

**ATEN INTERNATIONAL CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

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

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

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Representation Letter

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

Company name: ATEN INTERNATIONAL CO., LTD.

Chairman: Sun-Chung Chen

Date: February 29, 2024



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Independent Auditors' Report

To the Board of Directors of ATEN INTERNATIONAL CO., LTD.:

Opinion

We have audited the consolidated financial statements of ATEN INTERNATIONAL CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year end December 31, 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, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to notes 4(n) and 6(r) for disclosure related to revenue recognition.

Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating ATEN INTERNATIONAL CO., LTD. and its subsidiaries' financial or operating performance. The accuracy of the timing and amount of revenue recognized have significant impact on the financial statements, for which the assumptions and judgments of revenue recognition rely on subjective judgment of the management. Hence, we consider it as the key audit matter.

How the matter was addressed in our audit:

The key audit procedures performed included testing the effectiveness of the design and implementing the internal control (both manual and system control) of sales and collecting cycle; reviewing significant sales contract to determine whether the key judgments and assumptions of revenue recognition are reasonable; analyzing the changes in top 10 customers from the most recent period and last year, and the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements; selecting sales transactions from a period of time before and after the balance sheet date, and verifying them with the vouchers to determine the accuracy of the timing and amounts of revenue recognized; understanding whether if there is a significant subsequent sales return or discount; and reviewing whether the disclosure of revenue made by the management is appropriate.

2. Inventory measurement

Please refer to notes 4(h), 5, and 6(g) for disclosure related to inventory measurement.

Description of key audit matter:

The inventory is measured at the lower of cost and net realizable value. Due to the update of technology, the inventory might be out of date or no longer meets the requirement of the market, which may result in a decline on the price of the product resulting in the cost of the inventory to be higher than the net realizable value. The measurement of inventory depends on the evaluation of the management based on several evidences. Therefore, we consider it as a key audit matter.

How the matter was addressed in our audit:

The key audit procedures performed is to understand the management's accounting policy of inventory measurement and determine whether it is reasonable and is being implement. The procedures include inspecting the method of inventory valuation assumption is consistently and evaluating whether the assumption is needed to be adjusted due to the operating and economic condition change. Obtaining the inventory valuation table, understanding the net realizable values by management and the variation of the prices, in the period after the reporting date, to ensure the appropriateness of the valuation price. Reviewing the reason and verifying the accuracy on past three years and current year's allowance of inventory. Assessing whether the disclosure of provision for inventory valuation is appropriate.

Other Matter

ATEN INTERNATIONAL CO., LTD. has prepared its parent company only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing ATEN INTERNATIONAL CO., LTD. and its subsidiaries' 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 ATEN INTERNATIONAL CO., LTD. and its subsidiaries 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 ATEN INTERNATIONAL CO., LTD. and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 ATEN INTERNATIONAL CO., LTD. and its subsidiaries' 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 ATEN INTERNATIONAL CO., LTD. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause ATEN INTERNATIONAL CO., LTD. and its subsidiaries 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 group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Huang, Po-Shu and Wu, Chung-Shun.

KPMG

Taipei, Taiwan (Republic of China)

February 29, 2024

Notes to Readers

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

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

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

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
11xx	Current assets:					21xx	Current liabilities:				
1100	Cash and cash equivalents (note 6(a))	\$ 1,193,987	17	1,122,298	15	2100	Short-term borrowings (notes 6(k) and 8)	\$ 404,297	6	622,189	9
1136	Current financial assets at amortised cost, net (note 6(b))	90,449	1	103,361	2	2322	Current portion of long-term borrowings (notes 6(k) and 8)	-	-	5,236	-
1110	Financial assets at fair value through profit or loss—current (note 6(c))	397,240	6	700,969	10	2120	Financial liabilities at fair value through profit or loss—current (note 6(c))	1,258	-	10,869	-
1120	Financial assets at fair value through other comprehensive income—current (note 6(d))	-	-	6,371	-	2150	Notes payable	1,681	-	1,366	-
1140	Contract assets—current (note 6(r))	7,884	-	5,990	-	2170	Accounts payable	287,156	4	466,549	6
1150	Notes receivable, net (notes 6(e) and (q))	6,722	-	7,136	-	2216	Dividends Payable (note 6(p))	250,889	4	-	-
1170	Accounts receivable, net (notes 6(e) and (q))	714,916	10	733,627	10	2219	Other payable (notes 6(h), (n), (s) and 8)	550,638	8	586,893	8
1200	Other receivables (note 6(f))	14,354	-	20,842	-	2230	Current tax liabilities	84,696	1	189,492	3
130x	Inventories (note 6(g))	1,266,264	18	1,497,000	21	2250	Provisions—current (note 6(l))	22,810	-	27,052	-
1410	Prepayments	61,102	1	86,797	1	2280	Current lease liabilities (note 6(m))	101,486	1	65,809	1
1470	Other current assets	10,254	-	14,112	-	2399	Other current liabilities	74,582	1	101,687	1
	Total current assets	<u>3,763,172</u>	<u>53</u>	<u>4,298,503</u>	<u>59</u>		Total current liabilities	<u>1,779,493</u>	<u>25</u>	<u>2,077,142</u>	<u>28</u>
15xx	Non-current assets:					25xx	Non-Current liabilities:				
1517	Financial assets at fair value through other comprehensive income—non-current (note 6(d))	27,246	-	27,617	-	2560	Non-current tax liabilities	-	-	26,580	-
1600	Property, plant and equipment (notes 6(h), 7, 8 and 9)	2,703,716	38	2,583,668	35	2570	Deferred income tax liabilities (note 6(o))	181,700	2	179,995	3
1755	Right-of-use assets (note 6(i))	289,963	4	109,301	1	2640	Non-current lease liabilities (note 6(m))	194,750	3	47,483	1
1780	Intangible assets (note 6(j))	4,336	-	6,949	-	2645	Net defined benefit liabilities—non-current (note 6(n))	70,857	1	79,880	1
1840	Deferred income tax assets (note 6(o))	143,557	2	179,858	3	2670	Deposits received	764	-	905	-
1915	Prepayments for equipment	5,266	-	5,805	-		Other non-current liabilities	57,648	1	53,287	1
1920	Refundable deposits	35,049	1	31,005	-		Total non-current liabilities	<u>505,719</u>	<u>7</u>	<u>388,130</u>	<u>6</u>
1980	Other financial assets—non-current (notes 8 and 9)	116,133	2	105,587	2		Total liabilities	<u>2,285,212</u>	<u>32</u>	<u>2,465,272</u>	<u>34</u>
1990	Other non-current assets	1,535	-	2,161	-	3110	Equity attributable to shareholders of the company (notes 6(d) and (p)):				
	Total non-current assets	<u>3,326,801</u>	<u>47</u>	<u>3,051,951</u>	<u>41</u>	3200	Common stock	<u>1,194,711</u>	<u>17</u>	<u>1,194,711</u>	<u>16</u>
						3210	Capital surplus:				
						3210	Additional paid-in capital	316,913	4	316,913	4
						3250	Donated assets received	50	-	50	-
								<u>316,963</u>	<u>4</u>	<u>316,963</u>	<u>4</u>
						3300	Retained earnings:				
						3310	Legal reserve	1,566,677	22	1,493,727	20
						3320	Special reserve	203,711	3	228,910	3
						3350	Unappropriated retained earnings	1,655,497	23	1,780,024	24
								<u>3,425,885</u>	<u>48</u>	<u>3,502,661</u>	<u>47</u>
						3400	Other equity interest:				
						3410	Financial statements translation differences for foreign operations	(175,518)	(2)	(171,173)	(2)
						3420	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(22,030)	-	(18,334)	-
								<u>(197,548)</u>	<u>(2)</u>	<u>(189,507)</u>	<u>(2)</u>
							Total equity attributable to shareholders of the company	<u>4,740,011</u>	<u>67</u>	<u>4,824,828</u>	<u>65</u>
						36xx	Non-controlling interests	<u>64,750</u>	<u>1</u>	<u>60,354</u>	<u>1</u>
						3xxx	Total equity	<u>4,804,761</u>	<u>68</u>	<u>4,885,182</u>	<u>66</u>
1xxx	Total assets	<u>\$ 7,089,973</u>	<u>100</u>	<u>7,350,454</u>	<u>100</u>	2-3xxx	Total liabilities and equity	<u>\$ 7,089,973</u>	<u>100</u>	<u>7,350,454</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (note 6(r))	\$ 5,156,242	100	5,403,167	100
5000	Operating costs (notes 6(g), (h), (i), (l), (m), (n) and (s))	<u>2,065,366</u>	<u>40</u>	<u>2,239,803</u>	<u>41</u>
5900	Gross profit	<u>3,090,876</u>	<u>60</u>	<u>3,163,364</u>	<u>59</u>
6000	Operating expenses (notes 6(e), (h), (i), (j), (m), (n), (s) and 7):				
6100	Selling expenses	1,263,680	25	1,273,916	24
6200	Administrative expenses	511,930	10	527,265	10
6300	Research and development expenses	527,431	10	512,511	9
6450	Reversal of impairment loss determined in accordance with IFRS 9	<u>(185)</u>	<u>-</u>	<u>(1,030)</u>	<u>-</u>
	Total operating expenses	<u>2,302,856</u>	<u>45</u>	<u>2,312,662</u>	<u>43</u>
6900	Operating profit	<u>788,020</u>	<u>15</u>	<u>850,702</u>	<u>16</u>
7000	Non-operating income and expenses (notes 6(m) and (t)):				
7100	Interest income	10,975	-	6,077	-
7010	Other income	26,848	1	30,781	1
7020	Other gains and losses	(31,437)	-	25,219	-
7050	Finance costs	<u>(41,287)</u>	<u>(1)</u>	<u>(21,532)</u>	<u>-</u>
	Total non-operating income and expenses	<u>(34,901)</u>	<u>-</u>	<u>40,545</u>	<u>1</u>
7900	Profit from continuing operations before tax	753,119	15	891,247	17
7950	Less: Income tax expenses (note 6(o))	<u>180,698</u>	<u>4</u>	<u>158,356</u>	<u>3</u>
	Net income	<u>572,421</u>	<u>11</u>	<u>732,891</u>	<u>14</u>
8300	Other comprehensive income (notes 6(o) and (p)):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	3,221	-	8,804	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(70)	-	(570)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>3,346</u>	<u>-</u>	<u>1,704</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(195)</u>	<u>-</u>	<u>6,530</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(4,791)	-	41,081	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(4,791)</u>	<u>-</u>	<u>41,081</u>	<u>-</u>
8300	Other comprehensive income	<u>(4,986)</u>	<u>-</u>	<u>47,611</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 567,435</u>	<u>11</u>	<u>780,502</u>	<u>14</u>
8600	Net income attributable to:				
8610	Shareholders of the parent	\$ 565,541	11	729,500	14
8620	Non-controlling interests	<u>6,880</u>	<u>-</u>	<u>3,391</u>	<u>-</u>
		<u>\$ 572,421</u>	<u>11</u>	<u>732,891</u>	<u>14</u>
8700	Total comprehensive income attributable to:				
8710	Shareholders of the parent	\$ 560,962	11	775,755	14
8720	Non-controlling interests	<u>6,473</u>	<u>-</u>	<u>4,747</u>	<u>-</u>
		<u>\$ 567,435</u>	<u>11</u>	<u>780,502</u>	<u>14</u>
	Basic earnings per share(in New Taiwan dollars) (note 6(q))				
9750	Basic earnings per share	<u>\$ 4.73</u>		<u>6.11</u>	
9850	Diluted earnings per share	<u>\$ 4.66</u>		<u>5.99</u>	

See accompanying notes to consolidated financial statements.

