period	4,800	3,821
	$ 4,800	$ 13,898

E. The Company's financial assets at fair value through other comprehensive income were not pledged to others as collateral.

F. Information relating to fair value of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Hedging financial assets and liabilities

	December 31, 2023			
	Assets		Liabilities	
Cash flow hedges:	Current	Non-current	Current	Non-current
Exchange rate risk				
Forward foreign exchange contract	$ 998	$ -	$ 32,490	$ 3,757

	December 31, 2022			
	Assets		Liabilities	
Cash flow hedges:	Current	Non-current	Current	Non-current
Exchange rate risk				
Forward foreign exchange contract	$ 1,511	$ -	$ 132,274	$ -

A. Hedge accounting is applied to remove the accounting inconsistency between the hedging instrument and the hedged item. As the Company's EUR and GBP denominated accounts receivable, and USD denominated accounts payable are exposed to the impact of variable exchange rate, the Company uses forward foreign exchange contract of exposed risk with 1:1 hedge ratio to control the exchange rate risk under their acceptable range based on the Company's risk management policies.

B. Transaction information associated with the Company adopting hedge accounting is as follows:

December 31, 2023

Hedged items	Derivative instruments designated as hedges	Fair value of instruments designated as hedges	Period of anticipated cash flow	Period of gain (loss) expected to be recognised in statements of comprehensive income
Forecast transaction	Forward foreign exchange contracts	($ 35,249)	2024/01~2025/02	2024/01~2025/02

December 31, 2022

Hedged items	Derivative instruments designated as hedges	Fair value of instruments designated as hedges	Period of anticipated cash flow	Period of gain (loss) expected to be recognised in statements of comprehensive income
Forecast transaction	Forward foreign exchange contracts	($ 130,763)	2023/01~2024/02	2023/01~2024/02

C. Information of contracts not yet matured is as follows:

	December 31, 2023			
	Currency	Contract period	Contract amount	
Forward foreign exchange contracts	Sell GBP / Buy USD	2022/12~2024/04	GBP	4,900 thousand
Forward foreign exchange contracts	Sell EUR / Buy USD	2023/03~2025/02	EUR	61,000 thousand

	December 31, 2022			
	Currency	Contract period	Contract amount	
Forward foreign exchange contracts	Sell EUR / Buy USD	2022/10~2023/08	EUR	79,000 thousand
Forward foreign exchange contracts	Sell GBP / Buy USD	2022/10~2024/02	GBP	12,100 thousand

D. Cash flow hedge:

	2023	2022
Other equity – cash flow hedge reserve		
At January 1	($ 104,611)	$ -
Profit or loss on hedge effectiveness – amount recognised in other comprehensive income	(55,788)	37,214
Reclassified to profit or loss as the hedged item has affected profit or loss	56,192	(23,668)
Adjusted inventories as the hedged item has not been sold	65,223	(125,086)
Reclassified to profit or loss – forecast transaction is no longer expected to occur	10,783	6,929
At December 31	($ 28,201)	($ 104,611)

To hedge exposed exchange rate risk arising from forecast sales revenue and forecast purchase of inventory, the Company entered into a forward forecast sale agreement of EUR and GBP, or/and a forward forecast purchase agreement of USD, and the hedge ratio is 1:1. The effective portion with respect to the changes in the fair value of the hedging instruments is deferred to recognise in the cash flow hedge reserve, which is under other comprehensive income, and will be directly included in the sales revenue when the hedged items are subsequently recognised in accounts receivable; and will be directly included in the inventory when the hedge items are subsequently recognised in inventory.

E. Information relating to fair value risk of hedging financial assets and liabilities is provided in Note 12(3).

(5) Accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	$ 8,690,527	$ 9,015,995
Less: Allowance for loss	(41,072)	(10,000)
	$ 8,649,455	$ 9,005,995

A. The Company grants credit term to customers from 30 days to 210 days after the delivery date. Ageing analysis is conducted on the basis of the number of days overdue. Please refer to Note 12 for disclosures of credit risk and information on movement of impairment and analysis of accounts receivable.

B. As of December 31, 2023 and 2022, the balances of receivables were all from contracts with customers. And as of January 1, 2022, the total balance of receivables from contracts with customers amounted to $5,402,022 and loss allowance amounted to $3,399.

C. As of December 31, 2023 and 2022, without taking into account any other credit enhancements, the maximum hedge to credit risk in respect of the amount that best represents the Company's accounts receivable were $8,649,455 and $9,005,995, respectively.

(6) Transfer of financial assets

A. The Company entered into a factoring agreement with financial institutions to sell its accounts receivable. Under the agreement, the Company prepared an offering document of purchase. The offering document states that the factoring is without the right of recourse, and the Company is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Company does not have any continuing involvement in the transferred accounts receivable, thus, the Company met the condition of financial asset derecognition. The derecognised accounts receivable are summarised as follows:

December 31, 2023

Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate range of amount advanced
DBS Bank (Taiwan) Ltd.	$ 783,922 (USD25,506,000)	$ 783,922	USD73,313,000	$ 694,480 (USD 22,596,000)	$ 89,442	5.90%~5.95%
Taipei Fubon Commercial Bank	325,280 (USD10,583,000)	325,280	USD75,000,000	$ 291,983 (USD 9,500,000)	33,297	5.98%
	$ 1,109,202	$ 1,109,202		$ 986,463	$ 122,739	

December 31, 2022

Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate range of amount advanced
DBS Bank (Taiwan) Ltd.	$ 1,124,029 (USD36,604,000)	$ 1,124,029	USD73,313,000	$ 918,169 (USD 29,900,000)	$ 205,860	5.14%~5.40%
Taipei Fubon Commercial Bank	1,841,570 (USD59,970,000)	1,841,570	USD54,000,000	1,653,905 (USD 53,859,000)	187,665	5.34%
Taishin International Bank	-	-	USD 1,700,000	-	-	-
	$ 2,965,599	$ 2,965,599		$ 2,572,074	$ 393,525	

B. As of December 31, 2023 and 2022, the amount that arose from factoring of accounts receivable but not yet received from banks in advance amounted to $122,739 and $393,525, respectively, which were reclassified as other receivables.

C. Information of the pledged assets due to above factoring agreements are provided in Note 9.

(7) Inventories

	December 31, 2023	December 31, 2022
Raw materials	$ 3,458,663	$ 1,869,834
Work in progress	321,832	390,569
Finished goods	6,500,004	6,330,069
Inventory in transit	26,358	110,627
	$ 10,306,857	$ 8,701,099

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2023	2022
Cost of goods sold	$ 48,355,007	$ 53,944,957
Write-downs of inventories to net realizable value	214,220	35,366
	$ 48,569,227	$ 53,980,323

(8) Investments accounted for using the equity method

	December 31, 2023	December 31, 2022
Subsidiaries:		
Sercomm Trading Co., Ltd.	$ 5,393,844	$ 6,157,892
Sercomm Philippines Inc.	1,160,758	420,274
Servercom (India) Private Limited	128,824	(21,965)
Sercomm Japan Corp.	73,349	40,505
Sercomm Technology Inc.	62,843	43,013
MosoLabs Inc.	42,012	(4,147)
Sercomm France SARL	39,392	33,693
Sercomm Investment Corp.	38,386	37,123
Sercomm USA Inc.	36,641	32,585
Sercomm Britain Limited	5,131	4,173
Sercomm Brazil Ltda	2,583	-
Sercomm Deutschland GmbH	2,352	2,372
Sereomm Russia Limited Liability Company	(8,873)	(11,660)
Sernet Technology Mexico	(111,534)	(10,062)
	6,965,708	6,723,796
Add：Reclassified from credit balance of investment accounted for using the equity method	20,407	47,834
	$ 6,986,115	$ 6,771,630

A. Information about subsidiaries of the Company is provided in Note 4(3) in the 2023 consolidated financial statements.

B. In order to replenish the working capital of subsidiaries and manage capital of overseas subsidiaries, the Company's Board of Directors resolved to increase capital in Sercomm Philippines Inc. and MosoLabs Inc. amounting to $551,893 and $47,892 in 2023, respectively, and decrease capital in Sercomm Trading Co. Ltd. amounting to $914,400 in 2023.

C. The aforementioned investments accounted for using the equity method were measured based on the associate's financial statements which were audited by independent auditors. The Company recognised investment profit of $360,844 and $378,430 for the investments accounted for using equity method for the years ended December 31, 2023 and 2022, respectively.

D. Details of the impact when the Company's subsidiaries substantively enacted to implement the Pillar Two model rules are provided in Note 6(28) of the 2023 consolidated financial statements.

(9) Property, plant and equipment

	2023					
	Land	Buildings and structures	Machinery and equipment	Research and development equipment	Office and other equipment	Total
January 1						
Cost	$ 1,273,063	$ 913,351	$ 517,391	$ 697,926	$ 1,149,824	$ 4,551,555
Accumulated depreciation	-	(214,817)	(377,271)	(484,073)	(724,226)	(1,800,387)
	$ 1,273,063	$ 698,534	$ 140,120	$ 213,853	$ 425,598	$ 2,751,168
At January 1	$ 1,273,063	$ 698,534	$ 140,120	$ 213,853	$ 425,598	$ 2,751,168
Additions	-	-	70,200	65,805	153,585	289,590
Reclassifications	-	-	19,548	2,562	21,869	43,979
Disposals	-	-	(2,686)	(331)	(3,015)	(6,032)
Depreciation charge	-	(19,536)	(49,189)	(73,012)	(147,644)	(289,381)
At December 31	$ 1,273,063	$ 678,998	$ 177,993	$ 208,877	$ 450,393	$ 2,789,324
December 31						
Cost	$ 1,273,063	$ 913,351	$ 601,220	$ 754,407	$ 1,314,738	$ 4,856,779
Accumulated depreciation	-	(234,353)	(423,227)	(545,530)	(864,345)	(2,067,455)
	$ 1,273,063	$ 678,998	$ 177,993	$ 208,877	$ 450,393	$ 2,789,324

	2022					
	Land	Buildings and structures	Machinery and equipment	Research and development equipment	Office and other equipment	Total
January 1						
Cost	$ 1,273,063	$ 913,351	$ 477,720	$ 661,458	$ 1,029,367	$ 4,354,959
Accumulated depreciation	-	(195,282)	(334,835)	(422,359)	(588,160)	(1,540,636)
	$ 1,273,063	$ 718,069	$ 142,885	$ 239,099	$ 441,207	$ 2,814,323
At January 1	$ 1,273,063	$ 718,069	$ 142,885	$ 239,099	$ 441,207	$ 2,814,323
Additions	-	-	37,954	47,318	115,290	200,562
Reclassifications	-	-	2,859	408	12,737	16,004
Disposals	-	-	(37)	(9)	(1,937)	(1,983)
Depreciation charge	-	(19,535)	(43,541)	(72,963)	(141,699)	(277,738)
At December 31	$ 1,273,063	$ 698,534	$ 140,120	$ 213,853	$ 425,598	$ 2,751,168
December 31						
Cost	$ 1,273,063	$ 913,351	$ 517,391	$ 697,926	$ 1,149,824	$ 4,551,555
Accumulated depreciation	-	(214,817)	(377,271)	(484,073)	(724,226)	(1,800,387)
	$ 1,273,063	$ 698,534	$ 140,120	$ 213,853	$ 425,598	$ 2,751,168

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(10) Leasing arrangements - lessee

A. The Company leases various assets including land, buildings and transportation equipment. Lease agreements are typically made for periods of 2 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any restriction to the Company, but leased assets may not be used as collateral for borrowing.

