

Posiflex Technology, Inc. and Subsidiaries

Consolidated Financial Statements

With Independent Auditors' Review Report
For the Three Months Ended March 31, 2024 and 2023

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

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Independent Auditors' Review Report

To the Board of Directors
Posiflex Technology, Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Posiflex Technology, Inc. (the “Company”) and its subsidiaries (together referred as the “Group”) as of March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2024 and 2023 and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(2), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$1,647,846 thousand and \$1,826,689 thousand, constituting 10.69% and 12.04% of the consolidated total assets as of March 31, 2024, and 2023, respectively, the total liabilities amounting to \$384,932 thousand and \$335,615 thousand, constituting 4.41% and 3.87% of the consolidated total liabilities as of March 31, 2024 and 2023, as well as the total comprehensive income amounting to \$3,527 thousand and \$2,036 thousand, constituting 1.01% and 1.55% of the total consolidated comprehensive income for the three months ended March 31, 2024 and 2023, respectively.

Furthermore, as stated in Note 6(4), the other equity accounted investments of the Group in its investee companies of \$243,815 thousand and \$260,438 thousand as of March 31, 2024 and 2023, respectively, and its equity in net earnings on these investee companies of \$(2,938) thousand and \$1,367 thousand for the three months ended March 31, 2024 and 2023, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Yu, Chi-Lung and Chen, Pei-Chi.

KPMG

Taipei, Taiwan (Republic of China)
May 9, 2024

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ review 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’ review report and consolidated financial statements, the Chinese version shall prevail.

Consolidated Balance Sheets

(Expressed in Thousands of New Taiwan Dollars)

See accompanying notes to consolidated financial statements.

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

Posiflex Technology, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Three Months Ended March 31, 2024 and 2023

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

		For the three months ended March 31,			
		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(25) and 7)	\$ 2,215,962	100	2,380,064	100
5000	Operating costs (notes 6(3), (20), (23), (26), 7 and 12)	1,252,120	57	1,508,944	63
5900	Gross profit	963,842	43	871,120	37
5910	Unrealized gain (loss) from sales	(1)	-	3	-
5900	Realized gross profit	963,841	43	871,123	37
6000	Operating expenses (notes 6(2), (20), (23), (26), 7 and 12):				
6100	Selling expenses	298,752	13	273,059	11
6200	Administrative expenses	272,604	12	235,332	10
6300	Research and development expenses	160,346	7	132,861	6
6450	Expected credit loss (gain)	15,957	1	(32,073)	(1)
	Total operating expenses	747,659	33	609,179	26
6900	Net operating income	216,182	10	261,944	11
7000	Non-operating income and expenses (notes 6(27) and 7):				
7100	Interest income	17,195	1	8,977	-
7010	Other income	5,584	-	7,186	-
7020	Other gains and losses	43,878	1	(11,768)	-
7050	Finance costs	(49,092)	(2)	(48,534)	(2)
7060	Share of profit (loss) of associates accounted for using equity method (note 6(4))	(2,938)	-	1,367	-
	Total non-operating income and expenses	14,627	-	(42,772)	(2)
7900	Income before income tax	230,809	10	219,172	9
7950	Income tax expenses (note 6(21))	47,786	2	55,721	2
8200	Net income	183,023	8	163,451	7
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8316	Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	(3,486)	-	5,137	-
8320	Shares of other comprehensive income of associates accounted for using equity method	(514)	-	(2,558)	-
8349	Less: Income tax related to items that will not be reclassified subsequently (note 6(21))	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	(4,000)	-	2,579	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	211,882	10	(38,156)	(2)
8370	Shares of other comprehensive income of associates accounted for using equity method	2,155	-	(415)	-
8399	Less: Income tax related to items that may be reclassified subsequently (note 6(21))	42,610	2	(3,597)	(1)
	Total items that may be reclassified subsequently to profit or loss	171,427	8	(34,974)	(1)
8300	Other comprehensive income (loss), net	167,427	8	(32,395)	(1)
8500	Total comprehensive income	<u>\$ 350,450</u>	<u>16</u>	<u>131,056</u>	<u>6</u>
	Profit attributable to:				
	Owners of parent	\$ 110,582	5	90,387	4
	Non-controlling interests	72,441	3	73,064	3
		<u>\$ 183,023</u>	<u>8</u>	<u>163,451</u>	<u>7</u>
	Comprehensive income attributable to:				
	Owners of parent	\$ 232,258	11	66,286	3
	Non-controlling interests	118,192	5	64,770	3
		<u>\$ 350,450</u>	<u>16</u>	<u>131,056</u>	<u>6</u>
	Earnings per share (New Taiwan Dollars) (note 6(24))				
9750	Basic earnings per share	<u>\$ 1.46</u>		<u>1.20</u>	
9850	Diluted earnings per share	<u>\$ 1.39</u>		<u>1.19</u>	