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

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Total other equity interest			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Share capital		Retained earnings				Financial statements translation differences for foreign operations	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Total			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total						
Balance at January 1, 2022	\$ 1,194,711	316,963	1,493,727	189,465	1,716,314	3,399,506	(211,146)	(17,764)	(228,910)	4,682,270	61,527	4,743,797
Appropriation and distribution of retained earnings:												
Special reserve appropriated	-	-	-	39,445	(39,445)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(633,197)	(633,197)	-	-	-	(633,197)	(5,920)	(639,117)
Net income	-	-	-	-	729,500	729,500	-	-	-	729,500	3,391	732,891
Other comprehensive income	-	-	-	-	6,852	6,852	39,973	(570)	39,403	46,255	1,356	47,611
Total comprehensive income	-	-	-	-	736,352	736,352	39,973	(570)	39,403	775,755	4,747	780,502
Balance at December 31, 2022	1,194,711	316,963	1,493,727	228,910	1,780,024	3,502,661	(171,173)	(18,334)	(189,507)	4,824,828	60,354	4,885,182
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	72,950	-	(72,950)	-	-	-	-	-	-	-
Special reserve reversed	-	-	-	(25,199)	25,199	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(645,144)	(645,144)	-	-	-	(645,144)	(2,712)	(647,856)
Net income	-	-	-	-	565,541	565,541	-	-	-	565,541	6,880	572,421
Other comprehensive income	-	-	-	-	2,464	2,464	(4,345)	(2,698)	(7,043)	(4,579)	(407)	(4,986)
Total comprehensive income	-	-	-	-	568,005	568,005	(4,345)	(2,698)	(7,043)	560,962	6,473	567,435
Difference between consideration and carrying amount of subsidiaries acquired	-	-	-	-	(635)	(635)	-	-	-	(635)	635	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	998	998	-	(998)	(998)	-	-	-
Balance at December 31, 2023	\$ 1,194,711	316,963	1,566,677	203,711	1,655,497	3,425,885	(175,518)	(22,030)	(197,548)	4,740,011	64,750	4,804,761

See accompanying notes to consolidated financial statements.

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

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:		
Net income before tax	\$ 753,119	891,247
Adjustments:		
Adjustments to reconcile profit and loss		
Depreciation expense	225,663	214,544
Amortization expense	2,052	3,365
Reversal of impairment loss determined in accordance with IFRS9	(185)	(1,030)
Interest expense	41,287	21,532
Interest income	(10,975)	(6,077)
Dividend income	(375)	(592)
Net loss (gain) on disposal of property, plant and equipment	(1,112)	357
Property, plant and equipment transferred to expenses	511	69
Loss on disposal of intangible assets	561	-
Prepayments for equipment transferred to expenses	138	3,058
Losses on lease modification	(39)	(89)
Total adjustments to reconcile profit and loss	<u>257,526</u>	<u>235,137</u>
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	303,729	(94,140)
Contract assets	(1,894)	2,688
Notes receivable	414	1,146
Accounts receivable	18,896	129,440
Other receivable	6,488	(3,692)
Inventories	230,083	(479,918)
Prepayments	25,695	5,923
Other current assets	3,850	658
Total changes in operating assets, net	<u>587,261</u>	<u>(437,895)</u>
Net changes in operating liabilities:		
Financial liabilities held for trading	(9,611)	10,173
Notes payable	315	(780)
Accounts payable	(179,393)	33,843
Other payable	(36,255)	15,154
Provisions	(4,242)	1,372
Other current liabilities	(27,105)	(10,712)
Net defined benefit liabilities	(5,802)	(1,634)
Other non-current liabilities	4,361	4,529
Total changes in operating liabilities, net	<u>(257,732)</u>	<u>51,945</u>
Total changes in operating assets / liabilities, net	<u>329,529</u>	<u>(385,950)</u>
Total adjustments	<u>587,055</u>	<u>(150,813)</u>
Cash provided by operating activities	1,340,174	740,434
Dividends received	375	592
Payment of income tax	(277,491)	(316,169)
Net cash provided by operating activities	<u>1,063,058</u>	<u>424,857</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(6,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6,672	-
Acquisition of financial assets at amortised cost	12,912	-
Acquisition of property, plant and equipment	(224,653)	(83,299)
Proceeds from disposal of property, plant and equipment	1,951	1,162
Increase in refundable deposits	(4,044)	(4,189)
Increase in other financial assets – non-current	(10,546)	(41)
Decrease in other non-current assets	626	110
Increase in prepayments for equipment	(6,107)	(7,289)
Interest received	10,975	6,077
Net cash used in investing activities	<u>(212,214)</u>	<u>(93,469)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(216,587)	79,623
Repayment of long-term borrowings	(5,397)	(5,016)
Increase (decrease) in deposits received	(141)	175
Payment of lease liabilities	(115,072)	(109,282)
Cash dividends paid	(396,967)	(639,117)
Interest paid	(41,287)	(21,532)
Net cash used in financing activities	<u>(775,451)</u>	<u>(695,149)</u>
Effect of exchange rate changes on cash and cash equivalents	(3,704)	23,681
Net increase (decrease) in cash and cash equivalents for the period	71,689	(340,080)
Cash and cash equivalents at beginning of period	1,122,298	1,462,378
Cash and cash equivalents at end of period	<u>\$ 1,193,987</u>	<u>1,122,298</u>

See accompanying notes to consolidated financial statements.

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

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

ATEN INTERNATIONAL CO., LTD. (the "Company") was incorporated on July 6, 1979, under the laws of the Republic of China (ROC). The Company and its subsidiaries (the "Group") are mainly engaged in the manufacturing and trading of computer peripheral equipment, manufacturing of wired and wireless communication equipment, and manufacturing of electronic modules and parts.

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

These consolidated financial statements were approved by the Board of Directors and published on February 29, 2024.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

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

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

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

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

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

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

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

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

(4) Summary of material policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the financial statement.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC.

- (b) Basis of preparation

- (i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated (Refer to the summary of the significant accounting policies).

- (ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars (NTD), which is Company's functional currency. The assets and liabilities of foreign operations are translated into the Group's presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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

(ii) List of subsidiaries included in the consolidated financial statements

Name of investor	Name of subsidiary	Scope of business	Percentage of ownership		Description
			December 31, 2023	December 31, 2022	
The Company	TOPMOST INTERNATIONAL CO., LTD. (TOPMOST)	Investing	100.00 %	100.00 %	
The Company	ATEN JAPAN CO., LTD. (ATEN JAPAN)	Trading of computer peripheral products	100.00 %	100.00 %	
The Company	ATEN US HOLDINGS INC. (ATEN US)	Investing	100.00 %	100.00 %	
The Company	FOREMOST INTERNATIONAL CO., LTD. (FOREMOST)	Investing	100.00 %	100.00 %	
The Company and TOPMOST	ATEN INFOTECH N.V. (ATEN INFOTECH)	Trading of computer peripheral products	100.00 %	100.00 %	
The Company	ATECH PERIPHERALS INC. (ATECH PERIPHERALS)	Manufacturing and trading of computer peripheral products	100.00 %	100.00 %	
The Company	ATEN RESEARCH INC. (ATEN RESEARCH)	Trading of computer peripheral products	- %	95.00 %	Note 1
The Company	ATEN COMPUTER PRODUCTS CO., LTD. (ATEN COMPUTER)	Manufacturing of computer peripheral products	100.00 %	100.00 %	
The Company	VISIONTOP CO., LTD. (VISIONTOP)	Specialized printing	59.58 %	59.58 %	
The Company	HONG JHENG TECHNOLOGY CO., LTD. (HONG JHENG)	Investing	100.00 %	100.00 %	
The Company	HONG YUAN CO., LTD. (HONG YUAN)	Investing	100.00 %	100.00 %	
The Company	ATEN ANZ PTY LTD. (ATEN ANZ)	Trading of computer peripheral products	100.00 %	100.00 %	
The Company	RCM FULLY AUTOMATION CO., LTD. (RCM FULLY)	Trading of computer peripheral products	26.00 %	26.00 %	
The Company	ATEN INFO COMMUNICAION LIMITED LIABILITY COMPANY (ATEN TURKEY)	Trading of computer peripheral products	100.00 %	100.00 %	

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Scope of business	Percentage of ownership		Description
			December 31, 2023	December 31, 2022	
The Company	ATEN POLAND SP Z.O. O. (ATEN POLAND)	Trading of computer peripheral products	100.00 %	100.00 %	
The Company	ATEN ROMANIA S.R.L. (ATEN ROMANIA)	Trading of computer peripheral products	100.00 %	100.00 %	
The Company	ATEN SOUTH AFRICA PTY LTD. (ATEN SOUTH AFRICA)	Trading of computer peripheral products	100.00 %	- %	
The Company and HONG YUAN	ATEN ADVANCE PRIVATE LIMITED (ATEN ADVANCE)	Trading of computer peripheral products	100.00 %	100.00 %	
The Company and HONG YUAN	ATEN LATAM MEXICO S.A. DE C.V (ATEN MEXICO)	Trading of computer peripheral products	100.00 %	100.00 %	
The Company and HONG YUAN	PT ATEN TECHNOLOGY INDONESIA (ATEN INDONESIA)	Trading of computer peripheral products	100.00 %	100.00 %	
TOPMOST	EXPAND INTERNATIONAL CO., LTD. (EXPAND)	Investing	100.00 %	100.00 %	
TOPMOST	ATEN EUROPE LIMITED (ATEN EUROPE)	Investing	100.00 %	100.00 %	
TOPMOST	I/O MASTER INC. (I/O MASTER)	Investing	100.00 %	100.00 %	
The Company & FOREMOST	ATEN CHINA CO., LTD. (ATEN CHINA)	Trading of computer peripheral products	100.00 %	100.00 %	
FOREMOST	ATEN FOREMOST INTERNATIONAL CO., LTD. (ATEN FOREMOST)	Research and trading of computer peripheral products	100.00 %	100.00 %	
EXPAND	EXPAND ELECTRONIC CO., LTD. (EXPAND ELECTRONIC)	Manufacturing of computer peripheral products	100.00 %	100.00 %	
ATEN EUROPE	ATEN UK LIMITED (ATEN UK)	Trading of computer peripheral products	100.00 %	100.00 %	
ATEN EUROPE	ATEN KOREA CO., LTD. (ATEN KOREA)	Trading of computer peripheral products	85.00 %	85.00 %	
ATEN US	ATEN TECHNOLOGY INC. (ATEN TECHNOLOGY)	Trading of computer peripheral products	99.39 %	99.11 %	Note 2
ATEN US & ATEN TECHNOLOGY	ATEN NEW JERSEY INC. (ATEN NEW JERSEY)	Trading of computer peripheral products	99.52 %	99.29 %	Note 2
I/O MASTER	ATEN CANADA TECHNOLOGIES INC. (ATEN CANADA)	Research and development	100.00 %	100.00 %	
I/O MASTER	IOGEAR, INC.(IOGEAR)	Trading of computer peripheral products	100.00 %	100.00 %	
ATECH PERIPHERALS	RCM FULLY AUTOMATION CO., LTD. (RCM FULLY)	Trading of computer peripheral products	74.00 %	74.00 %	

Note 1: The subsidiary was dissolved in December, 2022.

Note 2: ATEN US increased investment for USD4,000 thousand in ATEN TECHNOLOGY in August, 2023. Therefore, the percentage of ownership of ATEN US increased from 99.11% to 99.39%. Meanwhile, the combined percentage of ownership of ATEN US for ATEN NEW JERSEY increased from 99.29% to 99.52%.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (i) an investment in equity securities designated as at fair value through other comprehensive income;
- (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent that the hedges are effective.

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalent refers to short term investments with high liquidity that are subject to insignificant risk of changes in their fair value and can be cashed into fixed amount of money. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose should be recognized as cash equivalent.

(g) Financial instruments

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

(i) Financial assets

On initial recognition, a financial asset is classified as Financial assets measured at amortized cost, Fair value through other comprehensive income (FVOCI) or Fair value through profit or loss (FVTPL).

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost.

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full.

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

5) Derecognition of financial assets

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

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognition of financial liabilities

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

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

3) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Subsequent to initial recognition, inventories are measured at the lower of cost or net realizable value and the cost of inventories is based on the standard cost principle. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. The differences between standard and actual costing are fully classified as operating costs. When the cost of inventories is higher than the net realizable value, the inventories are written down to net realizable value, and the write down amount is charged to current year's cost of goods sold.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Land improvements	3 years
Buildings	2~61 years
Machinery equipment	3~10 years
Other equipment	1~12 years

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

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Leases

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

(i) As a lessee

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment of the underlying asset purchase option; or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

(ii) As a lessor

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

(k) Intangible assets

(i) Recognition and measurement

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The estimated useful lives for current and comparative periods are as follows:

1) Patents	3~5 years
2) Trademarks	3 years
3) Customer relationships	5 years

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

(l) Impairment—Non-financial assets

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

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

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Revenue

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

(i) Sale of goods

The Group is mainly engaged in the manufacture and trading of computer peripheral products. The Group recognizes revenue when control of the products has been transferred. When the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract and the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers volume discounts to its customers based on aggregate sales of electronic components in the contractual period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

The Group's obligation to provide a refund for faulty electronic components under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(1).

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

(ii) Construction contracts

The Group enters into contracts to management of IT infrastructure. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract.