B. Short-term leases with a lease term of no more than 12 months include certain dormitories, business vehicles and premises.

C. The movements of right-of-use assets of the Company are as follows:

	2023			
	Land	Buildings	Transportation equipment	Total
At January 1	$ -	$ 195,416	$ -	$ 195,416
Additions	5,796	-	1,104	6,900
Lease modifications	-	10,209	-	10,209
Depreciation charge	(1,895)	(37,982)	(307)	(40,184)
At December 31	$ 3,901	$ 167,643	$ 797	$ 172,341

	2022			
	Land	Buildings	Transportation equipment	Total
At January 1	$ -	$ 9,554	$ -	$ 9,554
Additions	-	205,869	-	205,869
Lease modifications	-	6,715	-	6,715
Depreciation charge	-	(26,722)	-	(26,722)
At December 31	$ -	$ 195,416	$ -	$ 195,416

D. The information on income and expense accounts relating to lease agreements is as follows:

	Year ended December 31	
	2023	2022
Items affecting profit or loss		
Interest expense on lease liabilities	$ 3,315	$ 1,729
Expense on short-term lease contracts	3,390	3,232
Expense on leases of low-value assets	77	553
Losses arising from lease modifications	540	336

E. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases amounted to $46,269 and $34,281, respectively.

(11) Intangible assets

	Computer software	Development expenditure	Patents	Total
January 1, 2023				
Cost	$ 1,017,140	$ 314,716	$ 26,946	$ 1,358,802
Accumulated amortisation	(583,216)	(287,729)	(17,008)	(887,953)
	$ 433,924	$ 26,987	$ 9,938	$ 470,849
At January 1, 2023	$ 433,924	$ 26,987	$ 9,938	$ 470,849
Additions－acquired separately	85,699	-	2,653	88,352
Additions－from internal development	-	5,386	-	5,386
Amortisation charge	(160,046)	(32,373)	(3,877)	(196,296)
At December 31, 2023	$ 359,577	$ -	$ 8,714	$ 368,291
December 31, 2023				
Cost	$ 1,102,839	$ 320,102	$ 29,258	$ 1,452,199
Accumulated amortisation	(743,262)	(320,102)	(20,544)	(1,083,908)
	$ 359,577	$ -	$ 8,714	$ 368,291

	Computer software	Development expenditure	Patents	Total
January 1, 2022				
Cost	$ 765,926	$ 299,096	$ 24,140	$ 1,089,162
Accumulated amortisation	(434,969)	(261,499)	(13,713)	(710,181)
	$ 330,957	$ 37,597	$ 10,427	$ 378,981
At January 1, 2022	$ 330,957	$ 37,597	$ 10,427	$ 378,981
Additions－acquired separately	251,214	-	4,180	255,394
Additions－from internal development	-	15,620	-	15,620
Disposals	-	-	(267)	(267)
Amortisation charge	(148,247)	(26,230)	(4,402)	(178,879)
At December 31, 2022	$ 433,924	$ 26,987	$ 9,938	$ 470,849
December 31, 2022				
Cost	$ 1,017,140	$ 314,716	$ 26,946	$ 1,358,802
Accumulated amortisation	(583,216)	(287,729)	(17,008)	(887,953)
	$ 433,924	$ 26,987	$ 9,938	$ 470,849

A. Details of amortisation on intangible assets are as follows:

	Year ended December 31	
	2023	2022
Operating costs	$ 32,808	$ 26,696
Operating expenses	163,488	152,183
	$ 196,296	$ 178,879

B. The Company has no intangible assets pledged to others as collateral.

(12) Short-term borrowings

Type of borrowings	December 31, 2023	December 31, 2022
Bank borrowings		
Unsecured borrowings	$ 1,699,000	$ 1,639,995
Interest rate range	4.29%	0.00%~2.28%

(13) Bonds payable

	December 31, 2023	December 31, 2022
Bonds payable	$ 3,700,000	$ 3,700,000
Unsecured convertible bonds payable	4,591,600	3,000,000
Less: Discount on bonds payable	(321,810)	(175,992)
Less: Current portion corporate bonds due within one year	(2,300,000)	-
	$ 5,669,790	$ 6,524,008

A. The terms of the unsecured corporate bonds issued by the Company are as follows:

The Company issued the first domestic unsecured corporate bonds in 2020 and 2019 amounting to $1,400,000 and $2,300,000 based on the face value at an annual rate of 1% and 1.02%, respectively, as approved by the regulatory authority. Those bonds mature in 5 years from the issue date, and the periods are from July 17, 2020 to July 17, 2025 and July 26, 2019 to July 26, 2024, respectively. The bonds are listed on the Taipei Exchange and will be redeemed in cash at face value at the maturity date.

B. The issuance of domestic convertible bonds by the Company are as follows:

(a) The Company issued the sixth domestic unsecured convertible bonds in 2022 amounting to $3,000,000 based on the face value at an annual rate of 0%, as approved by the regulatory authority. The bonds mature in 5 years from the issue date, and the period is from May 17, 2022 to May 17, 2027. The bond is listed on the Taipei Exchange and will be redeemed in cash at face value at the maturity date.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and the conversion price at issuance was NT$ 100 (in dollars). The aforementioned conversion price had been reset as NT$95 (in dollars) according to the terms starting from April 19, 2023 (the effective date of price resetting). For the year ended December 31, 2023, the amount that the bondholders applied to exercise was $1,408,400, 14,825 thousand ordinary shares were exchanged and capital surplus had been increased by $1,192,970 due to the exercise of conversion options. As of December 31, 2023, the 10,599 thousand exchanged ordinary shares were shown as ‘advance receipts for share capital’ as the effective date of the capital increase was yet to be resolved by the Board of Directors.

(d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value in cash upon three years.

(e) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.

(f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued or re-sold and all rights and obligations attached to the bonds are also extinguished.

(g) Regarding the issuance of convertible bonds, the equity conversion options amounting to $209,400 were separated from the liability component and were recognised in 'capital surplus-share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial liabilities at fair value through profit or loss' in net amount of $20,700 in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. Convertible bonds were recorded at the fair value when issuing, and the discount amount of the bonds was $200,100. The effective interest rate of the bonds payable after such separation was 1.38 %.

C. The issuance of the seventh domestic unsecured convertible bonds by the Company are as follows:

(a) The Company issued the seventh domestic unsecured convertible bonds amounting to $3,000,000 based on the face value at an annual rate of 0%, as approved by the regulatory authority. The bonds mature in 5 years from the issue date, and the period is from December 6, 2023 to December 6, 2028. The bond is listed on the Taipei Exchange and will be redeemed in cash at face value at the maturity date.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and the conversion price at issuance was NT$145 (in dollars).

(d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value in cash upon three years.

(e) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.

(f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued or re-sold and all rights and obligations attached to the bonds are also extinguished.

(g) Regarding the issuance of convertible bonds, the equity conversion options amounting to $322,500 were separated from the liability component and were recognised in 'capital surplus-share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial liabilities at fair value through profit or loss' in net amount of $21,300 in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. Convertible bonds were recorded at the fair value when issuing, and the discount amount of the bonds was $253,800. The effective interest rate of the bonds payable after such separation was 1.77 %.

(14) Long-term borrowings(December 31, 2023:Nil)

Type of borrowings	Borrowing period	December 31, 2022	Interest rate
Secured borrowings	Borrowing period is from December 22, 2021 to December 22, 2026	$ 687,120	2.06%~2.45%

A. In December 2021, the Company has entered a medium and long-term syndicated revolving credit facility agreement. The credit line was $1,700,000 thousand, which can be drawn down in installments, the duration of each loan drawn down is no longer than 180 days, if without any default, the Company may submit an application to the bank to draw down a new loan with principal equal to the original loan before its maturity, and the new loan is directly used to repay the original loan. The bank and the Company are not required to make remittances for such draw-down and repayment, which is considered as the Company receiving the new loan on the maturity of original loan. Additionally, the Group had early terminated the above borrowing contract in December 2023 due to capital management.

B. The Company about the long-term borrowings that were secured is provided in Note 8.

(15) Pensions

A. Defined benefit plans

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) Amounts recognised in balance sheet are as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	$ 146,226	$ 145,815
Fair value of plan assets	(102,774)	(98,936)
Net defined benefit liabilities	$ 43,452	$ 46,879

(c) Change of net defined obligation is as follows:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit obligation
Year 2023			
January 1, 2023	$ 145,815	($ 98,936)	$ 46,879
Current service cost	313	-	313
Interest expense (income)	1,751	(1,187)	564
	147,879	(100,123)	47,756
Remeasurements:			
Experience adjustments	2,416	(513)	1,903
Pension fund contribution	-	(6,207)	(6,207)
Paid pension	(4,069)	4,069	-
December 31, 2023	$ 146,226	($ 102,774)	$ 43,452

	Defined benefit obligation	Fair value of plan assets	Net defined benefit obligation
Year 2022			
January 1, 2022	$ 150,547	($ 102,074)	$ 48,473
Current service cost	586	-	586
Interest expense (income)	1,054	(714)	340
	152,187	(102,788)	49,399
Remeasurements:			
Change in financial assumptions	(5,044)	-	(5,044)
Experience adjustments	15,852	(7,461)	8,391
	10,808	(7,461)	3,347
Pension fund contribution	-	(5,867)	(5,867)
Paid pension	(17,180)	17,180	-
December 31, 2022	$ 145,815	($ 98,936)	$ 46,879

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The assumptions of pensions are as follows:

	Year ended December 31	
	2023	2022
Discount rate	1.20%	1.20%
Future salary increases	3.00%	3.00%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

The effect to defined benefit obligation since changing of main actuarial assumptions is as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2023				
Effect on present value of defined benefit obligation	($ 2,265)	$ 2,335	$ 1,969	($ 1,923)
December 31, 2022				
Effect on present value of defined benefit obligation	($ 2,408)	$ 2,483	$ 2,115	($ 2,065)

The sensitivity analysis is based on other assumptions that are unchanged to analyse the effect of one assumption that changed. In practice, more than one assumption may change all at once. The method used to calculate the net pension liabilities in the balance sheet and sensitivity analysis is the same. The method used in the preparation of sensitivity analysis in the current period is the as same as in the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ended December 31, 2024 amount to $6,299.

(g) As of December 31, 2023, the weighted average duration of the pension plan is 7 years. The analysis of timing of the future pension payment was as follows:

Not later than 1 year	$	31,996
1 to 2 years		12,647
2 to 5 years		36,330
More than 5 years		77,148
	$	158,121

B. Defined contribution plans

(a) The Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022 were $67,501 and $58,387, respectively.