See accompanying notes to consolidated financial statements.

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

Posiflex Technology, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Three Months Ended March 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owner of parent							Other equity			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary share capital	Advance receipts for share capital	Capital surplus	Retained earnings			Exchange differences on translation of foreign financial statements	Unrealized gains or losses from investments in equity instruments measured at fair value through other comprehensive income	Total				
				Legal reserve	Special reserve	Unappropriated retained earnings				Total			
Balance as of January 1, 2023	\$ 754,828	320	953,103	799,788	473,697	938,523	2,212,008	(113,577)	(50,690)	(164,267)	3,755,992	2,607,293	6,363,285
Net income for the period	-	-	-	-	-	90,387	90,387	-	-	-	90,387	73,064	163,451
Other comprehensive income for the period	-	-	-	-	-	-	-	(26,680)	2,579	(24,101)	(24,101)	(8,294)	(32,395)
Total comprehensive income for the period	-	-	-	-	-	90,387	90,387	(26,680)	2,579	(24,101)	66,286	64,770	131,056
Difference between consideration and carrying amount of subsidiaries shareholding acquired or disposed	-	-	(97)	-	-	-	-	-	-	-	(97)	(1)	(98)
Share-based payment transactions	-	-	1,760	-	-	-	-	-	-	-	1,760	438	2,198
Exercise of employee stock options	330	(320)	80	-	-	-	-	-	-	-	90	-	90
Balance as of March 31, 2023	\$ 755,158	-	954,846	799,788	473,697	1,028,910	2,302,395	(140,257)	(48,111)	(188,368)	3,824,031	2,672,500	6,496,531
Balance as of January 1, 2024	\$ 755,958	-	777,122	885,227	164,268	1,208,749	2,258,244	(115,061)	(59,800)	(174,861)	3,616,463	2,713,399	6,329,862
Net income for the period	-	-	-	-	-	110,582	110,582	-	-	-	110,582	72,441	183,023
Other comprehensive income for the period	-	-	-	-	-	-	-	125,676	(4,000)	121,676	121,676	45,751	167,427
Total comprehensive income for the period	-	-	-	-	-	110,582	110,582	125,676	(4,000)	121,676	232,258	118,192	350,450
Share-based payment transactions	-	-	1,101	-	-	-	-	-	-	-	1,101	207	1,308
Balance as of March 31, 2024	\$ 755,958	-	778,223	885,227	164,268	1,319,331	2,368,826	10,615	(63,800)	(53,185)	3,849,822	2,831,798	6,681,620

See accompanying notes to consolidated financial statements.