The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. For variable considerations, the Group estimates the amount of variable consideration using the most likely amount. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Income tax

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

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

Deferred income tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred income tax assets and liabilities fulfill one of the below scenarios:
 - 1) levied by the same taxing authority; or
 - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

When computing diluted earnings per share, all potential share are considered outstanding shares for the current period; therefore, both profit attributable to ordinary shareholders and outstanding shares should be adjusted for the impact of potential shares. Employee bonuses in the form of stock of the Company are accounted for as potential shares.

(r) Operating segments

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

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

The Group is likely to be facing economic uncertainty, such as COVID-19, natural disasters, the Ukraine–Russia conflict and inflation. Those events do not have a significant impact in the next financial year on the accounting estimates.

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

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 1,721	4,029
Saving deposits and foreign currency deposits	915,508	829,630
Checking deposits	31,864	23,863
Time deposits	<u>244,894</u>	<u>264,776</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 1,193,987</u>	<u>1,122,298</u>

Please refer to note 6(u) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets at amortised cost

	December 31, 2023	December 31, 2022
Bank's time deposits	<u>\$ 90,449</u>	<u>103,361</u>
Interest rate(%)	<u>1.3~5</u>	<u>0.76~4</u>

The Company has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

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

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss – current:		
Derivative instruments not used for hedging	\$ 7,189	1,206
Non-derivative financial assets	<u>390,051</u>	<u>699,763</u>
Total	<u>\$ 397,240</u>	<u>700,969</u>
	December 31, 2023	December 31, 2022
Financial liabilities held for trading – current:		
Derivative instruments not used for hedging	<u>\$ 1,258</u>	<u>10,869</u>

For the amount of financial assets and liabilities remeasured at fair value through profit or loss, please refer to note 6(t).

As of December 31, 2023 and 2022, the Group has not provided any aforementioned financial assets as collateral.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The Group uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. The Group reported the following derivatives financial instruments as financial assets and liabilities at fair value through profit or loss without the application of hedge accounting were classified as mandatorily measured at fair value through profit or loss and held-for-trading financial instruments on December 31, 2023 and 2022 .

Mandatorily measured at fair value through profit or loss financial assets – Forward contract:

December 31, 2023			
	Contract amount (thousand dollars)	Currency	Maturity dates
Forward exchange sold	EUR	1,849 /	EUR/NTD
	NTD	63,078	
Forward exchange sold	USD	8,900 /	USD/NTD
	NTD	278,316	
Forward exchange sold	JPY	58,000 /	JPY/NTD
	NTD	12,708	
Forward exchange sold	GBP	240 /	GBP/NTD
	NTD	9,442	
Forward exchange sold	USD	700 /	USD/CNY
	CNY	4,994	
Forward exchange sold	AUD	62 /	AUD/NTD
	NTD	1,302	
Forward exchange purchased	USD	340 /	USD/KRW
	KRW	437,427	

December 31, 2022			
	Contract amount (thousand dollars)	Currency	Maturity dates
Forward exchange sold	USD	2,216 /	USD/NTD
	NTD	68,888	
Forward exchange sold	GBP	75 /	GBP/NTD
	NTD	2,785	
Forward exchange sold	USD	1,000 /	USD/CNY
	CNY	6,968	
Forward exchange sold	AUD	253 /	AUD/NTD
	NTD	5,288	

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Held-for-trading financial liabilities — Forward contract:

	December 31, 2023		
	Contract amount (thousand dollars)	Currency	Maturity dates
Forward exchange sold	EUR 1,016 / NTD 34,354	EUR/NTD	2024.01.10~2024.03.06
Forward exchange sold	USD 300 / NTD 9,147	USD/NTD	2024.01.31~2024.04.26
Forward exchange sold	JPY 205,000 / NTD 43,907	JPY/NTD	2024.01.19~2024.02.21
Forward exchange sold	GBP 160 / NTD 6,241	GBP/NTD	2024.01.16
Forward exchange sold	AUD 313 / NTD 6,434	AUD/NTD	2024.01.29~2024.02.29
Forward exchange purchased	USD 1,530 / KRW 1,985,062	USD/KRW	2024.01.30~2024.02.26
	December 31, 2022		
	Contract amount (thousand dollars)	Currency	Maturity dates
Forward exchange sold	EUR 4,333 / NTD 138,218	EUR/NTD	2023.01.06~2023.03.22
Forward exchange sold	USD 7,206 / NTD 219,443	USD/NTD	2023.01.19~2023.04.21
Forward exchange sold	JPY 605,000 / NTD 135,713	JPY/NTD	2023.01.18~2023.03.20
Forward exchange sold	GBP 240 / NTD 8,823	GBP/NTD	2023.01.18~2023.02.15
Forward exchange sold	AUD 462 / NTD 9,497	AUD/NTD	2023.01.04~2023.03.31
Forward exchange purchased	USD 940 / KRW 1,258,979	USD/KRW	2023.01.30~2023.02.23

For credit risk and market risk please refer to note 6(u).

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

	December 31, 2023	December 31, 2022
Equity investments at fair value through other comprehensive income:		
Listed stocks (domestic) — current	\$ <u> -</u>	<u> 6,371</u>
Unlisted stocks (domestic) — non-current	\$ <u> 27,246</u>	<u> 27,617</u>

(i) Equity investments at fair value through other comprehensive income

The Group held equity instrument investment for long-term strategic purposes, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) The Company sold the domestic listed stocks at the fair value for the year ended December 31, 2023, the fair value at that time of disposal was \$6,672 thousand and accumulated gain on disposal was \$998 thousand, which has been transferred from other equity to retained earnings.
- (iii) OptoMedia Technology Inc. held extraordinary general meeting on October 20, 2022 and announced the resolution of capital reduction to cover losses with the amount of \$169,455 thousand. The reduction portion is 67.56% with the reference date set on October 31, 2022. The Company original investment is 500 thousand shares. After the capital reduction, the Company holds 162 thousand shares and the shareholding ratio remains unchanged.
- (iv) For credit risk and market risk, please refer to note 6(u).
- (v) The Group did not hold any collateral for the collectible amounts.
- (e) Notes and accounts receivable and other receivables

	December 31, 2023	December 31, 2022
Notes receivable	\$ 6,722	7,136
Accounts receivable, net	715,016	733,912
Less: allowance for impairment	100	285
	<u>\$ 721,638</u>	<u>740,763</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all receivables on December 31, 2023. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information, including macroeconomic and relevant industry information. The expected credit losses as of was determined as follows:

	December 31, 2023		
	Gross carrying amount	Weighted- average expected credit loss rate	Loss allowance provision
Current	\$ 681,132	0%	-
0 to 30 days past due	39,849	0%	-
31 to 60 days past due	88	0%	-
61 to 90 days past due	30	0%	-
91 to 120 days past due	75	0%	-
121 to 180 days past due	242	0%	-
181 to 360 days past due	207	0%	-
More than 360 days past due	115	80%~100%	100
	<u>\$ 721,738</u>		<u>100</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2022		
	Gross carrying amount	Weighted- average expected credit loss rate	Loss allowance provision
Current	\$ 659,881	0%	-
0 to 30 days past due	79,167	0%	-
31 to 60 days past due	105	0%	-
61 to 90 days past due	14	0%	-
91 to 120 days past due	11	0%	-
121 to 180 days past due	399	0%	-
181 to 360 days past due	1,236	0%~10%	85
More than 360 days past due	235	100%	235
	\$ 741,048		320

The movement in the allowance for accounts receivable was as follows:

	2023	2022
Balance at January 1	\$ 285	1,337
Reversal of impairment losses	(185)	(1,030)
Amounts written off	-	(105)
Foreign exchange gains	-	83
Balance at December 31	\$ 100	285

As of December 31, 2023 and 2022, the bank has priority claim over the Group's accounts receivable amounting to \$155,558 thousand and \$179,726 thousand, respectively.

(f) Other receivables

	December 31, 2023	December 31, 2022
Other receivables	\$ 14,354	21,842
Less: Loss allowance	-	1,000
	\$ 14,354	20,842

The movement in the allowance for accounts receivable was as follows:

	2023	2022
Balance at January 1	\$ 1,000	1,000
Amounts written off	(1,000)	-
Balance at December 31	\$ -	1,000

As of December 31, 2023 and 2022, the Group had no other receivable that were past due but not impaired.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Inventories

The components of the Group's inventories were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Finished goods	\$ 639,382	816,341
Work in process	146,287	179,797
Raw material	<u>480,595</u>	<u>500,862</u>
	<u>\$ 1,266,264</u>	<u>1,497,000</u>

Due to the decrease in the net realizable value of inventories, the Group recognized the inventory pricing loss as cost of goods sold. The amounts are as follows:

	<u>2023</u>	<u>2022</u>
Losses on (reversal of) decline in market value of inventory	\$ 7,027	(1,706)
Losses (gains) on physical inventory, net	(1,030)	365
Losses on scrapping of inventory	<u>23,169</u>	<u>17,323</u>
Total	<u>\$ 29,166</u>	<u>15,982</u>

As of December 31, 2023 and 2022, the bank has priority claim over the Group's inventories amounting to \$258,759 thousand and \$415,012 thousand, respectively.

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Land improvements</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Construction in progress and testing equipment</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2023	\$ 1,624,323	9,645	1,061,441	291,334	444,775	15,845	3,447,363
Additions	84,598	-	60,430	19,058	54,273	6,294	224,653
Disposals	-	-	(354)	(1,696)	(31,912)	-	(33,962)
Reclassification	-	-	12,349	4,945	2,021	(13,182)	6,133
Effect of changes in exchange rates	<u>(3,618)</u>	<u>(131)</u>	<u>1,994</u>	<u>(390)</u>	<u>(413)</u>	<u>61</u>	<u>(2,497)</u>
Balance at December 31, 2023	<u>\$ 1,705,303</u>	<u>9,514</u>	<u>1,135,860</u>	<u>313,251</u>	<u>468,744</u>	<u>9,018</u>	<u>3,641,690</u>
Balance at January 1, 2022	\$ 1,623,196	7,217	1,021,467	311,781	417,541	9,182	3,390,384
Additions	-	2,500	15,435	13,532	36,362	15,470	83,299
Disposals	-	-	-	(36,613)	(24,640)	-	(61,253)
Reclassification	-	-	4,618	-	5,602	(9,183)	1,037
Effect of changes in exchange rates	<u>1,127</u>	<u>(72)</u>	<u>19,921</u>	<u>2,634</u>	<u>9,910</u>	<u>376</u>	<u>33,896</u>
Balance at December 31, 2022	<u>\$ 1,624,323</u>	<u>9,645</u>	<u>1,061,441</u>	<u>291,334</u>	<u>444,775</u>	<u>15,845</u>	<u>3,447,363</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Land	Land improvements	Buildings	Machinery	Other equipment	Construction in progress and testing equipment	Total
Depreciation:							
Balance at January 1, 2023	\$ -	6,721	365,597	163,621	327,756	-	863,695
Depreciation	-	904	34,968	25,109	47,303	-	108,284
Disposal	-	-	(354)	(1,485)	(31,284)	-	(33,123)
Reclassification	-	-	-	(531)	531	-	-
Effect of changes in exchange rates	-	(83)	375	(534)	(640)	-	(882)
Balance at December 31, 2023	<u>\$ -</u>	<u>7,542</u>	<u>400,586</u>	<u>186,180</u>	<u>343,666</u>	<u>-</u>	<u>937,974</u>
Balance at January 1, 2022	\$ -	6,289	329,175	173,746	294,689	-	803,899
Depreciation	-	471	33,333	25,037	49,212	-	108,053
Disposal	-	-	-	(36,038)	(23,696)	-	(59,734)
Effect of changes in exchange rates	-	(39)	3,089	876	7,551	-	11,477
Balance at December 31, 2022	<u>\$ -</u>	<u>6,721</u>	<u>365,597</u>	<u>163,621</u>	<u>327,756</u>	<u>-</u>	<u>863,695</u>
Carrying value:							
December 31, 2023	<u>\$ 1,705,303</u>	<u>1,972</u>	<u>735,274</u>	<u>127,071</u>	<u>125,078</u>	<u>9,018</u>	<u>2,703,716</u>
December 31, 2022	<u>\$ 1,624,323</u>	<u>2,924</u>	<u>695,844</u>	<u>127,713</u>	<u>117,019</u>	<u>15,845</u>	<u>2,583,668</u>
January 1, 2022	<u>\$ 1,623,196</u>	<u>928</u>	<u>692,292</u>	<u>138,035</u>	<u>122,852</u>	<u>9,182</u>	<u>2,586,485</u>

As of December 31, 2023 and 2022, the detail of property, plant and equipment pledged for car purchasing payables, short-term borrowings and credit facilities, please refer to note 8.