(16) Share-based payment

A. Certain employees of the Company are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

B. The arrangements of share-based payment for the years ended December 31, 2023 and 2022 are as follows:

Type of arrangement	Grant date	Grant quantity (in thousand)	Contract period	Vesting condition
Employee option plan	2015.05.27	10,000	10 years	(Note 1)
Employee option plan	2020.08.20	12,000	10 years	(Note 1)
Treasury share to employee plan	2023.03.09	1,100	N/A	Immediately vested
Employee option plan	2023.05.03	3,000	10 years	(Note 2)
The vesting conditions of restricted stocks to employees	2023.08.15	2,596	N/A	(Note 3)

Note 1: The Company issues new shares when employees exercise options. The vesting period of option and exercisable ratio are as follows:

Vesting period of option	Accumulated ratio of exercisable stock option
After 2 years	50%
After 3 years	75%
After 4 years	100%

Note 2: The Company issues new shares when employees exercise options. The vesting period of option and exercisable ratio are as follows:

Vesting period of option	Accumulated ratio of exercisable stock option
After 2 years	100%

Note 3: The vesting conditions of restricted stocks to employees are the conditions for the service period and performance achievements.

The restricted stocks issued by the Group cannot be transferred during the vesting period, but voting right and dividend right are not restricted on these stocks. Employees are required to return the stocks but not required to return the dividends received if they resign during the vesting period.

C. Details of the share-based payment arrangements in 2015 are as follows:

	2022	
	No. of options (in thousand)	Weighted- average exercise price (in dollars)
Options outstanding at January 1	530	$ 45.9
Options exercised	(530)	44.5
Options outstanding at December 31	-	-
Options exercisable at December 31	-	

The Company's share-based payment arrangements in 2015 were all exercised in 2022.

D. Details of the share-based payment arrangements in 2020 are as follows:

	2023		2022	
	No. of options (in thousand)	Weighted- average exercise price (in dollars)	No. of options (in thousand)	Weighted- average exercise price (in dollars)
Options outstanding at January 1	6,124	$ 28.0	12,000	$ 28.9
Options exercised	(2,960)	26.6	(5,876)	28.0
Options outstanding at December 31	3,164	26.6	6,124	28.0
Options exercisable at December 31	164		124	

As at December 31, 2023 and 2022, the range of exercise prices of stock options outstanding was NT$26.6 (in dollars) and NT$28 (in dollars); the remaining contractual period was 6.6 years and 7.6 years, respectively.

E. Details of the share-based payment arrangements in 2023 are as follows:

	2023	
	No. of options (in thousand)	Weighted- average exercise price (in dollars)
Options outstanding at January 1	-	$ -
Options exercised	3,000	82.9
Options outstanding at December 31	3,000	82.9
Options exercisable at December 31	-	

As at December 31, 2023, the exercise prices of stock options outstanding was NT$82.9 (in dollars); the remaining contractual period was 9.3 years.

F. The weighted-average stock price of stock options at exercise dates in 2023 and 2022 was NT$122.6 and NT$81.7 (in dollars), respectively.

G. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars) (Note 1)	Expected price Volatility (Note 2)	Expected option life (Note 4)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2015.05.27							
-After 2 years		$ 63.6	$ 57.6	27.79%	6.0 years	4.79%	1.17%	$ 9.15
-After 3 years		63.6	57.6	27.79%	6.5 years	4.79%	1.24%	9.26
-After 4 years		63.6	57.6	27.79%	7.0 years	4.79%	1.31%	9.34

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars) (Note 1)	Expected price Volatility (Note 3)	Expected option life (Note 4)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2020.08.20							
-After 2 years		$ 74.7	$ 30.0	27.61%	6.0 years	3.88%	0.33%	$ 31.90
-After 3 years		74.7	30.0	27.84%	7.0 years	3.88%	0.35%	30.54
-After 4 years		74.7	30.0	27.50%	8.0 years	3.88%	0.36%	29.14

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars) (Note 1)	Expected price Volatility (Note 3)	Expected option life (Note 4)	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2023.05.03							
-After 2 years		$ 82.9	$ 82.9	29.71%	6.0 years	4.53%	1.12%	$ 13.55

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price Volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
The vesting conditions of restricted stocks to employees	2023.08.15	$ 114.0	$ 60.0	–	–	–	–	$ 54.00

Note 1: The exercise prices have been adjusted to reflect the change of outstanding shares (e.g., issuance of new shares for cash to increase capital, cash dividends, an appropriation of earnings, issuance of new shares in connection with merger or acquiring shares of other

companies.) in accordance with the employee stock option plan.

Note 2: Expected price volatility is based on the historical average volatility on return of one year before valuation date. The source is from the Taiwan Stock Exchange.

Note 3: Expected price volatility is based on the recent historical average volatility of the stock prices coincident with expected life of each tranch of the stock options. The source is from the Taiwan Stock Exchange.

Note 4: The expected life of the share options is based on historical date and current expectations.

H. The Company transferred treasury shares to employees, the fair value of the award and its detailed information are as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Fair value per unit (in dollars)
Treasury share to employee plan	2023.03.09	$ 91.10	$ 77.71	$ 13.39

I. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31	
	2023	2022
Compensation cost of employee stock options	$ 209,404	$ 112,211

(17) Provisions for liabilities - current

	Warranty	Royalty	Total
At January 1, 2023	$ 214,280	$ 267,026	$ 481,306
Additional provisions	319,191	168,092	487,283
Utilisation/reversal during the period	(213,600)	(104,877)	(318,477)
At December 31, 2023	$ 319,871	$ 330,241	$ 650,112

	Warranty	Royalty	Total
At January 1, 2022	$ 129,181	$ 147,632	$ 276,813
Additional provisions	258,527	165,422	423,949
Utilisation/reversal during the period	(173,428)	(46,028)	(219,456)
At December 31, 2022	$ 214,280	$ 267,026	$ 481,306

A. Warranty

A provision for repairs and maintenance obligation is recognised for expected warranty claims on products sold, based on historical claims of warranty and management's judgement for future probable product repairs or replacement in next 12 months.

B. Royalty

The Company estimates the possible royalty expenses based on the industry characteristics, other known events and management's judgement and recognises such expenses within 'cost of goods sold' when related product is sold. Any changes in industry circumstances might affect materially the provision for royalty.

(18) Share capital

A. The Company's authorised capital was all $5,000,000 as at December 31, 2023 and 2022, consisting of 500,000 thousand shares. Paid-in capital were $2,685,781 and $2,587,958, respectively, with par value of NT$10 (in dollars). All proceeds from shares issued have been collected.

The number of common shares at the beginning and the end of the year is reconciled as below:

	2023 (in thousand)	2022 (in thousand)
At January 1	256,196	252,390
Exercise of employee stock options	2,960	6,406
Restricted stock awards	2,596	-
Conversion of convertible bonds	4,226	-
Transfer of treasury shares	1,100	2,400
Repurchase of treasury shares	-	(5,000)
At December 31	267,078	256,196

B. In order to boost the Company's working capital, repay bank loans, enhance financial structure, purchase raw materials, and/or acquire funding needed for long-term development, the shareholders resolved in their meeting held on June 8, 2022 to raise capital by private placement offering of either issuing new ordinary shares or domestic/foreign convertible bonds. Private placement of the ordinary shares shall not exceed 50,000 thousand shares, and private placement of domestic/foreign convertible bonds shall not exceed $3,000,000 or US$100,000 thousand. Considering that the aforementioned capital increase was not processed within one year after the resolution date, the Company will no longer process the increase in capital as resolved by the Board of Directors on March 9, 2023.

C. The shareholders of the Company during their meeting on June 13, 2023 adopted a resolution to issue employee restricted ordinary shares of 6,000 thousand shares, which could be issued in several times. This issuance was approved by the Financial Supervisory Commission on July 24, 2023. The Board of Directors during their meeting on July 28, 2023 adopted a resolution to issue employee restricted ordinary shares with the effective date set on August 15, 2023. The subscription price is $60 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

D. Treasury stocks

(a) Reasons for the share repurchase and the number of the Company's treasury stocks are as follows:

		December 31, 2023	
Name of company holding the shares	Reason for repurchase	Number of shares (in thousand)	Carrying amount
The Company	To be transferred to employees	1,500	$ 119,517

		December 31, 2022	
Name of company holding the shares	Reason for repurchase	Number of shares (in thousand)	Carrying amount
The Company	To be transferred to employees	2,600	$ 207,165

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares repurchased as treasury stocks should not exceed 10% of the number of the Company's issued and outstanding shares and the amount of shares repurchased should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should not be pledged as collateral nor is entitled to shareholders' rights before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should be transferred to the employees within five years from the repurchase date and shares not transferred within the five-year period are to be retired.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of ordinary shares and donations can be used to offset accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to offset accumulated deficit unless the legal reserve is insufficient.

	2023							
	Additional paid-in capital in excess of par, ordinary share	Conversion premium of convertible corporate bonds	Treasury Stock transactions	Employee stock options	Employee restricted stocks	Expired stock options	Convertible bond options	Total
At January 1	$ 884,932	$ 1,382,485	$ 28,949	$ 174,900	$ 25,934	$ -	$ 209,400	$ 2,706,600
Compensation cost of employee stock options	-	-	-	69,220	140,184	-	-	209,404
Exercise of employee stock options	148,480	-	-	(99,232)	-	-	-	49,248
Restricted stock awards	269,984	-	-	-	(140,184)	-	-	129,800
Expired employee stock options	-	-	-	-	(25,934)	25,934	-	-
Issuance of convertible corporate bonds	-	-	-	-	-	-	322,500	322,500
Conversion of convertible corporate bonds	-	1,291,276	-	-	-	-	(98,306)	1,192,970
Transfer of treasury shares	-	-	12,562	(14,729)	-	-	-	(2,167)
At December 31	$ 1,303,396	$ 2,673,761	$ 41,511	$ 130,159	$ -	$ 25,934	$ 433,594	$ 4,608,355

	2022							
	Additional paid-in capital in excess of par, ordinary share	Conversion premium of convertible corporate bonds	Treasury Stock transactions	Employee stock options	Employee restricted stocks	Changes in ownership interests in subsidiaries	Convertible bond options	Total
At January 1	$ 615,023	$ 1,382,485	$ 28,949	$ 208,545	$ 25,934	$ 8,628	$ -	$ 2,269,564
Exercise of employee stock options	269,909	-	-	(145,856)	-	-	-	124,053
Compensation cost of employee stock options	-	-	-	112,211	-	-	-	112,211
Issuance of convertible corporate bonds	-	-	-	-	-	-	209,400	209,400
Disposal of subsidiaries	-	-	-	-	-	(8,628)	-	(8,628)
At December 31	$ 884,932	$ 1,382,485	$ 28,949	$ 174,900	$ 25,934	$ -	$ 209,400	$ 2,706,600

(20) Retained earnings

A. Under the Company's Articles of Incorporation adopted by the shareholders during their meeting, the current year's earnings, if any, shall first be used to pay all taxes and offset accumulated deficit and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve is equal to the amount of paid-in capital. After the provision or reversal of special reserve, the appropriation of the remaining earnings along with the unappropriated earnings of prior years and current adjustment on unappropriated earnings as distributable retained earnings. The distribution of all or part of dividends and bonuses shall be made by issuing new shares, which shall be approved by the shareholders. Distribution of earnings by way of cash dividends should be approved by Board of Directors and reported to shareholders in its meeting.