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

Posiflex Technology, Inc. and Subsidiaries**Consolidated Statements of Cash Flows****For the Three Months Ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31,	
	2024	2023
Cash flows from operating activities:		
Income before income tax	\$ 230,809	219,172
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expenses	62,079	56,160
Amortization expenses	22,878	28,386
Expected credit loss (gain)	15,957	(32,073)
Net loss on financial assets at fair value through profit or loss	3,185	23
Interest expense	49,092	48,534
Interest income	(17,195)	(8,977)
Dividend income	(8)	(9)
Compensation cost arising from share-based payment transactions	1,308	2,198
Shares of loss (gain) of associates accounted for using equity method	2,938	(1,367)
Gains on disposal of property, plant and equipment	-	(19)
Provisions for inventory devaluation and obsolescence loss (reservel gain) and inventory scrap loss	(4,875)	43,869
Adjustment for other non-cash-related losses (profit), net	<u>1</u>	<u>(10)</u>
Total adjustments to reconcile profit (loss)	<u>135,360</u>	<u>136,715</u>
Changes in operating assets and liabilities:		
Notes receivable	(5,885)	7,420
Accounts receivable (including related parties)	(152,751)	340,258
Inventories	(157,490)	107,342
Other operating assets	(56,609)	(18,514)
Contract liabilities	41,367	(4,271)
Notes payable	(1,152)	(3,981)
Accounts payable (including related parties)	83,386	(27,837)
Other payables	(51,511)	(42,381)
Net defined benefit assets/liabilities	(478)	(493)
Other operating liabilities	(7,360)	(17,186)
Total changes in operating assets and liabilities	<u>(308,483)</u>	<u>340,357</u>
Total adjustments	<u>(173,123)</u>	<u>477,072</u>
Cash flows generated from operations	57,686	696,244
Interest received	26,836	6,982
Interest paid (including preference share)	(8,834)	(11,019)
Income taxes paid	<u>(1,841)</u>	<u>(5,095)</u>
Net cash flows from operating activities	<u>73,847</u>	<u>687,112</u>

(Continued)

See accompanying notes to consolidated financial statements.

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

Posiflex Technology, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
For the Three Months Ended March 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended	
	March 31,	
	2024	2023
Cash flows from investing activities:		
(Increase) decrease in financial assets at amortized cost	(17,055)	401,764
Acquisition of financial assets at fair value through profit or loss	(31,320)	-
Proceeds from disposal of financial instruments at fair value through profit or loss	-	(227)
Acquisition of investments accounted for using equity method	(474)	-
Acquisition of property, plant and equipment	(22,936)	(15,036)
Proceeds from disposal of property, plant and equipment	-	19
Acquisition of intangible assets	(2,387)	(3,545)
Decrease in other financial assets	464	1,478
Increase in other non-current assets	(23,512)	(1,641)
Dividends received	8	4
Net cash flows (used in) from investing activities	(97,212)	382,816
Cash flows from financing activities:		
Increase in short-term borrowings	213,620	373,371
Decrease in short-term borrowings	(250,000)	(623,161)
Repayments of long-term borrowings	(22,631)	(485,302)
Decrease in guarantee deposits received	(1,804)	-
Repayment of the principal portion of lease liabilities	(18,046)	(17,174)
Exercise of employee share options	-	90
Net cash flows used in financing activities	(78,861)	(752,176)
Effect of exchange rate changes on cash and cash equivalents	76,264	(14,285)
Net (decrease) increase in cash and cash equivalents	(25,962)	303,467
Cash and cash equivalents at beginning of period	3,097,569	2,303,346
Cash and cash equivalents at end of period	\$ 3,071,607	2,606,813

See accompanying notes to consolidated financial statements.

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

Posiflex Technology, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

For the Three Months Ended March 31, 2024 and 2023

**(Expressed in Thousands of New Taiwan Dollars,
except for earnings per share information and unless otherwise specified)**

1. Company History

Posiflex Technology, Inc. (the “Company”) was founded in New Taipei City, Republic of China (R.O.C.), on August 11, 1984. The registered address of the Company's office is 4-8F., No. 23, Datong St., Tucheng Dist., New Taipei City 236, Taiwan, R.O.C. The Company's ordinary shares were publicly listed on Taipei Exchange and Taiwan Stock Exchange Corporation on July 20, 2005 and November 26, 2012, respectively.

The Company and its subsidiaries (together referred to as the “Group”) are engaged mainly in the manufacture and sale of industrial computers and peripheral equipment.

2. Approval Date and Procedures of the Financial Statements

The consolidated financial statements were authorized for issue by the Board of Directors on May 9, 2024.