As of December 31, 2023 and 2022, the bank has priority claim over the Group's property, plant and equipment amounting to \$5,866 thousand and \$7,442 thousand, respectively.

(i) Right-of-use assets

The Group leases its assets including its land, buildings, transportation equipment and other equipment. Information about leases, for which the Group is the lessee, is presented below:

	Land and buildings	Transportation equipment	Other equipment	Total
Cost:				
Balance at January 1, 2023	\$ 361,023	11,282	7,897	380,202
Additions	299,195	3,480	-	302,675
Write-off	(219,194)	(4,195)	(1,535)	(224,924)
Effect of changes in foreign exchange rates	(449)	238	(6)	(217)
Balance at December 31, 2023	<u>\$ 440,575</u>	<u>10,805</u>	<u>6,356</u>	<u>457,736</u>
Balance at January 1, 2022	\$ 341,519	10,335	4,403	356,257
Additions	31,203	1,703	4,247	37,153
Write-off	(25,288)	(972)	(1,167)	(27,427)
Effect of changes in exchange rates	13,589	216	414	14,219
Balance at December 31, 2022	<u>\$ 361,023</u>	<u>11,282</u>	<u>7,897</u>	<u>380,202</u>
Accumulated depreciation:				
Balance at January 1, 2023	\$ 260,674	7,055	3,172	270,901
Depreciation	113,070	2,835	1,474	117,379
Write-off	(216,398)	(4,342)	(1,535)	(222,275)
Effect of changes in exchange rates	1,661	102	5	1,768
Balance at December 31, 2023	<u>\$ 159,007</u>	<u>5,650</u>	<u>3,116</u>	<u>167,773</u>
Balance at January 1, 2022	\$ 168,062	5,173	2,633	175,868
Depreciation	102,400	2,725	1,366	106,491
Write-off	(18,583)	(972)	(1,054)	(20,609)
Effect of changes in exchange rates	8,795	129	227	9,151
Balance at December 31, 2022	<u>\$ 260,674</u>	<u>7,055</u>	<u>3,172</u>	<u>270,901</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land and buildings</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Total</u>
Carrying value:				
December 31, 2023	\$ <u>281,568</u>	<u>5,155</u>	<u>3,240</u>	<u>289,963</u>
December 31, 2022	\$ <u>100,349</u>	<u>4,227</u>	<u>4,725</u>	<u>109,301</u>
January 1, 2022	\$ <u>173,457</u>	<u>5,162</u>	<u>1,770</u>	<u>180,389</u>

(j) Intangible assets

The cost and amortization of the intangible assets of the Group were as follows:

	<u>Goodwill</u>	<u>Patent</u>	<u>Trademark</u>	<u>Customer relationship</u>	<u>Total</u>
Costs:					
Balance at January 1, 2023	\$ 105,814	2,384	4,857	5,926	118,981
Disposals	-	(2,384)	-	-	(2,384)
Balance at December 31, 2023	\$ <u>105,814</u>	<u>-</u>	<u>4,857</u>	<u>5,926</u>	<u>116,597</u>
Balance at January 1, 2022 (Balance at December 31, 2022)	\$ <u>105,814</u>	<u>2,384</u>	<u>4,857</u>	<u>5,926</u>	<u>118,981</u>
Amortization:					
Balance at January 1, 2023	\$ 103,058	1,496	4,317	3,161	112,032
Amortization	-	327	540	1,185	2,052
Disposals	-	(1,823)	-	-	(1,823)
Balance at December 31, 2023	\$ <u>103,058</u>	<u>-</u>	<u>4,857</u>	<u>4,346</u>	<u>112,261</u>
Balance at January 1, 2022	\$ 103,058	935	2,699	1,975	108,667
Amortization	-	561	1,618	1,186	3,365
Balance at December 31, 2022	\$ <u>103,058</u>	<u>1,496</u>	<u>4,317</u>	<u>3,161</u>	<u>112,032</u>
Carrying value:					
December 31, 2023	\$ <u>2,756</u>	<u>-</u>	<u>-</u>	<u>1,580</u>	<u>4,336</u>
December 31, 2022	\$ <u>2,756</u>	<u>888</u>	<u>540</u>	<u>2,765</u>	<u>6,949</u>
January 1, 2022	\$ <u>2,756</u>	<u>1,449</u>	<u>2,158</u>	<u>3,951</u>	<u>10,314</u>

(i) Amortization Fee

The amortization fee for the intangible assets in 2023 and 2022 are recorded under operating expense in the Consolidated Statements of Comprehensive Income.

(ii) Collateral

As of December 31, 2023 and 2022, none of the Group's intangible assets has not been pledged as collateral.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Short-term and long-term borrowings

The details, terms and clauses of the Group's short-term and long-term borrowings were as follows:

(i) Short-term borrowings

	December 31, 2023			
		Interest rate	Maturity	
	Currency	(%)	year	Amount
Secured loans	USD	7.2	2024	\$ 158,285
Secured loans	KRW	3.97~4.52	2024	59,756
Secured loans	THB	4.9~5.22	2024	6,858
Unsecured loans	EUR	4.9129	2024	52,722
Unsecured loans	GBP	6.20~6.22	2024	24,882
Unsecured loans	CNY	3.55~4.73	2024	55,791
Unsecured loans	TWD	1.7	2024	30,000
Unsecured loans	THB	4.9~5.22	2024	16,003
Total				\$ 404,297

	December 31, 2022			
		Interest rate	Maturity	
	Currency	(%)	year	Amount
Letter of credit loans	USD	-	2023	\$ 4,101
Secured loans	USD	5.70~6.26	2023	135,115
Secured loans	KRW	3.70~3.92	2023	73,351
Unsecured loans	USD	5.65~5.80	2023	171,965
Unsecured loans	EUR	3.102	2023	50,705
Unsecured loans	GBP	3.95	2023	23,524
Unsecured loans	JPY	1.7355	2023	46,460
Unsecured loans	CNY	2.0~4.98	2023	96,968
Unsecured loans	TWD	1.85	2023	20,000
Total				\$ 622,189

As of December 31, 2023, and 2022, the unused credit facilities of the Group's short-term borrowings amounted to \$2,793,803 thousand and \$2,533,387 thousand, respectively.

(ii) Long-term borrowings

	December 31, 2022			
		Interest rate	Maturity	
	Currency	(%)	year	Amount
Secured loans	EUR	1.976	2023	\$ 5,236
Current				\$ 5,236

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group does not have long-term borrowings on December 31, 2023.

For the risk information of the Group interest rate, foreign currency and liquidity risk, please refer to note 6(u).

(iii) Collateral of loans

The Group has mortgaged their assets as collateral of loans. Please refer to note 8.

(l) Provisions

	<u>Warranties</u>
Balance as of January 1, 2023	\$ 27,052
Provisions made during the year	20,647
Provisions used during the year	<u>(24,889)</u>
Balance as of December 31, 2023	<u>\$ 22,810</u>
Balance as of January 1, 2022	\$ 25,680
Provisions made during the year	25,599
Provisions used during the year	<u>(24,227)</u>
Balance as of December 31, 2022	<u>\$ 27,052</u>

In 2023 and 2022, provisions are mainly associated with the Group's business products, and are estimated based on the historical data and weighted average of all possibility of similar merchandises and services. Most of the warranty claims are expected to arise in the following year of the sale.

(m) Lease liabilities

The Group's lease liabilities were as follow:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	<u>\$ 101,486</u>	<u>65,809</u>
Non-current	<u>\$ 194,750</u>	<u>47,483</u>

For the maturity analysis, please refer to note 6(u).

The amounts recognized in profit or loss were as follows:

	<u>2023</u>	<u>2022</u>
Interest on lease liabilities	<u>\$ 10,208</u>	<u>4,452</u>
Expenses relating to short-term leases	<u>\$ 12,685</u>	<u>14,625</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 940</u>	<u>1,560</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	<u>\$ 138,905</u>	<u>129,919</u>

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Employee benefits

(i) Defined benefit plans

The Group determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of the defined benefit obligations	\$ 182,283	188,751
Fair value of plan assets	<u>(111,426)</u>	<u>(108,871)</u>
The net defined benefit liability	<u>\$ 70,857</u>	<u>79,880</u>

The Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on the employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, 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 interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$111,426 thousand (including pension payables in transit of \$5,233 thousand) at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

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

	<u>2023</u>	<u>2022</u>
Defined benefit obligation at 1 January	\$ 188,751	205,758
Current service costs and interest	2,931	1,953
Remeasurements of the net defined benefit liability (asset)		
– Return on plan assets (excluding amounts included in net interest expense)	(2,175)	(415)
– Due to changes in financial assumption of actuarial (losses) gains	(57)	52
Refund of pension funds	-	(33)
Benefits paid by the plan	<u>(7,167)</u>	<u>(18,564)</u>
Defined benefit obligation at 31 December	<u>\$ 182,283</u>	<u>188,751</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Movement of defined benefit plan assets

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

	<u>2023</u>	<u>2022</u>
Fair value of plan assets, January 1	\$ 108,871	115,440
Interest revenue	1,375	596
Remeasurements of the net defined benefit liability		
— Return on plan assets (excluding amounts included in net interest expense)	989	8,441
Contributions made	7,358	2,991
Refund of pension funds	-	(33)
Benefits paid by the plan	(7,167)	(18,564)
Fair value of plan assets, December 31	<u>\$ 111,426</u>	<u>108,871</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2023</u>	<u>2022</u>
Current service cost	\$ 571	909
Net interest on the defined benefit liability	985	448
	<u>\$ 1,556</u>	<u>1,357</u>
	<u>2023</u>	<u>2022</u>
Operating costs	\$ 440	456
Selling expenses	234	239
Administration expenses	704	480
Research and development expenses	178	182
	<u>\$ 1,556</u>	<u>1,357</u>

5) Actuarial assumptions

The following are the Group's principal actuarial assumptions at the reporting dates:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Discount rate	1.25%	1.25%
Future salary increases rate	2.50%~3.00%	2.50%~3.00%

The Group expects to make contributions of \$2,122 thousand to the defined benefit plans in the next year starting from the reporting date of 2023.

The weighted average duration of the defined benefit obligation is 8.8~9.5 years.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Company uses judgments and estimations to determine the actuarial assumptions, including employee turnover rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

As of December 31, 2023 and 2022, the present value of defined benefit obligation impact was as follow:

	The impact on defined benefit obligation	
	Increase	Decrease
December 31, 2023		
Discount rate (0.25%)	\$ (1,756)	1,812
Future salary increase rate (1.00%)	7,654	(6,881)
December 31, 2022		
Discount rate (0.25%)	(2,149)	2,222
Future salary increase rate (1.00%)	9,237	(8,235)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

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

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labour pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Group's pension costs under the defined contribution method were \$58,576 thousand and \$56,754 thousand for 2023 and 2022, respectively. Payment was made to the Bureau of Labor Insurance and the local authorities of the consolidated overseas subsidiaries.

(iii) Short-term employee benefit liabilities

	December 31, 2023	December 31, 2022
Paid annual leave (recorded under other payables)	\$ 47,019	46,521

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Income tax

(i) Income tax expenses

The amount of income tax for 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense		
Current period	\$ 149,051	212,463
Adjustment for prior periods	<u>(3,013)</u>	<u>(27,575)</u>
	<u>146,038</u>	<u>184,888</u>
Deferred income tax expense		
Origination and reversal of temporary differences	<u>34,660</u>	<u>(26,532)</u>
Income tax expense from continuing operations	<u>\$ 180,698</u>	<u>158,356</u>

The amounts of income tax recognized in other comprehensive income for 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	\$ (718)	(1,704)
Unrealized gains on equity instruments at fair value through other comprehensive income	<u>(2,628)</u>	<u>-</u>
	<u>\$ (3,346)</u>	<u>(1,704)</u>

Reconciliation of income tax and profit before tax for 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Net income before tax	<u>\$ 753,119</u>	<u>891,247</u>
Income tax using the Company's domestic tax rate	\$ 150,624	178,249
Effect of tax rates differences in foreign jurisdiction	42,546	36,440
Adjustments according to tax law	5,592	(8,708)
Tax treaty rewards	(15,000)	(16,500)
Previous unrecognized tax losses	(49)	(986)
Overestimated of prior year's income tax	(3,013)	(27,575)
Overestimated of prior year's deferred income tax assets	3,196	-
Others	<u>(3,198)</u>	<u>(2,564)</u>
Total	<u>\$ 180,698</u>	<u>158,356</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

The Deferred income tax assets that have not been recognized by the Group are as follows:

	December 31, 2023	December 31, 2022
Tax losses	<u>\$ 388,488</u>	<u>207,674</u>

Under the Income Tax Act, the operating loss as examined and assessed by the local tax authorities could be carried forward for use as a deduction from taxable income over a period of prior years. Deferred income tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available, against which, the Group can utilize the benefits therefrom.