B. The policy for dividend distribution should consider level of current year earnings and stabilised dividend ratio to support the Company's steady growth, and should reflect factors such as current and future investment environment, fund requirements, domestic and international competition and capital expenditure budgets, as well as the benefit of stockholders, dividend equilibrium, and long-term financial planning etc. It may be paid in cash or in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

C. Except for offsetting accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1090150022 , dated March 31, 2021, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

(c) As of January 1, 2018, the amount of special reserve set aside for the first-time adoption of IFRSs amounted to $131,678. Furthermore, the Company did not reverse special reserve to retained earnings during the years ended December 31, 2023 and 2022 as a result of the use, disposal or reclassification of related assets. As of December 31, 2023 and 2022, the amount of special reserve set aside for the first-time adoption of IFRSs all amounted to $131,678.

E. (a) The appropriations of earnings of 2022 and 2021 resolved by shareholders on June 13, 2023 and June 8, 2022, respectively, are as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve appropriated	$ 186,289		$ 86,059	
Reversal of special reserve	(16,182)		(27,429)	
Cash dividends	1,158,191	$ 4.50	605,735	$ 2.40

(b) Details of 2023 earnings appropriation proposed by the Board of Directors on March 5, 2024 are as follows:

	Year ended December 31, 2023	
	Amount	Dividends per share (in dollars)
Legal reserve appropriated	$ 241,381	
Special reserve appropriated	36,538	
Cash dividends	1,472,126	$ 5.00

Information about the appropriation of retained earnings of the Company as proposed by the Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Other equity items

	2023			
	Financial statements translation differences of foreign operations	Unrealised gains (losses) on financial assets at fair value through other comprehensive income	Gains (losses) on hedging hedging instruments	Total
At January 1	($ 531,189)	($ 17,537)	($ 104,611)	($ 653,337)
Currency translation differences:				
-Company	(98,279)	-	-	(98,279)
Revaluation – gross				
-Company	-	13,799	-	13,799
-Subsidiary	-	559	-	559
Revaluation transferred to retained earnings	-	(29,031)	-	(29,031)
Gains (losses) on hedging instruments:				
-Gains (losses) on fair value	-	-	(69,735)	(69,735)
-Tax on fair value gains (losses)	-	-	13,947	13,947
-Transfers to sales of goods	-	-	70,240	70,240
-Tax on transfers to sales of goods	-	-	(14,048)	(14,048)
-Transfers to inventories	-	-	81,528	81,528
-Tax on transfers to inventories	-	-	(16,305)	(16,305)
Ineffective hedging transfer to profit or loss	-	-	13,479	13,479
Tax on ineffective hedging transfer to profit or loss	-	-	(2,696)	(2,696)
At December 31	($ 629,468)	($ 32,210)	($ 28,201)	($ 689,879)

	2022			
	Financial statements translation differences of foreign operations	Unrealised gains (losses) on financial assets at fair value through other comprehensive income	Gains (losses) on hedging hedging instruments	Total
At January 1	($ 633,478)	($ 36,041)	$ -	($ 669,519)
Currency translation differences:				
-Company	102,289	-	-	102,289
Revaluation – gross				
-Company	-	(27,050)	-	(27,050)
-Subsidiary	-	3,904	-	3,904
Revaluation – tax	-	(12,200)	-	(12,200)
Revaluation transferred to retained earnings	-	53,850	-	53,850
Gains (losses) on hedging instruments:				
-Gains (losses) on fair value	-	-	46,518	46,518
-Tax on fair value gains (losses)	-	-	(9,304)	(9,304)
-Transfers to sales of goods	-	-	(29,585)	(29,585)
-Tax on transfers to sales of goods	-	-	5,917	5,917
-Transfers to inventories	-	-	(156,357)	(156,357)
-Tax on transfers to inventories	-	-	31,271	31,271
Ineffective hedging transfer to profit or loss	-	-	8,661	8,661
Tax on ineffective hedging transfer to profit or loss	-	-	(1,732)	(1,732)
At December 31	($ 531,189)	($ 17,537)	($ 104,611)	($ 653,337)

(22) Operating revenue

A. Disaggregation of revenue from contracts with customers

Sales revenue is recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company derives revenue from the transfer of goods at a point in time in the following major product lines:

	Year ended December 31	
	2023	2022
Revenue type		
Fixed mobile convergence products (BB CPE)	$ 35,328,507	$ 38,930,938
Enterprise (ENT)	13,712,013	12,992,732
IoT Solutions (Infra. & IoT)	5,857,977	7,000,275
Others	1,458,696	1,340,994
	$ 56,357,193	$ 60,264,939

B. Contract liabilities

Contract liabilities recognised by the Company as a result of revenue from contracts with customers are as follows:

	December 31, 2023	December 31, 2022	January 1, 2023
Sales contract	$ 723,761	$ 666,893	$ 197,278

(a) Significant changes in contract liabilities

For the year ended December 31, 2023 and 2022, the change in the Company's contract liabilities were due to the customer's operation changes with industrial needs, and the timing difference between the prepayments made according to the contract and the Company's performance obligations satisfied.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period

	Year ended December 31	
	2023	2022
Sales contract	$ 647,002	$ 197,278

C. Refund liabilities

Sales revenue is recognised based on contract price net of sales discounts and allowances. The merchandise is often sold with sales discounts and allowances based on aggregate sales over a 12-month period. Historical experience is used to estimate and provide for the sales discounts and allowances, using the most possible amount, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The payment terms for sales are normally 30 to 210 days after delivery. The time between the transfer of promised goods or services to the client and collection of payment does not exceed one year. Therefore, the Company does not adjust the transaction price to reflect the time value of money.

	December 31, 2023	December 31, 2022
Refund labilities	$ 369,661	$ 325,960

(23) Other income

	Year ended December 31	
	2023	2022
Dividend income	$ 4,800	$ 13,898
Income from an ad-hoc tax refund	-	5,132
Rental income	1,828	1,839
Others	855	3,402
	$ 7,483	$ 24,271

(24) Other gains and losses

	Year ended December 31	
	2023	2022
Net (losses) gains on financial assets or liabilities at fair value through profit or loss	($ 12,345)	$ 30,294
Net currency exchange gains (losses)	28,406	(1,927)
Losses on disposals of intangible assets	-	(267)
Losses on disposals of property, plant and equipment	(206)	(47)
Losses arising from lease modifications	(540)	(336)
	$ 15,315	$ 27,717

(25) Finance costs

	Year ended December 31	
	2023	2022
Interest expense		
-Bank borrowing	$ 162,006	$ 99,086
-Bonds payable	78,264	61,568
-Loaans from related parties	39,667	-
-Lease contracts	3,315	1,729
-Short-term notes and bills payable	-	1,135
-Others	-	2
	$ 283,252	$ 163,520

(26) Additional information of expenses by nature

	Year ended December 31	
	2023	2022
Employee benefit expense	$ 2,784,341	$ 2,767,643
Depreciation charges on property, plant and equipment	289,381	277,738
Amortisation charges on intangible assets	196,296	178,879
Depreciation charges on right-of-use assets	40,184	26,722
	$ 3,310,202	$ 3,250,982

(27) Employee benefit expense

	Year ended December 31	
	2023	2022
Wages and salaries	$ 2,200,778	$ 2,301,850
Labor and health insurance fees	143,689	130,429
Pension costs	68,378	59,313
Compensation cost of employee stock options	209,404	112,211
Directors' remuneration	50,174	48,144
Other personnel expenses	111,918	115,696
	$ 2,784,341	$ 2,767,643

A. According to the Articles of Incorporation, 12%-18% of profit of the current year is distributable as employees' compensation and no higher than 2.5% of profit of the current year is distributable as remuneration to directors. Qualification requirements of employees include the employees of subsidiaries or controlled entities of the Company meeting certain specific requirements. If the Company has an accumulated deficit, earnings should be reserved to offset deficit first. Independent directors do not participate in the abovementioned distribution of directors' remuneration.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at $545,400 and $428,210, respectively; directors' remuneration was accrued at $39,600 and $39,790, respectively. The aforementioned amounts were recognised in wages and salaries.

For the year ended December 31, 2023, the employees' compensation and directors' remuneration were estimated and accrued based on 15.65% and 1.14% of distributable profit of current year.

The 2022 employees' compensation and directors' remuneration as resolved by the Board of Directors amounted to $428,210 and $39,790, respectively. Also, there was no difference between such amounts and those shown in the 2022 financial statements. The employees' compensation and directors' remuneration will be distributed in the form of cash.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(a)Components of income tax expense:

	Year ended December 31	
	2023	2022
Current tax:		
Current tax on profits for the period	$ 846,098	$ 336,362
Tax on undistributed earnings	14,660	5,788
Prior year income tax underestimation (overestimation)	17,152	(21,009)
Total current tax	877,910	321,141
Deferred tax:		
Origination and reversal of temporary differences	(365,284)	(55,920)
Total deferred tax	(365,284)	(55,920)
Income tax expense	$ 512,626	$ 265,221

(b)Income tax (credit) charge relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2023	2022
Profit or loss of hedging instruments in cash flow hedge	($ 19,102)	$ 26,152
Changes in fair value of financial assets at fair value through other comprehensive income	-	(12,200)
Remeasurement of defined benefit obligations	381	669
	($ 18,721)	$ 14,621

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	$ 579,786	$ 436,930
Expenses disallowed by tax regulation	28,738	18,311
Tax exempt income by tax regulation	(38,052)	(62,580)
Prior year income tax underrestimation (overestimation)	17,152	(21,009)
Effect from investment tax credits	(91,395)	(112,219)
Change in assessment of realisation of deferred tax assets	1,737	-
Surtax on undistributed earnings	14,660	5,788
Income tax expense	$ 512,626	$ 265,221

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Unrealised bonus and other expenses	$ 161,347	$ 258,299	$ -	$ 419,646
Provisions for liabilities	96,264	33,761	-	130,025
Refund liabilities	65,192	8,740	-	73,932
Unrealised inventory loss	31,763	15,964	-	47,727
Unrealised foreign exchange loss	-	20,260		20,260
Unrealised loss on financial assets at fair value	14,046	5,843	-	19,889
Interest from unrealised convertible bonds	-	12,983	-	12,983
Net defined benefit liabilities	9,376	(1,066)	381	8,691
Unrealised loss on hedging instruments	26,152	-	(19,102)	7,050
Unrealised profit from sales of subsidiaries	-	3,049	-	3,049
Subtotal	404,140	357,833	(18,721)	743,252
Deferred tax liabilities:				
Income from investment accounted for using equity method	($ 167,835)	($ 35,075)	$ -	($ 202,910)
Unrealised foreign exchange gain	-	(7,527)	-	(7,527)
Tax difference from research development expenditure	(6,475)	6,475	-	-
Unrealised foreign exchange gain	(43,578)	43,578	-	-
Subtotal	(217,888)	7,451	-	(210,437)
Total	$ 186,252	$ 365,284	($ 18,721)	$ 532,815

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Unrealised bonus and other expenses	$ 97,128	$ 64,219	$ -	$ 161,347
Provisions for liabilities	55,365	40,899	-	96,264
Refund liabilities	51,688	13,504	-	65,192
Unrealised inventory loss	33,060	(1,297)	-	31,763
Unrealised foreign exchange loss	3,295	(3,295)	-	-
Unrealised loss on financial assets at fair value	24,950	1,296	(12,200)	14,046
Net defined benefit liabilities	9,694	(987)	669	9,376
Unrealised loss on hedging instruments	-	-	26,152	26,152
Subtotal	275,180	114,339	14,621	404,140
Deferred tax liabilities:				
Income from investment accounted for using equity method	($ 151,949)	($ 15,886)	$ -	($ 167,835)
Tax difference from research development expenditure	(7,520)	1,045	-	(6,475)
Unrealised foreign exchange gain	-	(43,578)	-	(43,578)
Subtotal	(159,469)	(58,419)	-	(217,888)
Total	$ 115,711	$ 55,920	$ 14,621	$ 186,252

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Deducible temporary differences	$ 132,020	$ 110,480

E. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2023 and 2022, the amounts of temporary difference unrecognised as deferred tax liabilities were $1,024,812 and $920,176, respectively.

F. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(29) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 2,386,305	260,359	$ 9.17
Diluted earnings per share			
Dilutive effect of potential ordinary shares			
Employee stock options	-	3,989	
Convertible bonds	-	1,347	
Employees compensation	-	4,916	
Treasury stocks	-	440	
Profit attributable to owners of the parent plus dilutive effect of potential ordinary shares	$ 2,386,305	271,051	$ 8.80

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 1,919,423	253,558	$ 7.57
Diluted earnings per share			
Dilutive effect of potential ordinary shares			
Employee stock options	-	5,986	
Employees compensation	-	6,126	
Treasury stocks	-	14	
Profit attributable to owners of the parent plus dilutive effect of potential ordinary shares	$ 1,919,423	265,684	$ 7.22

A. The convertible bonds issued by the Company in 2023 have an anti-dilution effect, so they are not listed on diluted earnings per share from the years ended December 31, 2023.

B. The convertible bonds issued by the Company in 2022 have an anti-dilution effect, so they are not listed on diluted earnings per share from the years ended December 31, 2022.

C. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorised for issuance.

(30) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31	
	2023	2022
Purchase of property, plant and equipment	$ 334,068	$ 216,566
Add: Ending balance of advance payment	43,100	46,276
Less: Opening balance of advance payment	(46,276)	(16,491)
Add: Opening balance of payable for equipment or other payable	63,290	88,569
Less: Ending balance of payable for equipment or other payable	(76,128)	(63,290)
Cash paid during the period	$ 318,054	$ 271,630
Purchase of intangible assets	$ 93,738	$ 271,014
Add: Ending balance of advance payment	44,475	34,269
Less: Opening balance of advance payment	(34,269)	(258,736)
Add: Opening balance of payable for equipment or other payable	2,409	30,342
Less: Ending balance of payable for equipment or other payable	(2,472)	(2,409)
Cash paid during the period	$ 103,881	$ 74,480

(31) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Guarantee deposits received (Note2)	Lease liabilities	Short-term notes and bills payable	Bonds payable	Liabilities from financing activities-gross
At January 1, 2023	$ 1,639,995	$ 687,120	$ 234	$ 191,435	$ -	$ 6,524,008	$ 9,042,792
Changes in cash flow from financing activities	(1,470,095)	(687,120)	998,089	(39,487)	-	3,090,000	1,891,387
Interest paid (Note 1)	-	-	-	(3,315)	-	-	(3,315)
Changes in other non-cash items	-	-	-	20,964	-	(1,644,218)	(1,623,254)
At December 31, 2023	$ 169,900	$ -	$ 998,323	$ 169,597	$ -	$ 7,969,790	$ 9,307,610

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Short-term notes and bills payable	Bonds payable	Liabilities from financing activities-gross
At January 1, 2022	$ 2,240,830	$ 1,327,920	$ 234	$ 7,282	$ 553,135	$ 3,700,000	$ 7,829,401
Changes in cash flow from financing activities	(600,835)	(640,800)	-	(28,767)	(559,753)	3,030,000	1,199,845
Interest paid (Note 1)	-	-	-	(1,729)	(1,135)	-	(2,864)
Changes in other non-cash items	-	-	-	214,649	7,753	(205,992)	16,410
At December 31, 2022	$ 1,639,995	$ 687,120	$ 234	$ 191,435	$ -	$ 6,524,008	$ 9,042,792

Note1: Shown in ‘Cash flows from operating activities’.

Note2: Including guarantee deposits received with maturity within one year, and shown in ‘Other current liabilities, others’.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Sercomm USA Inc.	The Company’s subsidiary
Sercomm France SARL	The Company’s subsidiary
Sercomm Deutschland GmbH	The Company’s subsidiary
Sercomm Investment Corp.	The Company’s subsidiary
Sercomm Japan Corp.	The Company’s subsidiary
Sercomm Technology Inc.	The Company’s subsidiary
Sernet Technology Mexico	The Company’s subsidiary
Sercomm Philippines Inc.	The Company’s subsidiary
Servercom (India) Private Limited	The Company’s subsidiary
Sercomm Britain Limited	The Company’s subsidiary
MosoLabs Inc.	The Company’s subsidiary
Sercomm Italia SRL	The Company’s second-tier subsidiary
DWNet Technology (Suzhou) Co., Ltd.	The Company’s second-tier subsidiary
Sernet (Suzhou) Technologies Corporation	The Company’s second-tier subsidiary

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2023	2022
Subsidiaries	$ 1,199,407	$ 2,145,668

(a) The sales price to the related parties was determined through mutual agreement based on the market conditions. The collection period for related parties was month-end 180 days. For third parties, the terms for domestic sales was month-end 30~75 days, and for overseas sales was net 30~210 days, FOB shipping point.

(b) The company sold materials and semi-finished products to subsidiaries for production, and then bought back finished products and sold it to customers in years 2023 and 2022. As for the above transactions, the Company has written off the sales revenue and operating costs of relevant raw materials. Therefore, the amount of finished products and operating costs are not included in the purchase and sale of the Company.

B. Receivables from related parties

	December 31, 2023	December 31, 2022
Accounts receivable:		
Sercomm Philippines Inc.	$ 2,599,233	$ 697,034
Servercom (India) Private Limited	1,877,060	1,160,057
Subsidiaries	760,564	511,769
	$ 5,236,857	$ 2,368,860
Other receivables:		
Servercom (India) Private Limited	$ 29,333	$ -
Subsidiaries	7,685	1,234
	$ 37,018	$ 1,234

(a) The ageing analysis of accounts receivable from subsidiaries that were based on the number of days overdue as follows:

	December 31, 2023	December 31, 2022
Without past due	$ 5,050,834	$ 2,256,293
Up to 1-90 days	186,023	108,942
Up to 91-180 days	-	3,625
	$ 5,236,857	$ 2,368,860

(b) The aforementioned other receivables were the purchases or payments made by the Company on behalf of subsidiaries for operational needs, and were not past due.

C. Purchases of goods

	Year ended December 31	
	2023	2022
Sercomm Philippines Inc.	$ 18,676,370	$ 18,615,334
Sernet (Suzhou) Technologies Corporation	17,721,571	25,633,263
Subsidiaries	5,288	9,123
	$ 36,403,229	$ 44,257,720

(a) The purchase price to the related parties was determined through mutual agreement based on the market conditions. The payment period for related parties was month-end 60 days. For third parties, the terms for domestic procurement was month-end 60~120 days, and for overseas procurement was 30~210 days.

(b) The transaction amounts as of 2023 and 2022 listed above have deducted the recalculated amounts. Please refer to Note 7(2)A.

D. Payables to related parties

	December 31, 2023	December 31, 2022
Accounts payable:		
Sercomm Philippines Inc.	$ 5,095,986	$ 4,374,906
Sernet (Suzhou) Technologies Corporation	2,009,278	3,732,243
Subsidiaries	1,451	4,003
	$ 7,106,715	$ 8,111,152
Other payables:		
Subsidiaries	$ 187,950	$ 91,282

E. Prepayments

To expand global business, the Company makes advance payments to subsidiaries and recognises them as sales service expenses or other expenses.

	December 31, 2023	December 31, 2022
Subsidiaries	$ 13,583	$ 20,042

F. Selling expenses - sales service expenses

	Year ended December 31,	
	2023	2022
Sercomm Technology Inc.	$ 442,736	$ 336,817
Sercomm USA Inc.	130,617	106,451
Subsidiaries	179,201	165,260
	$ 752,554	$ 608,528

G. Loans to /from related parties

(a) Loans from related parties(December 31,2022:Nil)

i. Ending balance

	December 31, 2023
Zealous Investments Ltd.	$ 1,014,255

ii. Interest expense

	December 31, 2023
Zealous Investments Ltd.	$ 39,667

As of December 31, 2023, the unpaid interest payable was $39,667.

Due to the capital management, the Company's Board of Directors during their meeting in March 2023 resolved to borrow USD 34,000 thousand from the related party for 5 years. As of December 31, 2023, the Company had settled USD 1,000 thousand. The repayment of the loan is subject to the financial position and carry interest at 5% per annum.

H. Information on the loans to subsidiaries and provision of endorsements and guarantees to subsidiaries are provided in Note 13.

(3) Key management compensation

	Year ended December 31	
	2023	2022
Short-term employee benefits	$ 252,335	$ 174,912
Post- employment benefits	1,570	1,436
Share-based payment	62,821	33,663
	$ 316,726	$ 210,011

8. PLEDGED ASSETS

The Company's assets pledged at book value are as follows:

	Book value		
Pledged asset	December 31, 2023	December 31, 2022	Purpose
Property, plant and equipment	$ -	$ 1,971,597	Long-term bank secured borrowings
Financial assets measured at amortised cost	36,332	26,213	Custom duty guarantee and performance guarantee
	$ 36,332	$ 1,997,810	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

A. The Company has entered into an agreement with an overseas customer. The agreement provided that the overseas customer was required to pay a fee toward specified items prescribed in the agreement and the Company shall be liable for any third party infringement claims. The amount received has been deposited in a trust fund set up by the Company. The Company recognised the trust fund as non-current financial assets at amortised cost and other current liabilities.

	December 31, 2023	December 31, 2022
Non-current financial assets at amortised cost	$ 72,822	$ 71,756
Other current liabilities	57,811	57,811

As of December 31, 2023 and 2022, the accumulated interest of the trust fund assets was recognised as 'other financial assets-non-current' in the amounts of $15,011 and $13,945, respectively.

B. To stabilise the supply of raw materials, the Company and a supplier signed a long-term supply contract whereby the Company shall pay performance guarantee of USD 3,708 thousand (shown as guarantee deposits paid $103,252). If the Company achieves the agreed purchase amount every year, the guarantee can be recovered year by year in proportion to the number of years achieved.

C. As of December 31, 2023, the amount of contracted but not yet paid commitments for the purchase of equipment and computer software was $14,033.