3. New Standards, Amendments and Interpretations Adopted

- (a) The impact of the IFRS Accounting Standards 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, 2024:

- 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)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 "Presentation and Disclosure in Financial Statements"	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities. • A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company's main business activities. • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.	January 1, 2027

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other 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 IAS21 “Lack of Exchangeability”

4. Summary of Material Accounting Policies

(1) Statement of compliance

The 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 guidelines of IAS 34 “Interim Financial Reporting” (hereinafter referred to as “IAS 34”) which are endorsed by the FSC, and do not include all of the information required by the Regulations and by the IFRS Accounting Standards endorsed by the FSC for a complete set of the annual consolidated financial statements.

Except as described in the following paragraph, the Group’s material accounting policies are applied consistently for the consolidated financial statements for the year ended December 31, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

(2) Basis of consolidation

The principle of preparation of the consolidated financial statements is consistent with those of the consolidated financial statements for the year ended December 31, 2023. For the related information, please refer to note 4(3) of the consolidated financial statements for the year ended December 31, 2023.

A. List of subsidiaries in the consolidated financial statements

The list of subsidiaries is included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
The Company	Portwell Inc. (PORTWELL)	Manufacture and sale of industrial computers and peripheral equipment and information software services	55 %	55 %	55 %	
The Company	Posiflex Business Machines, Inc. (PBM)	Foreign trade	100 %	100 %	100 %	

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
The Company	Posiflex GmbH (PG)	Foreign trade	100 %	100 %	100 %	Note 1
The Company	Posiflex International Co., Ltd. (PIC)	Foreign trade	100 %	100 %	100 %	"
The Company	Posiflex Business Machines Sdn. Bhd. (PBMM)	Foreign trade	83.46 %	83.46 %	83.46 %	"
The Company	Posiflex Technologies South Cone (PTSC)	Foreign trade	100 %	100 %	100 %	"
The Company	Posiflex Technology (India) Pvt Ltd. (PTIL)	Foreign trade	51 %	51 %	51 %	"
The Company	Posiflex Technology Pte. Ltd. (PTPL)	Foreign trade	100 %	100 %	100 %	"
The Company	Posiflex Technology Japan (PJ)	Foreign trade	100 %	100 %	100 %	"
The Company	KOMING Technology Inc. (KOMING)	Foreign trade and software services	100 %	100 %	100 %	"
The Company	BonusPay Technology Inc. (BonusPay)	Software services	- %	- %	96 %	Notes 1, 2
The Company	ONK Cloud Computing Technology Inc. (ONK Cloud)	Software services	99.90 %	99.90 %	99.90 %	Note 1
The Company	Ultra Systems Inc. (ULTRA)	Software services	- %	- %	51.49 %	Notes 1, 3
The Company	Penetek Technology Inc. (PENETEK)	Manufacture and sale of industrial computers and peripheral equipment	61.52 %	61.52 %	61.52 %	Note 1
The Company	KIOSK Integrated (KIOSKTW)	Software services	100 %	100 %	100 %	"
PIC	Posiflex Business Machines (Beijing) Co., Ltd. (PBMB)	Foreign trade	100 %	100 %	100 %	"
PTIL	Mustek Technologies Pvt Ltd. (Mustek)	Foreign trade	100 %	100 %	100 %	Notes 1, 4
PTIL	Quinta Systems Pvt Ltd. (QUINTA)	Foreign trade	70 %	70 %	70 %	Note 1
ONK Cloud	ONK Clouding International Ltd. (ONK International)	Investing	100 %	100 %	100 %	"