As of December 31, 2023, the amount of tax losses is not yet recognized as deferred tax assets and the expiry year were as follows:

<u>Year of expiration</u>	<u>Amount</u>
2024	\$ 8,074
2025	2,753
2026	39,327
2027	46,308
2032	59,138
2037	3,364
After 2038	<u>229,524</u>
	<u>\$ 388,488</u>

2) Recognized deferred income tax assets and liabilities

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

Deferred income tax assets:

	<u>Defined benefit plans</u>	<u>Unrealized profit from sales</u>	<u>Loss carryforward</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2023	\$ 12,958	95,816	3,523	67,561	179,858
Recognized in profit or loss	(1,160)	(30,229)	(2,591)	1,025	(32,955)
Recognized in other comprehensive income	(718)	-	-	(2,628)	(3,346)
Balance at December 31, 2023	<u>\$ 11,080</u>	<u>65,587</u>	<u>932</u>	<u>65,958</u>	<u>143,557</u>
Balance at January 1, 2022	\$ 14,961	68,069	4,817	65,097	152,944
Recognized in profit or loss	(299)	27,747	(1,294)	2,464	28,618
Recognized in other comprehensive income	(1,704)	-	-	-	(1,704)
Balance at December 31, 2022	<u>\$ 12,958</u>	<u>95,816</u>	<u>3,523</u>	<u>67,561</u>	<u>179,858</u>

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Deferred income tax liabilities:

	Foreign investment income accounted for using equity method	Others	Total
Balance at January 1, 2023	\$ 126,233	53,762	179,995
Recognized in profit or loss	1,056	649	1,705
Balance at December 31, 2023	\$ 127,289	54,411	181,700
Balance at January 1, 2022	\$ 125,146	52,763	177,909
Recognized in profit or loss	1,087	999	2,086
Balance at December 31, 2022	\$ 126,233	53,762	179,995

(iii) Examination and Approval

The tax returns of the Company have been assessed by the tax authorities for all years through 2020.

(p) Capital and other equity

(i) Common stock

As of December 31, 2023 and 2022, the total value of nominal ordinary shares amounted to \$1,500,000 thousand, face value of each share is \$10, of which 150,000 thousand shares, 119,471 thousand shares were issued. All issued shares were paid up upon issuance.

(ii) Additional paid-in capital

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Retained earnings

The Company's amended articles of incorporation stipulates that the Company's earnings distribution may be made on a quarterly basis after the close of each quarter. When allocating earnings, the Company shall first estimate and reserve the remuneration to employees and the taxes to be paid, offset prior years' deficits, provide 10% as legal reserve, provide or reverse a special reserve in accordance with relevant laws or regulations or as requested by authorities in charge. After the abovementioned appropriations, the distribution of the remaining earnings, if any, by way of stock dividends should be proposed by the board of directors and is subject to the stockholders' approval; by way of cash dividends should be approved by the board of directors. The Company's net earnings from the current year shall be used to pay income tax, offset prior years' deficits, provide 10% as legal reserve, provide or reverse a special reserve in accordance with relevant laws or regulations or as requested by authorities in charge. After the abovementioned appropriations, the distribution of the remaining earnings, if any, should be proposed by the board of directors and is subject to the stockholders' approval. For earning distribution issued in cash may be passed by the Board of Directors with more than two-thirds of the directors' attendance, and be resolved by more than half of the directors, then be reported to the shareholders' general meeting.

The Company's business cycle is in the constant growth stage. In consideration of the Company's future capital requirements, its long term financial plan and shareholders' satisfaction as to cash inflow, the Company's articles of incorporation stipulate that the board of directors may propose 30% or more of the distributable earnings as dividends, of which at least 10% should be distributed as cash dividends. However, such distribution depends on the current earnings and the capital condition, and is subject to the approval of stockholders.

1) Legal reserve

In accordance with the Company Act, when distributing the earnings, 10% should be set aside as legal reserve, until it is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special earnings reserve

In accordance with Ruling No.1010012865 issued by the Financial Supervisory Commission on 6 April 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Earnings distribution

The Group's Board of Directors resolved to appropriate the 2023 earnings from July to December. These earnings were appropriated as follows:

	2023
	July – December
	February 29,
	2024
Resolution Date of ATEN's Board of Directors	
Cash dividends to shareholders	\$ <u>262,837</u>
Cash dividends per share (NTD)	\$ <u>2.2</u>

The Group's Board of Directors resolved to appropriate the 2023 earnings from January to June. These earnings were appropriated as follows:

	2023
	January – June
	August 8, 2023
Resolution Date of ATEN's Board of Directors	
Cash dividends to shareholders	\$ <u>250,889</u>
Cash dividends per share (NTD)	\$ <u>2.1</u>

The Group's Board of Directors resolved to appropriate the 2022 earnings from July to December and January to June. These earnings were appropriated as follows:

	2022	2022
	July – December	January – June
	March 14, 2023	August 4, 2022
Resolution Date of ATEN's Board of Directors		
Cash dividends to shareholders	\$ <u>394,255</u>	<u>286,731</u>
Cash dividends per share (NTD)	\$ <u>3.3</u>	<u>2.4</u>

The Group's Board of Directors resolved to appropriate the 2021 earnings from July to December and January to June. These earnings were appropriated as follows:

	2021	2021
	July – December	January – June
	March 8, 2022	August 6, 2021
Resolution Date of ATEN's Board of Directors		
Cash dividends to shareholders	\$ <u>346,466</u>	<u>274,784</u>
Cash dividends per share (NTD)	\$ <u>2.9</u>	<u>2.3</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Other equities (net of tax)

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Non-controlling interests	Total
Balance as of January 1, 2023	\$ (171,173)	(18,334)	(5,825)	(195,332)
Foreign exchange differences arising from foreign operations	(4,345)	-	(446)	(4,791)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(2,698)	-	(2,698)
Disposal of investments in equity instruments designed at fair value through other comprehensive income	-	(998)	-	(998)
Balance as of December 31, 2023	<u>\$ (175,518)</u>	<u>(22,030)</u>	<u>(6,271)</u>	<u>(203,819)</u>
Balance as of January 1, 2022	\$ (211,146)	(17,764)	(6,933)	(235,843)
Foreign exchange differences arising from foreign operations	39,973	-	1,108	41,081
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(570)	-	(570)
Balance as of December 31, 2022	<u>\$ (171,173)</u>	<u>(18,334)</u>	<u>(5,825)</u>	<u>(195,332)</u>

(q) Earnings per share

The calculation of the Group's basic earnings per share and diluted earnings per share for years ended December 31, 2023 and 2022 was as follows:

(i) Basic earnings per share

	2023	2022
Net income attributable to ordinary shareholders of the Company	<u>\$ 565,541</u>	<u>729,500</u>
Weighted-average number of ordinary shares	<u>119,471</u>	<u>119,471</u>
Basic earnings per share (NTD)	<u>\$ 4.73</u>	<u>6.11</u>

(ii) Diluted earnings per share

	2023	2022
Net income attributable to ordinary shareholders of the Company	<u>\$ 565,541</u>	<u>729,500</u>
Weighted-average number of ordinary shares (basic)	119,471	119,471
Impact of potential common shares		
Effect of employee stock bonus	1,906	2,227
Weighted-average number of ordinary shares (diluted)	<u>121,377</u>	<u>121,698</u>
Diluted earnings per share (NTD)	<u>\$ 4.66</u>	<u>5.99</u>

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	2023		
	Computer peripheral products	Other	Total
Primary geographical markets:			
United States	\$ 1,126,539	-	1,126,539
Japan	812,865	-	812,865
Taiwan	491,930	121,609	613,539
South Korea	402,335	-	402,335
China	342,608	-	342,608
Others	1,858,356	-	1,858,356
	\$ 5,034,633	121,609	5,156,242
Major product lines:			
IT infrastructure management solutions	\$ 3,264,231	-	3,264,231
Video products	896,438	-	896,438
Others	873,964	121,609	995,573
	\$ 5,034,633	121,609	5,156,242
	2022		
	Computer peripheral products	Other	Total
Primary geographical markets:			
United States	\$ 1,187,922	-	1,187,922
Japan	751,628	-	751,628
Taiwan	664,242	103,988	768,230
China	430,353	-	430,353
South Korea	456,382	-	456,382
Others	1,808,652	-	1,808,652
	\$ 5,299,179	103,988	5,403,167
Major product lines:			
IT infrastructure management solutions	\$ 3,363,043	-	3,363,043
Video products	813,829	-	813,829
Others	1,122,307	103,988	1,226,295
	\$ 5,299,179	103,988	5,403,167

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balance

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>January 1,</u> <u>2022</u>
Notes receivable	\$ 6,722	7,136	8,282
Accounts receivable, net	715,016	733,912	863,457
Less: allowance for impairment	<u>100</u>	<u>285</u>	<u>1,337</u>
Total	<u>\$ 721,638</u>	<u>740,763</u>	<u>870,402</u>
Contract assets	<u>\$ 7,884</u>	<u>5,990</u>	<u>8,678</u>

Please refer to note 6(e) for the disclosure of accounts receivable and its impairment.

(s) Remuneration to employees, directors and supervisors

In accordance with the Company's articles, the net income before tax, after deducting the remuneration to employees, directors and supervisors, shall first be offset against any deficit, then 10%~16% will be distributed as employee remuneration and less than 2% will be allocated as directors' and supervisors' remuneration. The amounts of employee, directors' and supervisors' remuneration, to be distributed in cash or stock, should be decided in the board meeting, with two thirds of the board members attending the meeting, and over half of the attendees approving the amounts for distribution that are to be reported at the shareholders meeting. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Group who meet certain specific requirement.

For the years ended December 31, 2023 and 2022, the Company estimated its employee remuneration amounting to \$123,866 thousand and \$149,728 thousand, and directors' and supervisors' remuneration amounting to \$9,909 thousands and \$11,978 thousands, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2023 and 2022. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2023 and 2022.

(t) Non-operating income and expenses

(i) Interest income

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	<u>\$ 10,975</u>	<u>6,077</u>

(ii) Other income

	<u>2023</u>	<u>2022</u>
Dividend income	\$ 375	592
Other income — Other	<u>26,473</u>	<u>30,189</u>
Total other income	<u>\$ 26,848</u>	<u>30,781</u>

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other gains and losses

	<u>2023</u>	<u>2022</u>
Gains (losses) on disposal of property, plant and equipment	\$ 1,112	(357)
Losses on disposal of intangible assets	(561)	-
Gains (losses) on foreign exchange	(5,210)	57,823
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	249	(31,997)
Compensation loss and interests	(26,098)	-
Others gains and losses	<u>(929)</u>	<u>(250)</u>
Net other gains and losses	<u>\$ (31,437)</u>	<u>25,219</u>

(iv) Finance costs

	<u>2023</u>	<u>2022</u>
Interest expense	<u>\$ 41,287</u>	<u>21,532</u>

(u) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2023 and 2022, the maximum amount exposed to credit risk amounted to \$2,596,096 thousand and \$2,858,813 thousand, respectively.