D. The amounts of performance letters of guarantee issued by banks for shipment guarantee are as follows:

	December 31, 2023	December 31, 2022
USD (in thousands)	$ 9,657	$ 9,754
EUR (in thousands)	800	800

E. The amounts of promissory notes issued by banks for factoring accounts receivable and bank borrowing are as follows:

	December 31, 2023	December 31, 2022
NTD	$ 5,120,000	$ 5,070,000
USD (in thousands)	307,013	288,413

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. For the appropriations of earnings of 2023 resolved by the Board of Directors, please refer to Note 6(20) for details.

B. In accordance with Article 18 of the Company's issuance of the sixth domestic unsecured convertible bonds terms, on January 23, 2024, the Company exercised the call options on the corporate bonds during the periods from February 1, 2024 to March 1, 2024. The redeemed price was 100% of the face value of the bond. The effective date for redemption was set on March 1, 2024 and the corporate bond transactions on the Taipei Exchange were set to be terminated on March 4, 2024. As of February 16, 2024, the corporate bonds were cumulatively converted amounting to $2,628,700 and the ordinary shares had been issued in the amount of 27,670 thousand shares.

12. OTHERS

(1) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 1,194,585	$ -
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ -	$ 140,227
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	6,151,094	3,467,357
Financial assets measured at amortised cost	109,154	97,969
Accounts receivable, net (including related parties)	13,886,312	11,374,855
Other receivables (including related parties)	269,388	525,811
Guarantee deposits paid	111,903	110,896
	$ 20,527,851	$ 15,576,888
Financial assets for hedging	$ 998	$ 1,511

	December 31, 2023	December 31, 2022
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	$ 1,097	$ -
Embedded derivatives	17,400	23,400
	$ 18,497	$ 23,400
Financial liabilities at amortised cost		
Short-term borrowings	169,900	1,639,995
Accounts payable (including related parties)	13,579,076	12,015,490
Other payables (including related parties)	4,853,613	2,872,285
Bonds payable (including current portion)	7,969,790	6,524,008
Long-term borrowings	-	687,120
Guarantee deposits received (including current portion)	998,323	234
	$ 27,570,702	$ 23,739,132
Lease liability (including current portion)	$ 169,597	$ 191,435
Financial liabilities for hedging	$ 36,247	$ 132,274

B. Financial risk management policies

(a) The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

(b) The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(c) To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments. Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Notes 6(2) and (4).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD and EUR. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria.

iii. The Company’s risk management policy is to hedge anticipated cash flows from sales in EUR and purchase in USD.

iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023		
	Foreign currency (in thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 447,726	30.74	$ 13,763,097
EUR:NTD	17,845	34.01	606,908
JPY:NTD	358,292	0.22	78,824
Financial assets			
Non-monetary items			
USD:NTD	$ 7,807	30.74	$ 240,000
Investments accounted for using the equity method			
USD:NTD	$ 180,070	30.74	$ 5,535,340
PHP:NTD	2,098,640	0.55	1,160,758
INR:NTD	348,173	0.37	128,824
JPY:NTD	333,405	0.22	73,349
EUR:NTD	1,227	34.01	41,744
Financial liabilities			
Monetary items			
USD:NTD	$ 385,465	30.74	$ 11,849,194
EUR:NTD	5,000	34.01	170,050

	December 31, 2022		
	Foreign currency (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 392,932	30.71	$ 12,066,942
EUR:NTD	22,120	32.71	723,545
JPY:NTD	466,671	0.23	107,334
GBP:NTD	2,065	37.06	76,529
Financial assets			
Non-monetary items			
USD:NTD	$ 16,750	30.71	$ 514,400
Investments accounted for using the equity method			
USD:NTD	$ 202,979	30.71	$ 6,233,490
PHP:NTD	764,135	0.55	420,274
JPY:NTD	176,109	0.23	40,505
EUR:NTD	1,103	32.71	36,065
Financial liabilities			
Monetary items			
USD:NTD	$ 346,797	30.71	$ 10,650,136
EUR:NTD	25,000	32.71	817,750
Credit balance of investments accounted for using the equity method			
INR:NTD	$ 59,365	0.37	$ 21,965

v. The total exchange gains (losses), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022 amounted to $28,406 and ($1,927), respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2023		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 137,631	$ -
EUR:NTD	1%	6,069	-
JPY:NTD	1%	788	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 118,492	$ -
EUR:NTD	1%	1,701	-

	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 120,669	$ -
EUR:NTD	1%	7,235	-
JPY:NTD	1%	1,073	-
GBP:NTD	1%	765	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 106,501	$ -
EUR:NTD	1%	8,178	-

Price risk

i. The Company’s equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company’s senior management on a regular basis. The Company’s Board of Directors reviews and approves all equity investment decisions.

ii. The Company's investments in equity and debt securities comprise shares issued by the domestic and foreign companies. The prices of equity and debt securities would change due to the change of the future value of investee companies. If the prices of these equity and debt securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by $11,512 and $0, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other comprehensive income would have increased/decreased by $0 and $1,402, respectively.

Cash flow and fair value interest rate risk

i. The Company's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. As of December 31, 2023 and 2022, the Company's borrowings denominated in New Taiwan dollars were fixed interest rates and variable rates, respectively.

ii. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2023 and 2022 would have increased/decreased by $0 and $18,617, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at fair value through profit or loss and financial assets at amortised cost.

ii. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain customers' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

iii. Credit risk from balances with banks and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions with high credit rating.

iv. The Company assesses whether there is any evidence that the credit risk of financial instruments has been significantly increased after initial recognition based on the historical experience. If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 270 days.

v. The following indicators are used to determine whether the credit impairment of financial assets has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;

(ii) Default.

vi. The Company classifies customers' accounts receivable in accordance with customer types. The Company applies the simplified approach using provision matrix or loss rate methodology to estimate expected credit loss.

vii. The Company used the forecast ability of Taiwan Institute of Economic Research report to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2023 and 2022, the provision matrix are as follows:

December 31, 2023	Without past due	Up to 1-90 days	Up to 91 to 180 days	Up to 181 to 270 days	Over 270 days	Total
Group 1						
Expected loss rate	0.82%	9.66%	28.97%	-	100%	
Total book value	$ 6,587,913	$ 868,895	$ 165,048	$ -	$ 8,505	$ 7,630,361
Loss allowance	$ 54,019	$ 83,918	$ 47,820	$ -	$ 8,505	$ 194,262
Group 2						
Expected loss rate	1.57%	8.61%	-	28.57%	100%	
Total book value	$ 1,057,299	$ 1,788	$ -	$ 63	$ 1,016	$ 1,060,166
Loss allowance	$ 16,652	$ 154	$ -	$ 18	$ 1,016	$ 17,840
Total book value	$ 7,645,212	$ 870,683	$ 165,048	$ 63	$ 9,521	$ 8,690,527
Loss allowance	$ 70,671	$ 84,072	$ 47,820	$ 18	$ 9,521	$ 212,102

December 31, 2022	Without past due	Up to 1-90 days	Up to 91 to 180 days	Up to 181 to 270 days	Over 270 days	Total
Group 1						
Expected loss rate	0.37%	5.28%	18.09%	35.99%	-	
Total book value	$ 8,262,878	$ 548,790	$ 63,214	$ 87,515	$ -	$ 8,962,397
Loss allowance	$ 30,818	$ 28,997	$ 11,437	$ 31,496	$ -	$ 102,748
Group 2						
Expected loss rate	1.49%	7.44%	-	-	-	
Total book value	$ 40,688	$ 12,910	$ -	$ -	$ -	$ 53,598
Loss allowance	$ 607	$ 961	$ -	$ -	$ -	$ 1,568
Total book value	$ 8,303,566	$ 561,700	$ 63,214	$ 87,515	$ -	$ 9,015,995
Loss allowance	$ 31,425	$ 29,958	$ 11,437	$ 31,496	$ -	$ 104,316

Note: Customer types that are classified based on the Company's credit risk management policy are as follows:

Group 1: The credit risk of customers has been insured by professional insurance companies.

Group 2: The credit risk of customers has not been insured by professional insurance companies.

Considering that the accounts receivable are insured, the Company did not recognise the impairment loss amounting to $171,030 and $94,316 as of December 31, 2023 and 2022, respectively.

viii. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2023	2022
At January 1	$ 10,000	$ 3,399
Provision for impairment	31,072	6,601
At December 31	$ 41,072	$ 10,000

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

ii. The Company invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The Company has the following undrawn borrowing facilities:

	December 31, 2023	December 31, 2022
Floating rate:		
Expiring within one year	$ 9,530,775	$ 9,044,525
Expiring over one year	-	1,012,880
	$ 9,530,775	$ 10,057,405

iv. The Company's non-derivative financial liabilities were analysed based on the remaining period at the balance sheet date to the contractual maturity date, derivative financial liabilities were analysed based on the fair value on balance sheet date.

Except that the contractual undiscounted cash flows of accounts payable (including related parties), other payables (including related parties) and forward foreign exchange contracts are approximately equal to its book value and mature within one year, the contractual undiscounted cash flows of remaining financial liabilities are disclosed in the following table:

December 31, 2023	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Short-term borrowings	$ 172,004	$ -	$ -	$ -
Lease liabilities	43,375	42,432	90,400	-
Bonds payable	2,327,369	1,407,556	4,591,600	-

December 31, 2022	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Short-term borrowings	$ 1,640,659	$ -	$ -	$ -
Lease liabilities	38,871	38,715	110,164	13,283
Bonds payable	37,460	2,327,240	4,407,556	-
Long-term borrowings	16,437	16,016	718,801	-

The Company did not expect the occurrence timing of cash flow of expiry date analysis would be significantly earlier, or the actual amount would significantly differ.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in certain derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in convertible corporate bonds and equity investment without active market are included in Level 3.

B. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, accounts receivable, other receivables, other current assets, financial assets measured at amortised cost, short-term borrowings, short-term notes and bills payable, accounts payable, other payables and other current liabilities and long-term borrowings are approximate to their fair values.

	December 31, 2023			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 7,969,790	$ -	$ 7,934,637	$ -

	December 31, 2022			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 6,524,008	$ -	$ 6,422,458	$ -

(b)Bonds payable: They are measured at present value, which is calculated based on the cash flow expected to be paid and discounted using a market rate prevailing at balance sheet date.