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
ONK International	ONK Clouding Shanghai (ONK Shanghai)	Software services	100 %	100 %	100 %	Note 1
PBM	KIS Acquisition Corp. (KIA)	Investing	82 %	82 %	82 %	
KIA	KIOSK Information Systems, Inc. (KIOSK)	Development, manufacture and sale of self-service equipment and software	100 %	100 %	100 %	
PORTWELL	American Portwell Technology, Inc. (APT)	Manufacture and sale of industrial computers and peripheral equipment	100 %	100 %	100 %	
PORTWELL	Portwell Japan, Inc. (PJI)	Manufacture and sale of industrial computers and peripheral equipment	99 %	99 %	99 %	Note 1
PORTWELL	Portwell Development Co., Ltd. (DEVELOPMENT)	Investing	100 %	100 %	100 %	"
PORTWELL	European Portwell Technology B.V. (EPT)	Manufacture and sale of industrial computers and peripheral equipment	100 %	100 %	100 %	"
PORTWELL	Portwell India Technology Private Limited (PIT)	Manufacture and sale of industrial computers and peripheral equipment	51 %	51 %	51 %	"
PORTWELL	Portwell Korea, Inc. (PKI)	Manufacture and sale of industrial computers and peripheral equipment and information software services	100 %	100 %	100 %	"
PORTWELL	GANLOT, Inc. (GANLOT)	Manufacture and sale of industrial computers and peripheral equipment	100 %	100 %	100 %	"
PORTWELL	Holdwel Co., Ltd. (HOLDWEL)	Investing	83.33 %	83.33 %	83.33 %	"
APT	KIS Acquisition Corp. (KIA)	Investing	18 %	18 %	18 %	
HOLDWEL	MEDWEL, Inc. (MEDWEL)	Manufacture and sale of industrial computers and peripheral equipment	100 %	100 %	100 %	Note 1
DEVELOPMENT	Portwell Holding Ltd. (HOLDING)	Investing	100 %	100 %	100 %	"

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Business</u>	<u>Percentage of Ownership</u>			<u>Note</u>
			<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>	
EPT	Portwell (UK) Ltd. (PUK)	Manufacture and sale of industrial computers and peripheral equipment	100 %	100 %	100 %	Note 1
EPT	KIOSK Embedded Systems GmbH (KES)	Manufacture and sale of industrial computers and peripheral equipment	100 %	100 %	100 %	"
EPT	Kiosk Embedded Systems Srl (KESI)	Manufacture and sale of industrial computers and peripheral equipment	100 %	100 %	100 %	"
HOLDING	Welink Technology Co., Ltd. (WELINK)	Foreign trade and software services	100 %	100 %	100 %	Notes 1, 5

Note 1: The financial statements of non-significant subsidiary have not been reviewed.

Note 2: The liquidation process had been completed in July 2023.

Note 3: In March 2023, ULTRA increase its capital by cash, which were fully subscribed by the Group. Furthermore, the liquidation process had been completed in March 2024.

Note 4: Mustek Automation Pvt Ltd. was renamed as Mustek Technologies Pvt Ltd. in January 2024.

Note 5: In December 2023, WELINK increase its capital by cash, which were fully subscribed by the Group.

B. List of subsidiaries which are not included in the consolidated financial statements: None.

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

The Group classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

- A. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. It holds the asset primarily for the purpose of trading;
- C. It expects to realize the asset within twelve months after the reporting period; or
- D. The asset is cash or 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.

The Group classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

- A. It expects to settle the liability in its normal operating cycle;
- B. It holds the liability primarily for the purpose of trading;
- C. The liability is due to be settled within twelve months after the reporting period; or

(Continued)

Posiflex Technology, Inc. and Subsidiaries
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D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(4) Employee benefits

Pension cost for an interim period is calculated on a year to date basis by using the actuarially determined pension cost rate at the reporting date of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(5) Income tax

Income tax expense in the financial statements is measured and disclosed according to paragraph B12 of IAS 34 endorsed by the FSC.

Income tax expense for the period are measured by multiplying together the pretax income for the interim reporting period and the management's best estimate of effective annual tax rate. This is allocated to current and deferred taxes based on its proportionate size.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases are measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled and recognized directly in equity or other comprehensive income as income tax expense.

5. Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRS Accounting Standards (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by FSC) requires management to make judgments, estimations 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 estimations.

Except for the following, the preparation of the consolidated financial statements, as well as the major sources of accounting judgments, estimations and assumptions of uncertainty, are applied consistently with note 5 to the consolidated financial statements for the year ended December 31, 2023.

Judgment of whether the Group has substantive control over its investees

The Group holds 18.86% and 25% of the outstanding voting shares of both of its associates. Although the remaining shares of associates are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of associates' directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group does not have substantive control over its associates.