2) Concentration of credit risk

During 2023 and 2022, approximately 13.06% percent and 9.27% percent of the Group's revenue was attributable to sales transactions with a single oversea customer. However, geographically, there was no concentration of credit risk.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
December 31, 2023							
Non-derivative financial liabilities							
Secured loans	\$ 224,899	233,310	233,310	-	-	-	-
Unsecured loans	179,398	181,995	181,995	-	-	-	-
Notes and accounts payable	288,837	288,837	288,837	-	-	-	-
Dividends Payable	250,889	250,889	250,889	-	-	-	-
Other payables	550,638	550,638	550,638	-	-	-	-
Lease liabilities	296,236	338,019	115,597	61,643	46,856	87,641	26,282
Deposits received	764	764	764	-	-	-	-
Derivative financial liabilities							
Other forward contracts:							
Outflow	1,258	1,258	1,258	-	-	-	-
	<u>\$ 1,792,919</u>	<u>1,845,710</u>	<u>1,623,288</u>	<u>61,643</u>	<u>46,856</u>	<u>87,641</u>	<u>26,282</u>
December 31, 2022							
Non-derivative financial liabilities							
Secured loans	\$ 213,702	220,217	220,217	-	-	-	-
Unsecured loans	413,723	422,000	422,000	-	-	-	-
Notes and accounts payable	467,915	467,915	467,915	-	-	-	-
Other payables	586,893	586,893	586,893	-	-	-	-
Lease liabilities	113,292	114,959	67,623	34,794	10,880	1,431	231
Deposits received	905	905	905	-	-	-	-
Derivative financial liabilities							
Other forward contracts:							
Outflow	10,869	10,869	10,869	-	-	-	-
	<u>\$ 1,807,299</u>	<u>1,823,758</u>	<u>1,776,422</u>	<u>34,794</u>	<u>10,880</u>	<u>1,431</u>	<u>231</u>

The Group is not expecting the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Exchange rate risk

1) Exposure to exchange rate risk

The Group's significant exposure to foreign currency risk was as follows:

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
December 31, 2023			
Financial assets:			
Monetary items:			
USD	\$ 18,582	30.7350	571,104
JPY	272,418	0.2174	59,224
EUR	3,944	34.0144	134,165
CNY	19,731	4.3315	85,464
Financial liabilities:			
Monetary items:			
USD	6,381	30.7350	196,126
CNY	\$ 16,958	4.3315	73,454
THB	41,600	0.8982	37,365
December 31, 2022			
Financial assets:			
Monetary items:			
USD	\$ 23,541	30.7080	722,897
JPY	802,039	0.2323	186,314
EUR	5,362	32.7132	175,408
CNY	22,013	4.4076	97,024
Financial liabilities:			
Monetary items:			
USD	\$ 7,931	30.7080	243,545
CNY	21,896	4.4076	96,509

Note: Since the effect of foreign exchange risk derived from the transactions within the Group cannot be fully eliminated, analysis is based on the amounts prior to the eliminated adjustments.

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables that are denominated in foreign currency. A 1% appreciation or depreciation of the NTD against the USD, JPY, EUR, CNY and THB as of December 31, 2023 and 2022 would have increased or decreased the net profit by \$5,430 thousand and \$8,416 thousand, respectively. The analysis is performed on the same basis for both periods.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Foreign exchange gain and loss on monetary item

Since the Group books its transaction in different functional currencies, the information on foreign exchange gains (loss) on monetary items is disclosed based on the total amount. For the years 2023 and 2022, foreign exchange losses (gains) (including realized and unrealized portion) amounted to \$(5,210) thousand and \$57,823 thousand, respectively.

(iv) Interest rate analysis

Please refer to the note for liquidity risk management and the interest rate exposure to the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure of the interest rate on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the management of the Group's assessment on the reasonably possible interval of interest rate change.

With all other variable factors remain constant. If the interest rate increases or decreases by 1%, the Group's net income will increase or decrease by \$4,043 thousand and \$6,274 thousand, respectively, for the years ended December 31, 2023, and 2022. This is mainly due from the Group's borrowing on variable rates.

(v) Fair value and carrying amount

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the Regulations.

	Carrying amount	December 31, 2023			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 7,189	-	7,189	-	7,189
Non derivative financial assets mandatorily measured at fair value through profit or loss	390,051	390,051	-	-	390,051
Subtotal	397,240	390,051	7,189	-	397,240
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic and overseas)	27,246	-	-	27,246	27,246
Total	\$ 424,486	390,051	7,189	27,246	424,486

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2023				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>(1,258)</u>	<u>-</u>	<u>(1,258)</u>	<u>-</u>	<u>(1,258)</u>
	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 1,206	-	1,206	-	1,206
Non derivative financial assets mandatorily measured at fair value through profit or loss	<u>699,763</u>	<u>699,763</u>	<u>-</u>	<u>-</u>	<u>699,763</u>
Subtotal	<u>700,969</u>	<u>699,763</u>	<u>1,206</u>	<u>-</u>	<u>700,969</u>
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	6,371	6,371	-	-	6,371
Unlisted stocks (domestic and overseas)	<u>27,617</u>	<u>-</u>	<u>-</u>	<u>27,617</u>	<u>27,617</u>
Subtotal	<u>33,988</u>	<u>6,371</u>	<u>-</u>	<u>27,617</u>	<u>33,988</u>
Total	<u>\$ 734,957</u>	<u>706,134</u>	<u>1,206</u>	<u>27,617</u>	<u>734,957</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>(10,869)</u>	<u>-</u>	<u>(10,869)</u>	<u>-</u>	<u>(10,869)</u>

- 2) Valuation techniques in financial instruments measured at fair value
- a) Non—derivative financial instruments

If there are quoted prices in the active markets for financial instruments, the fair value of those prices may be based on the quoted market prices. The market prices announced by Securities Exchange and Over the Counter are the benchmarks of the fair value of equity instruments and Liability instruments trading in active markets.

The fair value of financial assets and liabilities traded in the active markets will be based on the quoted market prices when the quoted prices can be obtained from the exchanges, brokers, underwriters, industrial unions, pricing service agencies or authorities, as well as if they can represent as the one usually traded in fair market transaction in practice. If the requirements above mentioned don't actually accomplish, the market ought to be seen inactive condition. Generally speaking, the index of inactive market are based on the large difference of the price between buying and selling transaction, the difference of the price between buying and selling transaction distinctively increasing or little quantity of trading volume.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The fair values of the Group's financial instruments trading in active markets are categorized by types and nature as follows:

Stocks of listed Companies and open-ended funds are financial assets possessing standard provision and trading in active markets. Their fair values are determined based on the market quotes and net assets value, respectively.

In addition to the aforementioned financial instruments trading in active markets, the fair values of other financial instruments are obtained through valuation or by referencing the quotes from counterparties. Such valuation technique involves referencing the fair value of financial instruments that are virtually alike in terms and characteristic, and using discounted cash flow model or other pricing models. Other pricing models may utilize the available market information on the balance sheet date such as yield curve from Over the Counter and the average quotes on the interest rates of Reuters Commercial Paper.

b) Derivative financial instrument

Derivatives are priced based on the pricing models widely accepted by markets. Forward Exchange Contracts are normally priced based on the current forward exchange rates or the forward interest rate estimated using interest rate parity theory.

3) Fair value hierarchy

The Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

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

There was no such situation that the Company reclassified the financial instruments from one level to another as of the reporting date.

4) Transfers between level 1 and level 2

There was no significant transfer from level 2 financial instrument to level 1 financial instrument.

5) Reconciliation of Level 3 fair values

(Continued)

ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Fair value through other comprehensive income <hr/> Unquoted equity instruments
Balance at January 1, 2023	\$ 27,617
Recongized in other comprehensive income	(371)
Balance at December 31, 2023	<u><u>\$ 27,246</u></u>
Balance at January 1, 2022	\$ 21,617
Purchase	6,000
Balance at December 31, 2022	<u><u>\$ 27,617</u></u>

The aforementioned gains or losses were listed in “Unrealized gains (losses) from financial assets at fair value through other comprehensive income”.

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> · Multipliers of price-book ratios as of December 31, 2023 and 2022 were 1.05~1.85 and 0.93~1.68, respectively. · Multipliers of price-earnings ratio as of December 31, 2023 was 24.25. · Market illiquidity discount rate as of December 31, 2023 and 2022 were both 20%. 	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> · the multiplier were higher (lower) · the market illiquidity discount were lower (higher)

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	<u>Input</u>	<u>Assumptions</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2023				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	\$ 1,704	(1,704)
December 31, 2022				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	5%	1,877	(1,877)

The favorable and unfavorable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(v) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note expresses the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes to each risk.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The Board of Directors oversees how management monitors the risk which should be in compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by the Internal Audit. The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer, financial institution, or counterparty fails to meet its contractual obligations and arises principally from the Group's receivables from its customers, financial instruments, or non-public trading securities.

1) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. The counterparties of the Consolidated Companies' notes and accounts receivable are predominantly concentrated in Asia, which accounted for 54% and 60% of the total amount of notes and accounts receivable as of December 31, 2023 and 2022, respectively.

The Group has established a credit policy, under which, each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Board of Directors; these limits are reviewed regularly.

The Group has established an allowance for bad debt account to reflect the estimated losses for trade, other receivables, and investment. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is based on the historical collection record of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transactions are with the counterparties, and the contractually obligated counterparties are the banks, financial institutions, corporate organizations and government agencies with good credits, there are no compliance issues, and therefore, there is no significant credit risk.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(iv) Liquidity risk

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

The Group uses activity-based costing to estimate the cost of its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group has unused short-term bank facilities of \$2,793,803 thousand and \$2,533,387 thousand, respectively, as of December 31, 2023 and 2022.

(v) Market Risk

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group. The currencies used in these transactions are the EUR, USD, JPY, GBP, KRW and CNY.

The Group holds accounts receivable denominated on the currency other than functional currency. Gains or losses on change of exchange rate and that on long-term and short-term borrowings denominated in foreign currency can offset each other, reducing the currency risk of the Group.

The interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily the NTD, EUR, USD, THB, GBP, KRW and CNY.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group's short-term borrowings are liabilities which are affected by the fluctuation of interest rates. Accordingly, changes in market rate would affect the effective interest rate and the future cash flow to alter.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Other market price risk

Financial assets at fair value through profit or loss— current and available-for-sale financial assets— current are listed stocks and mutual funds, which may fluctuate with changes in equity price. In order to manage market risk, the Group carefully selects trust companies with good reputations to engage in financial instrument transactions.

The Group's bank balances and financial liability— short-term and long-term borrowings are exposed to the cash flow risk arising from changes in interest rates. However, the impact of the cash flow risk arising from changes in interest rate is not expected to be significant.

(w) Capital management

The Group's objectives for managing capital are to safeguard the capacity to continue to operate, to provide a return to shareholders and benefits to other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, or issue new shares to settle long-term liabilities.

The Group uses the debt ratio to manage capital. This ratio divides debt by total assets. The debt from the balance sheet is accounted for as total liabilities. Total assets include share capital, capital surplus, retained earnings, other equity and non-controlling interest, plus, debt; the Group may also use its equity ratio, computed as one, less, its debt ratio, as a basis in managing its capital.

The Group's debt and equity ratio at the end of the reporting date were as follow:

	December 31, 2023	December 31, 2022
Total liabilities	<u>\$ 2,285,212</u>	<u>2,465,272</u>
Total assets	<u>\$ 7,089,973</u>	<u>7,350,454</u>
Equity ratio	<u>68 %</u>	<u>66 %</u>

As of December 31, 2023, there were no changes in the Group's approach of capital management.

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

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

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

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes		December 31, 2023
			Effect of change in exchange rates	Others	
Short-term borrowings	\$ 622,189	(216,587)	(1,305)	-	404,297
Long-term borrowings (including current portion)	\$ 5,236	(5,397)	161	-	-
Lease liabilities	113,292	(125,280)	(1,971)	310,195	296,236
Deposits received	905	(141)	-	-	764
Total liabilities from financing activities	<u>\$ 741,622</u>	<u>(347,405)</u>	<u>(3,115)</u>	<u>310,195</u>	<u>701,297</u>

	January 1, 2022	Cash flows	Non-cash changes		December 31, 2022
			Effect of change in exchange rates	Others	
Short-term borrowings	\$ 541,731	79,623	835	-	622,189
Long-term borrowings (including current portion)	\$ 10,026	(5,016)	226	-	5,236
Lease liabilities	186,841	(113,734)	5,487	34,698	113,292
Deposits received	730	175	-	-	905
Total liabilities from financing activities	<u>\$ 739,328</u>	<u>(38,952)</u>	<u>6,548</u>	<u>34,698</u>	<u>741,622</u>

(7) Related-party transactions

(a) Names and relationship with related parties

The related parties that have transactions with the consolidated company in the reporting period are shown below:

Name of related party	Relationship with the Group
XIUFENG ELEMENTRAY SCHOOL EDUCATIONAL FOUNDATION	The chairman of the board of the foundation is same as the chairman of the board of the Group

(b) Significant related party transactions – Donation

	2023	2022
Other related party – XIUFENG ELEMENTRAY SCHOOL EDUCATIONAL FOUNDATION	\$ <u>50</u>	<u>-</u>

(c) Key management personnel compensations

Key management personnel compensation comprised:

	2023	2022
Short-term employee benefits	\$ <u>72,120</u>	<u>71,090</u>

For the years ended December 31, 2023 and 2022, the Group provided three vehicles at a cost of \$12,250 thousand and \$12,336 thousand for key management personnel, respectively.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash and negotiable certificate of deposits (recorded under other financial assets – non current)	Guarantee for provisional attachment	\$ 71,428	71,428
Time deposits (recorded under other financial assets – non current)	Guarantee for customs	4,179	4,159
Negotiable certificate of deposits (recorded under other financial assets – non current)	Guarantee for provisional seizure	30,000	30,000
Time deposits (recorded under other financial assets – non current)	Guarantee for short-term borrowings	10,526	-
Property, plant and equipment	Guarantee for short-term borrowings	59,800	177,254
Other equipment	Guarantee for car purchasing	7,214	-
		<u>\$ 183,147</u>	<u>282,841</u>

(9) Commitments and contingencies

(a) The unrecognized construction contract of the Group as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Acquisition of Property, plant and equipment	<u>\$ 18,609</u>	<u>22,246</u>

(b) As of December 31, 2023 and 2022, the Group had an unused line of credit for purchasing raw materials amounting to \$5,148 thousand (USD165,312) and \$4,101 thousand (USD133,552).