C. Financial instruments and non-financial instruments measured at fair value

(a)The related information of the assets and liabilities classified into the three levels is as follows:

As at December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 1,151,244	$ -	$ -	$ 1,151,244
Forward foreign exchange contracts	-	38,725	-	38,725
Financial assets for hedging				
Forward foreign exchange contracts	-	998	-	998
Embedded Derivatives				
Convertible bonds payable include call options and put options	-	4,616	-	4,616
	$ 1,151,244	$ 44,339	$ -	$ 1,195,583

As at December 31, 2023	Level 1	Level 2	Level 3	Total
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	$ -	$ 1,097	$ -	$ 1,097
Financial liabilities for hedging				
Forward foreign exchange contracts	-	36,247	-	36,247
Embedded Derivatives				
Convertible bonds payable include call options and put options	-	17,400	-	17,400
	$ -	$ 54,744	$ -	$ 54,744

As at December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets for hedging				
Forward foreign exchange contracts	$ -	$ 1,511	$ -	$ 1,511
Financial assets at fair value through other comprehensive income				
Listed stocks	140,227	-	-	140,227
	$ 140,227	$ 1,511	$ -	$ 141,738

As at December 31, 2022	Level 1	Level 2	Level 3	Total
Liabilities				
Recurring fair value measurements				
Financial liabilities for hedging				
Forward foreign exchange contracts	$ -	$ 132,274	$ -	$ 132,274
Embedded Derivatives				
Convertible bonds payable include call options and put options	-	23,400	-	23,400
	$ -	$ 155,674	$ -	$ 155,674

(b)The methods and assumptions the Company used to measure fair value are as follows:

i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Closed-end fund	Open-end fund	Government bonds	Corporate bonds	Convertible (exchangeable) bond
Market quoted price	Closing price	Closing price	Net asset value	Transaction price	Weighted average quoted price	Closing price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

iv. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Company must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3) 9.

v. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate. Structured interest derivative instruments are measured by using appropriate option pricing models (i.e. Black-Scholes model) or other valuation methods, such as Monte Carlo simulation.

vi. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk, etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

vii. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

D. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

F. The finance department of the Company performs the valuation of financial instruments classified as Level 3. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Please refer to table 5.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 6.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 7.

I. Derivative instrument transaction undertaken during the reporting periods: Please refer to Notes 6(2), 6(4) and 12.

J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 9.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 10.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to tables 1, 2, 6, 7, and 8.

(4) Major shareholders information

The Company does not have a single shareholder holding 5% or more of the shares.

14. SEGMENT INFORMATION

Not applicable.

Sercomm Corporation
Loans to others
Year ended December 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate(%)	Nature of loan (Note 4)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
0	The Company	Sernet (Suzhou) Technologies Corporation	Other receivables-related party	Y	$ 889,500	$ -	$ -	-	(2)	$ -	Additional operating capital	$ -	None	$ -	$ 2,645,502	$ 5,291,004	Note 2(2)
1	DWNet Technology (Suzhou) Co., Ltd.	Sernet (Suzhou) Technologies Corporation	Other receivables-related party	Y	444,750	259,620	-	-	(2)	-	Additional operating capital	-	None	-	376,998	753,997	Note 3(3)
2	Zealous Investments Ltd.	Sercomm Corporation	Other receivables-related party	Y	1,134,665	1,075,725	1,014,255	5.00	(2)	-	Additional operating capital	-	None	-	2,560,909	5,121,819	Note 3(3)

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1)The Company is '0'.
(2)The subsidiaries are numbered in order starting from '1'.

Note 2: The aggregate amount of loans to others shall not exceed 40% of the Company's net assets based on the latest audited or reviewed financial statements.
The loan limit for each entity depending on the purpose of the loan is as follows:
(1) Nature of loans is related to business transactions: The amount shall not exceed the higher of the sales or purchases amount to/ from the borrower for the year as of the time of the lending event or for the most recent year.
(2) As short-term financing: The amount shall not exceed 20% of the Company's net assets based on the latest audited or reviewed financial statements.
(3) Financing between the Company's 100% directly- or indirectly- held overseas investee is not limited to 40% of the Company's net assets based on the latest audited or reviewed financial statements.
However, total loans shall not exceed 100% net assets. Loans to a signal party shall not exceed 50% net assets.

Note 3: The aggregate amount of loans from subsidiaries to others shall not exceed 40% of stockholders' equity as stated in the subsidiary's or the Company's most recent audited or reviewed financial statements, whichever is lower.
The loan limit for each entity depending on the purpose of the loan is as follows:
(1) Nature of loans is related to business transactions: The amount shall not exceed the higher of the sales or purchases amount to/ from the trading partner for the year as of the time of the lending event or for the most recent year.
(2) As short-term financing: The amount shall not exceed 20% of the subsidiary or the Company's net assets based on the latest audited or reviewed financial statements.
(3) Financing between the group's investee which is 100% directly- or indirectly- held by the parent company is not limited to the ratio as stated in the preceding paragraph.
However, total loans shall not exceed 100% net assets as stated in the parent company's most recent audited or reviewed financial statement. Loans to individual investee shall not exceed 50% net assets.

Note 4: (1)Nature of loans is related to business transactions : The trading amounts refer to the business transaction amounts within the recent year between the lender company and the lendee entity.
(2)Short-term financing

Sercomm Corporation

Provision of endorsements and guarantees to others

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	The Company	DWNet Technology (Suzhou) Co., Ltd.	(2)	$ 6,613,756	$ 1,382,392	$ 768,375	$ 220,231	$ -	5.81	$ 13,227,512	Y	N	Y	
0	〃	Sernet (Suzhou) Technologies Corporation	(2)	6,613,756	972,570	922,050	-	-	6.97	13,227,512	Y	N	Y	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(a) The Company is ‘0’.
(b) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:
(a) Having business relationship.
(b) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(c) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(d) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
(e) Mutual guarantee of the trade as required by the construction contract.
(f) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
(g) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: The Company's 'Procedures for Provision of Endorsements and Guarantees' are as follows:
(1)Limit on total endorsements is 50% of the Company’s net assets based on the latest audited or reviewed financial statements, and limit on endorsements to a single party is 25%.
(2)The restriction stated in (1) shall not apply to provision of endorsements and guarantees between subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares. However the endorsement / guarantee amount should not exceed 100% net assets. Endorsements / guarantees provided to individual investees should not exceed 50% net assets.
(3)The amounts permitted to make in endorsements/guarantees to single subsidiary shall not exceed 50% of the Company's stockholders' equity as stated in its latest financial statements; the total amount shall not exceed 100% of stockholders' equity as stated in its latest financial statement.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Sercomm Corporation
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2023 Number of shares (in thousand shares)	Book value	Ownership (%)	Fair value
	Beneficiary certificates						
The Company	Capital Money Market Fund	None	Financial assets at fair value through profit or loss - current	48,250	$ 800,326	-	$ 800,326
〃	Taishin Ta-Chong Money Market Fund	〃	Financial assets at fair value through profit or loss - current	24,021	350,918	-	350,918
	Convertible bonds						
〃	Siklu Inc.	〃	Financial assets at fair value through profit or loss - current	137	-	3.06%	-
	Unlisted preference share						
〃	Siklu Inc.	〃	Financial assets at fair value through other comprehensive income - non-current	2,018	-	3.06%	-
	Unlisted stocks						
Sercomm Investment Corp.	Cerpass Technology Co., Ltd.	〃	Financial assets at fair value through other comprehensive income - non-current	627	24,720	3.69%	24,720
	Unlisted stocks						
Zealous Investments Ltd.	Bossa Nova Robotics Holding Corp.	〃	Financial assets at fair value through profit or loss - non-current	3,845	-	8.64%	-

Sercomm Corporation
Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital
December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2023		Addition		Disposal				Evaluation at December 31, 2023		Balance as of December 31, 2023	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	Number of shares	Amount
The Company	Taishin 1699 Money Market Fund	Note 1	N/A	N/A	-	$ -	21,617	$ 300,000	21,617	$ 300,406	$ 300,000	$ 406	-	$ -	-	$ -
〃	Taishin Ta-Chong Money Market	Note 1	N/A	N/A	-	-	44,633	650,000	20,612	300,282	300,000	282	-	918	24,021	350,918
〃	Capital Money Market Fund	Note 1	N/A	N/A	-	-	48,250	800,000	-	-	-	-	-	326	48,250	800,326

Note 1: It was recognised in 'Financial assets measured at fair value through profit or loss-current'.

Sercomm Corporation

Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more

Year ended December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Currency	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Currency	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Sercomm Philippines Inc.	SPI Rsite	2023/5/9	PHP	975,371,000	Paid based on the agreement (Note)	China Construction Front General Devt. Corporation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	The Group commissioned the construction of expanding plants on the original leased land for the needs of future operation	N/A

Note: As of December 31, 2023, the Company had paid PHP 487,686 thousand based on the agreement.

Sercomm Corporation
Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more
Year ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)(%)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)(%)	Footnote
The Company	Sercomm Philippines Inc.	Subsidiary	Purchases	$ 22,072,952	41	60	Note 1	Note 1	($ 5,095,986)	(38)	
〃	Sernet (Suzhou) Technologies Corporation	Subsidiary	Purchases	18,046,222	33	60	Note 1	Note 1	(2,009,278)	(15)	
〃	Sercomm Philippines Inc.	Subsidiary	Sales	(3,396,582)	(6)	180	Note 2	Note 2	2,599,233	19	
〃	Servercom (India) Private Limited	Subsidiary	Sales	(2,604,767)	(5)	180	Note 2	Note 2	1,877,060	13	
〃	Sercomm Japan Corp.	Subsidiary	Sales	(1,204,190)	(2)	180	Note 2	Note 2	645,872	5	
〃	Sernet (Suzhou) Technologies Corporation	Subsidiary	Sales	(324,651)	(1)	180	Note 2	Note 2	103,274	1	
Sernet (Suzhou) Technologies Corporation	Sercomm Philippines Inc.	Affiliate	Sales	(2,581,918)	(12)	180	Note 3	Note 3	671,602	24	

Note 1: The purchase price to the above related parties was determined through mutual agreement based on the market conditions. The payment period for related parties was month-end 60 days, while the terms for domestic third party purchase was net 60-120 days. The payment period for overseas purchase was net 30-210 days.

Note 2: The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection period for related parties was month-end 180 days, while the terms for domestic third party sales was net 30-75 days. The collection period for overseas sales was net 30-210 days.

Note 3: The transaction price to the inter-subsidiary transactions was determined through mutual agreement based on the market conditions. The collection period and payment period for related parties were month-end 180 days, while the terms for domestic third party transaction was net 30-120 days. The collection period and payment period for overseas transaction were net 30-210 days.

Sercomm Corporation
Receivables from related parties reaching $100 million or 20% of paid-in capital or more
December 31, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as of December 31, 2023	Turnover rate(%)	Overdue receivables: Amount	Overdue receivables: Action taken	Amount collected subsequent to the balance sheet date (Note)	Allowance for loss
The Company	Sercomm Philippines Inc.	Subsidiary	$ 2,599,233	-	$ -	-	$ 132,353	$ -
〃	Servercom (India) Private Limited	Subsidiary	1,877,060	-	-	-	78,364	-
〃	Sercomm Japan Corp.	Subsidiary	645,872	-	-	-	907,086	-
〃	Sernet (Suzhou) Technologies Corporation	Subsidiary	103,274	-	-	-	103,274	-
Sernet (Suzhou) Technologies Corporation	The Company	Ultimate parent company	2,009,278	-	-	-	2,009,278	-
〃	Sercomm Philippines Inc.	Affiliate	671,602	-	-	-	321,429	-
Sercomm Philippines Inc.	The Company	Ultimate parent company	5,095,986	-	-	-	3,898,941	-

Note 1: Information was collected as of February 29, 2024.