(Continued)

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6. Description of Significant Accounts

Except as described below, there were no significant changes in the description of significant accounts mentioned in the consolidated financial statements for the year ended December 31, 2023. For other information about the description of significant accounts, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2023.

(1) Cash and cash equivalents

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand	\$ 1,312	1,362	1,239
Cash in bank and checking deposits	2,426,635	2,480,154	1,929,747
Time deposits	643,660	539,053	675,827
Repurchase agreements	-	77,000	-
	<u>\$ 3,071,607</u>	<u>3,097,569</u>	<u>2,606,813</u>

Please refer to note 6(28) for the disclosure of currency risk of the financial assets and liabilities.

(2) Financial assets and liabilities

A. Financial assets at fair value through other comprehensive income — non-current

	March 31, 2024	December 31, 2023	March 31, 2023
Domestic listed companies	\$ 344	388	395
Domestic emerging market shares	73,839	77,365	78,413
Domestic unlisted shares	25,929	25,845	29,521
Foreign unlisted shares	26,578	27,444	33,193
	<u>\$ 126,690</u>	<u>131,042</u>	<u>141,522</u>

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

B. Financial assets measured at amortized cost

	March 31, 2024	December 31, 2023	March 31, 2023
Current:			
Cash in bank (restricted)	\$ 15,000	15,000	15,000
Time deposits (restricted)	92,280	75,000	533,514
Time deposits (more than three months)	-	-	60,900
	<u>\$ 107,280</u>	<u>90,000</u>	<u>609,414</u>
Non-current:			
Time deposits (restricted)	<u>\$ 481,853</u>	<u>462,353</u>	<u>-</u>

(Continued)

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The Group 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.

For credit risk, please refer to note 6(28).

The financial assets above had been pledged as collateral for bank borrowings; please refer to note 8.

C. Notes receivable and accounts receivable (including related parties):

	March 31, 2024	December 31, 2023	March 31, 2023
Notes receivable	\$ 7,705	1,782	3,206
Accounts receivable	1,496,891	1,326,042	1,448,998
Accounts receivable—related parties	17,762	32,695	22,201
	1,522,358	1,360,519	1,474,405
Less: loss allowance	(77,783)	(59,821)	(74,264)
	<u>\$ 1,444,575</u>	<u>1,300,698</u>	<u>1,400,141</u>

Please refer to notes 6(5) and 7 for more details on other receivable excluding from the receivables above.

The Group applies the simplified approach to provide for its loss allowance used for expected credit loss (ECL), which permits the use of lifetime expected loss provision for its receivables. To measure the ECL, receivables have been grouped based on the shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information. The loss allowance provisions were determined as follows:

	March 31, 2024		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,135,471	0.84%	9,565
1 to 60 days past due	243,905	2.69%	6,555
61 to 180 days past due	104,583	22.77%	23,809
More than 181 days past due	27,111	97.99%	26,566
	<u>\$ 1,511,070</u>		<u>66,495</u>

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	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Expected loss allowance
Current	\$ 1,013,449	0.66%	6,656
1 to 60 days past due	278,730	3.74%	10,415
61 to 180 days past due	34,284	26.94%	9,236
More than 180 days past due	22,906	97.63%	22,364
	<u>\$ 1,349,369</u>		<u>48,671</u>

	March 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,216,996	0.4%	4,850
1 to 60 days past due	159,533	2.14%	3,408
61 to 180 days past due	37,394	21.41%	8,007
More than 181 days past due	27,921	91.11%	25,438
	<u>\$ 1,441,844</u>		<u>41,703</u>

Note: As of March 31, 2024, December 31 and March 31, 2023, the outstanding balance of the Group's receivables amounted to \$11,288 thousand, \$11,150 thousand and \$32,561 thousand, respectively, all of which have been recognized as credit losses.