(c) As of December 31, 2023 and 2022, the outstanding bank drafts to secure credit facilities and financial instruments amounted to \$3,015,251 thousand and \$3,056,296 thousand, respectively.

(d) HoeYa Technology Inc. filed lawsuits against the Company for the damage of the product that is under previous provisional attachment requested by the Company in August 2007 and August 2020 respectively. Regarding damage compensation, the Intellectual Property Court made the first remanded judgement of 2007 lawsuit in June 2023, and both companies filed an appeal. The Supreme Court reversed the first remanded judgement in December 2023 and remanded to the Intellectual Property Court for retrial proceedings. The Company has estimated and recognized the relevant losses. In October 2021 the Intellectual Property Court dismissed the 2020 lawsuit brought by HoeYa Technology Inc. which HoeYa Technology Inc. filed an appeal accordingly. Both of the lawsuits were under the court proceedings. The Company has retained attorneys to handle the cases, which were still in progress as of the reporting date.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (e) YiFeng Technology Co., Ltd. filed lawsuit against the Company for the damage of the product that is under previous provisional attachment requested by the Company in September 2019. The Company has retained attorney to handle the case. The Company received the first and second instance judgment in favor of the Company from the Intellectual Property Court in June 2021 and August 2022, and YiFeng Technology Co., Ltd. filed an appeal in July 2021 and September 2022 respectively; the third instance procedure was still in progress as of the reporting date.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other

- (a) The following is a summary statement of employee benefits, depreciation and amortization expenses by function:

By function By nature	Years ended December 31 2023			Years ended December 31 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	338,279	1,379,556	1,717,835	370,453	1,405,054	1,775,507
Labor and health insurance	33,609	132,019	165,628	33,654	124,365	158,019
Pension	9,119	51,013	60,132	9,074	49,037	58,111
Directors' remuneration	-	15,909	15,909	-	17,978	17,978
Others	21,217	49,723	70,940	23,325	48,693	72,018
Depreciation (Note 1)	83,480	142,064	225,544	80,448	134,096	214,544
Amortization	-	2,052	2,052	-	3,365	3,365

Note 1: The Company's depreciation expenses recognized under other gains and losses amounted to \$119 thousand and 0 thousand for the years ended December 31, 2023 and 2022, respectively.

- (b) The Company filed criminal charges against its former employees for not following its policy, wherein they illegally gained profit for themselves during their service in 2015 to 2016. The suspects have already resigned from the Company at the end of 2016. After the Company filed the lawsuit, Taiwan Taipei District Court and Taiwan Taipei High Court ruled the defendant to be guilty and made the sentence in July 2019 and February 2020, respectively. The Company and both of the defendant filed appeal to the Taiwan Supreme Court in March 2020. The Supreme Court rendered a judgement on March 19, 2021 and declared that both defendants committed Subparagraph 2, Paragraph 1, Article 171 of Securities and Exchange Act for making the Company process the non-arm's length transactions and were both sentenced 32 months in prison. Both defendants turned in the criminal proceeds plus the interest amounted to \$3,174 thousand and \$3,342 thousand should be returned to the Company. The seized \$70,296 thousand and \$6,516 thousand criminal proceeds were returned to the Company in 2019 and 2021. The civil lawsuit is still in the first trial at Taipei District Court.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

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

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand dollars

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	2023				Maximum investment in 2023	Remarks
				Number of shares	Book value	Holding percentage	Market value		
	Mutual fund:								
The Company	JihSun Money Market Fund	-	Financial assets at fair value through profit or loss – current	2,972	45,330	-	45,330	220,778	
The Company	SinoPac Money Market Fund		Financial assets at fair value through profit or loss – current	7,774	111,175	-	111,175	210,000	
The Company	Union Money Market Fund		Financial assets at fair value through profit or loss – current	1,968	26,716	-	26,716	211,523	
The Company	Capital Money Market Fund		Financial assets at fair value through profit or loss – current	2,441	40,481	-	40,481	445,132	
The Company	First Bank Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss – current	5,185	81,608	-	81,608	171,000	
The Company	Fubon Chi-Hsiang Money Market Fund		Financial assets at fair value through profit or loss – current	143	2,301	-	2,301	321,220	
HONG JHENG TECHNOLOGY CO.,LTD	JihSun Money Market Fund		Financial assets at fair value through profit or loss – current	2,567	39,152	-	39,152	39,152	
HONG YUAN CO., LTD	JihSun Money Market Fund		Financial assets at fair value through profit or loss – current	2,838	43,288	-	43,288	43,288	
	Stock:								
The Company	ACROX CO., LTD.	-	Financial assets at fair value through other comprehensive income – non current	1,428	5,146	14	5,146	5,146	
The Company	OptoMedia Technology Inc.	-	Financial assets at fair value through other comprehensive income – non current	162	2,041	2	2,041	2,041	
The Company	Taiwan Wind Power Energy	-	Financial assets at fair value through other comprehensive income – non current	900	20,059	5	20,059	20,059	
HONG JHENG TECHNOLOGY CO.,LTD	Common Stock of Visionary Dynamics Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non current	20	-	1	-	-	Note 1

Note 1: The impairment loss was fully recognized.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Unit: thousand dollars

Name of company	Name of security	Account name	Counterparty	Relationship with the Company	Beginning balance		Purchases		Sales			Ending balance		
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Disposal gain	Shares	Amount
The Company	JihSun Money Market Fund	Financial assets at fair value through profit or loss – current	-	-	3,392	51,122	19,645	298,328	20,065	305,328	303,778	1,550	2,972	45,330

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of company	Name of security	Account name	Counterparty	Relationship with the Company	Beginning balance		Purchases		Sales				Ending balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Disposal gain	Shares	Amount
The Company	Capital MoneyMarket Fund	Financial assets at fair value through profit or loss – current	-	-	-	-	28,818	474,000	26,377	436,000	433,785	2,215	2,441	40,481
The Company	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss – current	-	-	20,852	345,498	-	-	20,852	346,576	345,046	1,530	-	-
The Company	Fubon Chi-Hsiang Money Market Fund	Financial assets at fair value through profit or loss – current	-	-	-	-	20,131	321,000	19,988	321,278	320,000	1,278	143	2,301

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: thousand dollars

Name of Company	Counter-party	Relationship	Transaction details				The status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	EXPAND ELECTRONIC CO., LTD.	Subsidiary	Purchase	534,388	42	30 days	No significant differences	Note 1	(61,973)	(24)	Note 2
EXPAND ELECTRONIC CO., LTD.	The Company	Subsidiary	(Sales)	(534,388)	(100)	30 days	No significant differences	Note 1	61,973	100	Note 2
The Company	ATEN INFOTECH N.V.	Subsidiary	(Sales)	(406,327)	(12)	90 days	No significant differences	No significant differences	84,060	13	Note 2
ATEN INFOTECH N.V.	The Company	Subsidiary	Purchase	406,327	100	90 days	No significant differences	No significant differences	(84,060)	(100)	Note 2
The Company	ATECH PERIPHERALS.	Subsidiary	(Sales)	(174,878)	(5)	30 days	No significant differences	No significant differences	16,848	3	Note 2
ATECH PERIPHERALS.	The Company	Subsidiary	Purchase	174,878	62	30 days	No significant differences	No significant differences	(16,848)	(35)	Note 2
The Company	ATEN KOREA CO., LTD.	Invested by sub subsidiary	(Sales)	(250,987)	(7)	60 days	No significant differences	No significant differences	57,889	9	Note 2
ATEN KOREA CO., LTD.	The Company	Invested by sub subsidiary	Purchase	250,987	100	60 days	No significant differences	No significant differences	(57,889)	(100)	Note 2
The Company	ATEN CHINA CO., LTD.	Sub subsidiary	(Sales)	(217,782)	(6)	45 days	No significant differences	No significant differences	70,808	11	Note 2
ATEN CHINA CO., LTD.	The Company	Sub subsidiary	Purchase	217,782	100	45 days	No significant differences	No significant differences	(70,808)	(96)	Note 2
The Company	ATEN TECHNOLOGY INC.	Sub subsidiary	(Sales)	(390,918)	(12)	125 days	No significant differences	No significant differences	157,640	25	Note 2
ATEN TECHNOLOGY INC.	The Company	Sub subsidiary	Purchase	390,918	85	125 days	No significant differences	No significant differences	(157,640)	(100)	Note 2
The Company	ATEN JAPAN CO., LTD.	Sub subsidiary	(Sales)	(363,287)	(11)	75 days	No significant differences	No significant differences	57,858	9	Note 2
ATEN JAPAN CO., LTD.	The Company	Sub subsidiary	Purchase	363,287	100	75 days	No significant differences	No significant differences	(57,858)	(100)	Note 2
The Company	ATEN COMPUTERPRODUCTS CO.,LTD	Sub subsidiary	Purchase	147,717	12	30 days	No significant differences	Note 1	(20,546)	(8)	Note 2
ATEN COMPUTERPRODUCTS CO.,LTD	The Company	Sub subsidiary	(Sales)	(147,717)	(100)	30 days	No significant differences	Note 1	20,546	100	Note 2

Note 1: Payments are netted with the account receivable resulting from the Company purchasing on behalf of related parties.

Note 2: The transactions within the Group were eliminated in the consolidated financial statements.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
The Company	ATEN TECHNOLOGY INC.	Sub subsidiary	157,640	1.96	-		53,744 (As of February 29, 2024)	-
EXPAND INTERNATIONAL CO., LTD.	The Company	The ultimate parent company	191,781	-	-	Depend on capital budgeting	- (As of February 29, 2024)	-

(ix) Trading in derivative instruments:

Please refer to 6(c) for further information.

(x) Business relationships and significant intercompany transactions:

Unit: thousand dollars

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	ATEN TECHNOLOGY INC.	1	Sales revenue	390,918	No significant differences	8 %
0	The Company	ATEN INFOTECH N.V.	1	Sales revenue	406,327	No significant differences	8 %
0	The Company	ATEN CHINA CO., LTD.	1	Sales revenue	217,782	No significant differences	4 %
0	The Company	ATEN JAPAN CO., LTD.	1	Sales revenue	363,287	No significant differences	7 %
0	The Company	ATEN KOREA CO., LTD.	1	Sales revenue	250,987	No significant differences	5 %
0	The Company	ATEN UK LTD.	1	Sales revenue	56,449	No significant differences	1 %
0	The Company	ATECH PERIPHERALS.	1	Sales revenue	174,878	No significant differences	3 %
0	The Company	ATEN TECHNOLOGY INC.	1	Accounts receivable	157,640	125 days	2 %
0	The Company	ATEN INFOTECH N.V.	1	Accounts receivable	84,060	90 days	1 %
1	EXPAND INTERNATIONAL CO., LTD.	The Company	2	Accounts receivable	191,781	Payments are netted with the accounts receivable resulting from the Company purchasing on behalf of related parties.	2 %
2	ATEN FOREMOST INTERNATIONAL CO., LTD.	The Company	2	Sales revenue	77,876	Payments are netted with the accounts receivable resulting from the Company purchasing on behalf of related parties.	1 %
3	EXPAND ELECTRONIC CO., LTD.	The Company	2	Sales revenue	534,388	The Company is its only customer	10 %
4	ATEN CANADA TECHNOLOGIES INC.	The Company	2	Sales revenue	104,665	The Company is its only customer	2 %
5	ATEN COMPUTER PRODUCTS CO., LTD	The Company	2	Sales revenue	147,717	Payments are netted with the accounts receivable resulting from the Company purchasing on behalf of related parties.	2 %

Note 1: Company numbering is as follows:

- (1) Parent company is 0.
- (2) Subsidiary starts from 1.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 2: The number of the relationship with the transaction counterparty represents the following:

- (1) 1 represents downstream transactions.
- (2) 2 represents upstream transactions.
- (3) 3 represents sidestream transactions.