Sercomm Corporation
Significant inter-company transactions during the reporting periods
Year ended December 31, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (%)(Note 3)
0	The Company	Sercomm France SARL	1	Other payables	$ 15,632	-	-
0	〃	〃	1	Commissions expense	52,737	-	-
0	〃	Sercomm Italia SRL	1	Other payables	8,579	-	-
0	〃	〃	1	Commissions expense	35,755	-	-
0	〃	Sercomm Deutschland GmbH	1	Commissions expense	24,666	-	-
0	〃	Servercom (India) Private Limited	1	Accounts receivable	1,877,060	-	4
0	〃	〃	1	Other receivables	29,333		
0	〃	〃	1	Sales revenue	2,604,767	Note 4	4
0	〃	Sercomm Japan Corp.	1	Accounts receivable	645,872	-	1
0	〃	〃	1	Sales revenue	1,204,190	Note 4	2
0	〃	〃	1	Commissions expense	26,621	-	-
0	〃	Sernet Technology Mexico	1	Prepayments	11,541	-	-
0	〃	〃	1	Commissions expense	27,072	-	-
0	〃	Sercomm Britian Inc.	1	Other payables	5,272	-	-
0	〃	〃	1	Commissions expense	12,350	-	-
0	〃	Sercomm USA Inc.	1	Other payables	43,418	-	-
0	〃	〃	1	Commissions expense	130,617	-	-
0	〃	Sercomm Technology Inc.	1	Other payables	72,640	-	-
0	〃	〃	1	Commissions expense	442,736	-	-
0	〃	Sernet (Suzhou) Technologies Corporation	1	Accounts payable	2,009,278	-	4
0	〃	〃	1	Accounts receivable	103,274	-	-
0	〃	〃	1	Purchase	18,046,222	-	29
0	〃	〃	1	Sales revenue	324,651	Note 4	1
0	〃	Sercomm Philippines Inc.	1	Accounts payable	5,095,986	-	11
0	〃	〃	1	Accounts receivable	2,599,233	-	5
0	〃	〃	1	Other receivables	7,685	-	-
0	〃	〃	1	Purchase	22,072,952	-	35
0	〃	〃	1	Sales revenue	3,396,582	-	5
0	〃	Moso Labs Inc.	1	Sales revenue	(17,517)	Note 4	-
0	〃	DWNet Technology (Suzhou) Co., Ltd.	1	Accounts receivable	11,045	-	-
0	〃	〃	1	Accounts payable	5,288		-
0	〃	〃	1	Sales revenue	12,322	Note 4	-
0	〃	Zealous Investments Ltd.	1	Other payables	1,053,922	-	2
0	〃	〃	1	Interest expense	39,667		-

Sercomm Corporation
Significant inter-company transactions during the reporting periods
Year ended December 31, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (%)(Note 3)
1	Sernet (Suzhou) Technologies Corporation	DWNet Technology (Suzhou) Co., Ltd.	1	Accounts receivable	$ 43,409	-	-
1	〃	〃	1	Other receivables	11,122	-	-
1	〃	〃	1	Processing fees revenue	77,305	-	-
1	〃	〃	1	Repairs and maintenance revenue	9,161	-	-
1	〃	〃	1	Rent income	15,238	-	-
1	〃	Sercomm Philippines Inc.	3	Accounts receivable	671,602	-	1
1	〃	〃	3	Other receivables	6,892	-	-
1	〃	〃	3	Accounts payable	11,197	-	-
1	〃	〃	3	Sales revenue	2,581,918	Note 4	4
1	〃	〃	3	Purchase	52,442	-	-
1	〃	Sercomm Russia Limited Liability Company	3	Purchase	28,646	-	-
1	〃	Nanjing Femtel Communications Co., Ltd.	3	Other payables	11,446	-	-
1	〃	〃	3	Service expense	31,264	-	-
2	Sercomm Philippines Inc.	Refinement Property Holding Inc.	3	Rent expense	9,567	-	-
2	〃	Servercom (India) Private Limited	3	Sales revenue	46,724	Note 4	-
2	〃	〃	3	Accounts receivable	46,225	-	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following Six categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount during the year to consolidated total operating revenues for income statement accounts.

Note 4: The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection period for third party was month-end 60-180 days, while the terms for domestic sales was net 30-75 days. The collection period for overseas sales was net 30-210 days.

Note 5: Only disclose transactions with amount of $5,000 or more.

Sercomm Corporation
Information on investees (excluding investees in Mainland China)
Year ended December 31, 2023

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2023	Initial investment amount: Balance as at December 31, 2022	Shares held and book value as at December 31, 2023: Number of shares (in thousand shares)	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
The Company	Sercomm USA Inc.	USA	Local market consultation and customer support services of network communication products	$ 20,739	$ 20,739	650	100	$ 36,641	$ 4,085	$ 4,085	Subsidiary
〃	Sercomm Trading Co. Ltd.	Samoa	Overseas indirect investment	556,786	1,471,186	16,800	100	5,393,844	176,321	113,906	Subsidiary
〃	Sercomm Investment Corp.	Taiwan	General investment	28,000	28,000	28,000	100	38,386	703	703	Subsidiary
〃	Sercomm Japan Corp.	Japan	Sales of communication products and quotation, tender, general import and export business related the products	157,721	157,721	10	100	73,349	35,835	35,835	Subsidiary
〃	Sercomm France SARL.	France	Local market consultation and customer support services of network communication products	4,004	4,004	1	100	39,392	4,307	4,307	Subsidiary
〃	Sercomm Deutschland GmbH	Germany	Local market consultation and customer support services of network communication products	19,412	19,412	-	100	2,352	(113)	(113)	Subsidiary
〃	Sercomm Russia Limited Liability Company	Russia	Sales of network communication products and provision of quotation, tender, general import and export business to the related the products	28,042	28,042	28,948	100	(8,873)	645	645	Subsidiary
〃	Sercomm Technology Inc.	USA	Sales of network communication products and provision of quotation, tender, general import and export business to the related the products	153,880	153,880	5,000	100	62,843	20,078	20,078	Subsidiary
〃	Sercomm Britain Limited	UK	Local market consultation and customer support services of network communication products	13,535	13,535	350	100	5,131	697	697	Subsidiary
〃	Sernet Technology Mexico	Mexico	Local market consultation and customer support services of network communication products	507	507	400	100	(11,534)	26	26	Subsidiary
〃	Servercom (India) Private Limited	India	Manufacturing and sales of communication products, operating system (OS) and related software	15,000	15,000	35,000	100	128,824	153,421	153,421	Subsidiary
〃	Sercomm Philippines Inc.	Philippines	Manufacturing and sales of communication products, operating system (OS) and related software	1,094,819	542,926	1,940,000	97	1,160,758	182,024	43,818	Subsidiary
〃	Refinement Property Holding Inc.	Philippines	Real estate for rent	240,000	24,000	-	-	-	-	-	Second-tier subsidiary (Note 1)
〃	Mosolabs Inc.	USA	Retail business services of network communication products	77,418	29,526	2,500	100	42,012	(15,988)	(15,988)	Subsidiary
〃	Presciense Limited	UK	Design, R&D and application of smarthome platform technology	-	-	3	25	-	-	-	Associate
〃	Sercomm Brazil Ltda	Brazil	Local market consultation and customer support services of network communication products	3,208	-	500	100	2,583	(576)	(576)	Subsidiary

Sercomm Corporation
Information on investees (excluding investees in Mainland China)
Year ended December 31, 2023

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2023	Initial investment amount: Balance as at December 31, 2022	Shares held and book value as at December 31, 2023: Number of shares (in thousand shares)	Shares held and book value as at December 31, 2023: Ownership (%)	Shares held and book value as at December 31, 2023: Book value	Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
Sercomm Trading Co. Ltd.	Zealous Investments Ltd.	Samoa	Overseas investment	379,758	989,358	10,956	100	5,121,819	131,325	-	Second-tier subsidiary
〃	Smart Trade Inc.	Samoa	Overseas investment	177,029	481,829	6,000	100	752,083	44,997	-	Second-tier subsidiary
Sercomm France SARL	Sercomm Italia SRL.	Italy	Local market consultation and customer support services of network communication products	388	388	10	100	7,896	1,574	-	Second-tier subsidiary
Zealous Investments Ltd.	Sercomm Philippines Inc.	Philippines	Manufacturing and sales of communication products, operating system (OS) and related software	35,266	35,266	60,000	3	153,271	182,024		Second-tier subsidiary
〃	Refinement Property Holding Inc.	Philippines	Lease of real estate	119	119	200	40	(7,572)	4,144	-	Second-tier subsidiary
Sercomm Deutschland GmbH	MECSware GmbH	Germany	Sale of IT products	30,144	30,144	11	30	7,305	(2,419)	(726)	Associate

Note 1: Following the Group's operating strategies, the Company invested in preferred stocks in the third quarter of 2022. As of the financial statement reporting date, the registration is still in progress. It was shown as 'prepayments for investments' of $240,000.

Sercomm Corporation
Information on investments in Mainland China
Year ended December 31, 2023

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount remitted from Taiwan to Mainland China as of January 1, 2023	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount remitted from Taiwan to Mainland China as of December 31, 2023	Net income of investeefor for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)(%)	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
Sernet (Suzhou) Technologies Corporation	Research and development (R&D) and manufacturing of communication products	$ 933,252	(2)	$ 912,698	$ -	$ -	$ 912,698	$ 201,828	100	$ 201,828	$ 3,873,658	$ -	Notes 2 and 3
DWNet Technology (Suzhou) Co., Ltd.	Manufacturing and sales of communication products, operating system (OS) and related software	481,829	(2)	481,829	-	-	481,829	46,513	100	46,513	753,997	-	Note 4
Suzhou Femtel Communications Co., Ltd.	Sales of network communication products and related software	32,599	(2)	-	-	-	-	3,927	100	3,927	-	-	Notes 3 and 5
Nanjing Femtel Communications Co., Ltd.	Research and development (R&D) and sales of network communication products and related software	12,538	(2)	-	-	-	-	(1,669)	100	(1,669)	9,099	-	Note 3

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:
(1) Directly invest in a company in Mainland China.
(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(3) Others

Note 2: Investment income (loss) was recognised based on the financial statement audited by the parent company's independent auditors.

Note 3:The Company established Sercomm Trading Co. Ltd. in a third region. The Company reinvested in Zealous Investments Ltd. through Sercomm Trading Co. Ltd. and then invested in Mainland China.

Note 4:The Company established Sercomm Trading Co. Ltd. in a third region. The Company reinvested Smart Trade Inc. through Sercomm Trading Co. Ltd. and then invested in Mainland China

Note 5:On December 15, 2023, the Company's reinvestment through Sernet (Suzhou) Technologies Corporation was applied for deregistration with a public announcement. On January 8, 2024, the deregistration had been completed and the remaining investment amount of RMB 2,527 thousand was redeemed.

Note 6:The Company's investment in Mainland China is not subject to an upper limit as it is deemed corporate operations headquarters as it complied with the Examination Standards of Investments and Technical Cooperation in the Mainland China area published by Investment Commission, MOEA.

Company name	Accumulated amount remitted from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of MOEA	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	$ 1,394,527 (USD 44,900,000)	$1,407,475 (USD 45,144,000)	No limitation (Note 6)

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