The movement in the allowance for doubtful accounts with respect to receivables was as follows:

	For the three months ended March 31,	
	2024	2023
Beginning balance	\$ 59,821	106,759
Impairment loss recognized (reversed)	15,957	(32,073)
Effect of exchange rate changes	2,005	(422)
Ending balance	<u>\$ 77,783</u>	<u>74,264</u>

(Continued)

Posiflex Technology, Inc. and Subsidiaries
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D. Financial assets and liabilities at fair value through profit or loss:

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Financial assets mandatorily measured at fair value through profit or loss-current:			
Non-hedge derivative financial instruments			
Forward exchange contracts	\$ <u>-</u>	<u>1,165</u>	<u>1</u>
Financial liabilities mandatorily measured at fair value through profit or loss-current:			
Non-hedge derivative financial instruments			
Forward exchange contracts	\$ <u>745</u>	<u>-</u>	<u>-</u>
Financial assests mandatorily measured at fair value through profit or loss-non-current:			
Non-hedge derivative financial instruments			
Convertible promissory note	\$ <u>32,000</u>	<u>-</u>	<u>-</u>

For long-term investment strategies, the Group subscribed to the 2-year convertible promissory notes issued by Banyan Hills Technologies, Inc. for USD 1,000 thousand (NTD 31,320 thousand), wherein the Group has the right to convert them into preferred shares before maturity.

For the net gain or loss on fair value on financial instruments at FVTPL, please refer to note 6(27).

Derivatives:

The Group holds derivative financial instruments to hedge the foreign exchange rate risk it is exposed to, arising from its operating activities. The following derivatives instruments, without the application of hedge accounting, were classified as financial assets and liabilities mandatorily measured at fair value through profit or loss:

	<u>March 31, 2024</u>		
	<u>Amount</u> <u>(thousand)</u>	<u>Currency</u>	<u>Maturity Dates</u>
Forward exchange	USD 2,000	USD to NTD	2024.4.12~2024.5.17

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

December 31, 2023			
	Amount	Currency	Maturity Dates
	(thousand)		
Forward exchange	USD 3,000	USD to NTD	2024.1.5~2024.3.1
March 31, 2023			
	Amount	Currency	Maturity Dates
	(thousand)		
Forward exchange	USD 1,000	USD to NTD	2023.4.28

(3) Inventories

	March 31, 2024	December 31, 2023	March 31, 2023
Raw materials	\$ 1,201,560	1,173,322	1,291,094
Work-in-process and semi-finished products	362,851	271,676	360,764
Finished goods	1,111,758	1,044,183	1,477,279
	<u><u>\$ 2,676,169</u></u>	<u><u>2,489,181</u></u>	<u><u>3,129,137</u></u>

The details of operating costs were as follows:

	For the three months ended March 31,	
	2024	2023
Cost of goods sold	\$ 1,256,995	1,465,075
Inventory devaluation and obsolescence loss (reserval gain) and inventory scrap loss	(4,875)	43,869
	<u><u>\$ 1,252,120</u></u>	<u><u>1,508,944</u></u>

As of March 31, 2024, December 31 and March 31, 2023, the Group did not provide any inventories as collateral for its loans.

(4) Investments accounted for using equity method

The components of investment accounted for using the equity method at the reporting date were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Associates	<u><u>\$ 243,815</u></u>	<u><u>244,119</u></u>	<u><u>260,438</u></u>

A. Associates

In March 2024, the Group acquired 25% shares of Qugo Travel Technologies Private Limited, who mainly engages in the e-commerce platform for travel, for INR 1,250 thousand (approximately NTD 474 thousand), resulting in the Group to have significant influence over the company.

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Posiflex Technology, Inc. and Subsidiaries
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Aggregate information of associates accounted for using equity method that are not individually material to the Group was included in the consolidated financial statements as follows:

	For the three months ended	
	March 31,	
	2024	2023
Attributable to the Group:		
Net (loss) income	\$ (2,938)	1,367
Other comprehensive income	1,724	(333)
Total comprehensive (loss) income	<u><u>\$ (1,214)</u></u>	<u><u>1,034</u></u>

The investments above were accounted for using the equity method, and the shares of profit or loss, and other comprehensive income of those investments, were calculated based on the financial statements that have not been reviewed.