Note 3: For balance sheet items, over 1% of total consolidated assets, and for profit or loss items, over 1% of total consolidated revenue were selected for disclosure.

(b) Information on investees:

The following is the information on investees for the year 2023 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Scope of business	Original cost		Ending balance			Maximum investment in 2023	Net income of investee	Investment income (losses)	Remarks
				December 31, 2023	December 31, 2022	Shares	Ratio of shares	Book value				
The Company	TOPMOST INTERNATIONAL CO., LTD.	Cayman	Investing	22,183	22,183	700,000	100 %	557,503	22,183	17,158	17,158	note 1
The Company	ATEN JAPAN CO., LTD.	Japan	Trading of computer peripheral equipment	25,105	25,105	1,600	100 %	159,061	25,105	60,736	60,736	note 1
The Company	ATEN US HOLDINGS INC.	USA	Investing	413,050	287,083	13,380,000	100 %	62,753	413,050	(61,925)	(61,925)	note 1
The Company	FOREMOST INTERNATIONAL CO., LTD.	Mauritius	Investing	69,730	69,730	2,180,628	100 %	34,595	69,730	(21,270)	(21,270)	note 1
The Company	A TECH PERIPHERALS.	Taiwan	Manufacturing and trading of computer peripheral equipment	90,479	90,479	10,000,000	100 %	139,199	90,479	8,822	8,890	note 1
The Company	ATEN INFOTECH N.V.	Belgium	Trading of computer peripheral equipment	54,197	54,197	58,343	100 %	79,221	54,197	40,800	40,800	note 1
The Company	ATEN COMPUTER PRODUCTS CO., LTD.	Thailand	Manufacturing of computer peripheral equipment	436,424	392,097	4,799,998	100 %	322,764	436,424	(14,293)	(14,293)	note 1
The Company	VISIONTOP CO., LTD.	Taiwan	Specialized printing	86,483	86,483	6,472,066	60 %	67,640	86,483	4,971	2,958	note 1
The Company	HONG JHENG TECHNOLOGY CO., LTD.	Taiwan	Investing	31,778	31,778	1,600,000	100 %	44,300	31,778	521	522	note 1
The Company	HONG YUAN CO., LTD.	Taiwan	Investing	31,778	31,778	1,600,000	100 %	48,346	31,778	567	567	note 1
The Company	ATEN ANZ PTY LTD.	Australia	Trading of computer peripheral equipment	77,350	77,350	3,500,000	100 %	20,181	77,350	(452)	(452)	note 1
The Company	RCM FULLY AUTOMATION CO., LTD.	Taiwan	Trading of computer peripheral equipment	7,800	7,800	780,000	26 %	6,338	7,800	5,421	(677)	note 1
The Company	ATEN INFO COMMUNICATION LIMITED LIABILITY COMPANY	Turkey	Trading of computer peripheral equipment	23,714	19,406	7,000	100 %	5,081	23,714	(521)	(521)	note 1
The Company	ATEN POLAND SP. Z O. O.	Poland	Trading of computer peripheral equipment	8,295	8,295	20,000	100 %	5,594	8,295	(530)	(530)	note 1
The Company	ATEN ROMANIA S.R.L.	Romania	Trading of computer peripheral equipment	5,839	5,839	80,000	100 %	10,247	5,839	1,270	1,270	note 1
The Company	ATEN SOUTH AFRICA	South Africa	Trading of computer peripheral equipment	7,572	-	4,300	100 %	7,165	7,572	31	31	note 1
The Company and HONGYUAN CO., LTD.	ATEN ADVANCE PRIVATE LIMITED	India	Trading of computer peripheral equipment	9,030	9,030	2,200,000	100 %	9,647	9,030	817	817	note 1
The Company and HONGYUAN CO., LTD.	ATEN LATAM MEXICO S.A. DE C.V.	Mexico	Trading of computer peripheral equipment	7,204	7,204	5,200,000	100 %	1,106	7,204	(3,497)	(3,497)	note 1
The Company and HONGYUAN CO., LTD.	PT ATEN TECHNOLOGY INDONESIA	Indonesia	Trading of computer peripheral equipment	5,099	5,099	2,500	100 %	3,652	5,099	(447)	(447)	note 1
TOPMOST INTERNATIONAL CO., LTD.	ATEN EUROPE LTD.	UK	Investing	67,279	67,279	1,069,000	100 %	230,115	67,279	28,095	28,095	note 1
TOPMOST INTERNATIONAL CO., LTD.	I/O MASTER INC.	Samoa	Investing	9,782	9,782	700,000	100 %	39,373	9,782	3,324	3,324	note 1
ATEN US HOLDING INC.	ATEN NEW JERSEY INC.	USA	Trading of computer peripheral equipment	22,815	22,815	160,000	20 %	5,093	22,815	875	175	note 1
ATEN US HOLDING INC.	ATEN TECHNOLOGY INC.	USA	Trading of computer peripheral equipment	393,171	267,204	12,672,084	99 %	139,865	393,171	(61,496)	(61,028)	note 1
ATEN TECHNOLOGY INC.	ATEN NEW JERSEY INC.	USA	Trading of computer peripheral equipment	3,303	3,303	640,000	80 %	20,374	3,303	875	700	note 1
ATEN EUROPE LTD.	ATEN UK LTD.	UK	Trading of computer peripheral equipment	37,922	37,922	650,000	100 %	3,678	37,922	(4,800)	(4,800)	note 1
ATEN EUROPE LTD.	ATEN KOREA CO., LTD.	Korea	Trading of computer peripheral equipment	34,811	34,811	102,000	85 %	111,024	34,811	36,009	30,607	note 1
I/O MASTER INC.	ATEN CANADA TECHNOLOGIES INC.	Canada	Research and development	3	3	300	100 %	47,585	3	3,360	3,360	note 1
I/O MASTER INC.	IOGEAR, Inc.	USA	Trading of computer peripheral equipment	3	3	10	100 %	-	3	-	-	note 1
A TECH PERIPHERALS.	RCM FULLY AUTOMATION CO., LTD.	Taiwan	Trading of computer peripheral equipment	22,066	22,066	2,220,000	74 %	24,960	22,066	5,421	4,012	note 1

Note 1: Eliminated in the consolidated financial statements.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

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

Unit: thousand dollars

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2023	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2023	Net income on investee	Direct / indirect investment holding percentage	Maximum investment in 2023	Investment income (loss) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
EXPAND INTERNATIONAL CO., LTD. (Note 2)	Investing	21,383	(3)	21,383	-	-	21,383	(16,971)	100 %	21,383	(16,971)	328,455	69,337
ATEN CHINA CO., LTD.	Trading of computer peripheral equipment	56,924	(3)	51,394	-	-	51,394	(34,176)	100 %	51,394	(34,176)	22,787	86,093
ATEN FOREMOST INTERNATIONAL CO., LTD.	Research and trading of computer peripheral equipment	29,315	(3)	29,315	-	-	29,315	2,619	100 %	29,315	2,619	40,625	-
EXPAND ELECTRONIC CO., LTD.	Manufacturing of computer peripheral products	67,184	(3)	34,706	-	-	34,706	(17,198)	100 %	34,706	(17,198)	128,313	-

Note 1: The method of investment is divided into the following four categories:

- (1) Remittance from third-region companies to invest in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

Note 2: In response to the regulation toward processing plants in China and Chinese government's incentive rewards for processing plants turn funded enterprises, the Company's investment through third party companies to reinvest the mainland areas of existing processing plant in Shenzhen, mainland was converted to a wholly owned company (EXPAND ELECTRONIC CO., LTD.) on March 27, 2012.

Note 3: Aforementioned amounts have been eliminated upon consolidation.

Note 4: The financial statements of the investee are audited by the auditors of the parent company. Investment gains (losses) are accounted for by the equity method.

Note 5: The exchange rate is USD 1 to NTD30.735.

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount remitted from Taiwan to Mainland China at the end of the period	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	136,798	169,043	- (Note 1)

Note 1: The Company was certified as an operations center by the Industrial Development Bureau, Ministry of Economic Affairs, in approval letter No.11251033200, and the certification is valid from August 14, 2023 to August 13, 2026. The Company has no limitation on investment in Mainland China during the abovementioned period.

Note 2: The exchange rate is USD1 to NTD30.735.

(iii) Significant transactions:

Please refer to 13(a) item No. 10 for further information.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Major shareholders:

Unit: share

Shareholder's Name	Shareholding	Shares	Percentage
Shang-Jen Chen		6,789,342	5.68 %
Ching-Tang Chen		6,449,352	5.39 %

(14) Segment information:

(a) General information

The Group has two reportable segments: computer peripheral equipment segment and specialized printing segment. The computer peripheral equipment segment is primarily involved in the production and sales of computer peripheral equipment. The specialized printing segment is primarily involved in the printing of advertisements.

The reportable segments are the Group's strategic divisions, offering different products and services. Because each strategic division requires different technology and marketing strategies, each division is managed separately.

(b) Information on the reportable segment's profit or loss, assets, liabilities, and their measurement and reconciliations

The Group uses the internal management report (that the chief operating decision maker reviews) as the basis to determine resource allocation and make a performance evaluation. The internal management report (including profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses due to taxation, extraordinary activity and foreign exchange gain or losses) are managed on a group basis, and hence, they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is consistent with that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to the ones described in note 4 "Significant Accounting Policies".

The Group treats intersegment sales and transfers as third-party transactions. They are measured at market price.

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ATEN INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	2023			Total
	Computer peripheral equipment	Others	Adjustments or elimination	
Revenue:				
Revenue from external customers	\$ 5,034,633	121,609	-	5,156,242
Inter-segment revenues	<u>2,996,471</u>	<u>-</u>	<u>(2,996,471)</u>	<u>-</u>
Total revenue	<u>\$ 8,031,104</u>	<u>121,609</u>	<u>(2,996,471)</u>	<u>5,156,242</u>
Reportable segment profit or loss	<u>\$ 775,847</u>	<u>6,944</u>	<u>(29,672)</u>	<u>753,119</u>
Reportable segment assets (Note)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2022			Total
	Computer peripheral equipment	Others	Adjustments or elimination	
Revenue:				
Revenue from external customers	\$ 5,299,179	103,988	-	5,403,167
Inter-segment revenues	<u>3,689,829</u>	<u>-</u>	<u>(3,689,829)</u>	<u>-</u>
Total revenue	<u>\$ 8,989,008</u>	<u>103,988</u>	<u>(3,689,829)</u>	<u>5,403,167</u>
Reportable segment profit or loss	<u>\$ 983,850</u>	<u>117</u>	<u>(92,720)</u>	<u>891,247</u>
Reportable segment assets (Note)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: As the information on segment assets was not provided to the chief operating decision maker, the information segment assets is not disclosed.

The material reconciling items of the above reportable segment are as below:

In 2023 and 2022, inter-segment revenues of \$2,996,471 thousand and \$3,689,829 thousand respectively, should be eliminated from total revenue. Share of associate profit under equity method amounting to \$29,672 thousand and \$92,720 thousand, respectively, should be eliminated.

(Continued)

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(c) Information about the products and services

Revenue from the external customers of the Group was as follows:

<u>Products and services</u>	<u>2023</u>	<u>2022</u>
IT infrastructure management solutions	\$ 3,264,231	3,363,043
Video products	896,438	813,829
Other	<u>995,573</u>	<u>1,226,295</u>
Total	<u>\$ 5,156,242</u>	<u>5,403,167</u>

(d) Geographic information

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

<u>Geographic information</u>	<u>2023</u>	<u>2022</u>
Revenue from external customers:		
United States	\$ 1,126,539	1,187,922
Japan	812,865	751,628
Taiwan	613,539	768,230
South Korea	402,335	456,382
China	342,608	430,353
Other countries	<u>1,858,356</u>	<u>1,808,652</u>
Total	<u>\$ 5,156,242</u>	<u>5,403,167</u>

<u>Geographical information</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current assets:		
Taiwan	\$ 2,263,781	2,134,139
Other countries	<u>776,084</u>	<u>604,750</u>
Total	<u>\$ 3,039,865</u>	<u>2,738,889</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other assets, not including financial instruments and deferred income tax assets.

(e) Information about major customers

	<u>2023</u>	<u>2022</u>
From computer peripheral products - Client A	<u>\$ 673,312</u>	<u>500,747</u>