As of March 31, 2024, December 31 and March 31, 2023, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

(5) Other financial assets

	March 31,	December 31,	March 31,
	2024	2023	2023
Current			
Lease receivables (note 6(8))	\$ 1,587	1,573	1,569
Other receivables	19,059	26,674	13,188
Other	2,991	2,860	2,862
	<u><u>\$ 23,637</u></u>	<u><u>31,107</u></u>	<u><u>17,619</u></u>
Non-current:			
Lease receivables (note 6(8))	\$ 1,095	1,498	2,683
Guarantee deposits paid	21,830	21,990	20,880
Other	-	-	1,801
	<u><u>\$ 22,925</u></u>	<u><u>23,488</u></u>	<u><u>25,364</u></u>

The guarantee deposits served as the lease guarantee; please refer to note 8.

(6) Material non-controlling interests of subsidiaries

As of March 31, 2024, December 31 and March 31, 2023, the Group has holding PORTWELL's ownership by 55%. Please refer to note 6(7) to the 2023 annual consolidated financial statements for other related information.

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(7) Other current assets and other non-current assets

Details of other current and non-current assets were as follows:

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Current:			
Current tax assets	\$ 2,150	10,164	4,370
Prepayments	88,968	74,256	65,103
Other prepayments	50,300	17,745	25,523
Overpaid business tax and refunds receivable	28,484	16,505	12,018
Other	3,841	5,462	7,664
	<u>\$ 173,743</u>	<u>124,132</u>	<u>114,678</u>
Non-current:			
Prepayments for deposits of equipment	\$ 27,730	16,069	16,207
Other	815	814	814
	<u>\$ 28,545</u>	<u>16,883</u>	<u>17,021</u>

(8) Property, plant and equipment

A. The carrying value of the property, plant and equipment of the Group's were as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery equipment</u>	<u>Other equipment</u>	<u>Total</u>
Carrying value:					
Balance as of January 1, 2024	\$ 618,575	2,353,179	160,218	174,545	3,306,517
Balance as of March 31, 2024	\$ 620,236	2,334,017	154,361	189,125	3,297,739
Balance as of January 1, 2023	\$ 626,371	2,449,483	166,693	122,460	3,365,007
Balance as of March 31, 2023	\$ 623,660	2,424,826	159,751	121,906	3,330,143

There were no significant additions, disposal of the Group property, plant and equipment for the three months ended March 31, 2024 and 2023. Information on depreciation for the period is discussed in note 12. Please refer to note 6(9) of the 2023 annual consolidated financial statements for other related information.

B. Lease receivables

The Group leases out its machinery and equipment with an average lease period of 5 years.

The above machinery and equipment were pledged as collateral by the lessees.

As of March 31, 2024, December 31 and March 31, 2023, the balance of lease receivables please refer to note 6(5).

For credit risk information, please refer to note 6(28).

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C. As of March 31, 2024, December 31 and March 31, 2023, the property, plant and equipment of the Group had been pledged as collateral for long-term borrowings, please refer to note 8.

(9) Right-of-use assets

The Group leases many assets including land, buildings and transportation equipment. The carrying amounts of the right-of-use assets of the Group were as below:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Machinery equipment</u>	<u>Total</u>
Carrying value:					
Balance as of January 1, 2024	\$ <u>83,635</u>	<u>176,932</u>	<u>9,527</u>	<u>-</u>	<u>270,094</u>
Balance as of March 31, 2024	\$ <u>152,323</u>	<u>171,939</u>	<u>8,982</u>	<u>-</u>	<u>333,244</u>
Balance as of January 1, 2023	\$ <u>87,169</u>	<u>142,609</u>	<u>13,811</u>	<u>-</u>	<u>243,589</u>
Balance as of March 31, 2023	\$ <u>86,286</u>	<u>133,655</u>	<u>13,399</u>	<u>-</u>	<u>233,340</u>

(10) Investment property

The cost and depreciation of the investment property of the Group were as follows:

	<u>Land</u>	<u>Building</u>	<u>Total</u>
Balance as of January 1, 2024	\$ <u>40,719</u>	<u>7,175</u>	<u>47,894</u>
Balance as of March 31, 2024	\$ <u>40,719</u>	<u>7,130</u>	<u>47,849</u>
Balance as of January 1, 2023	\$ <u>40,719</u>	<u>7,358</u>	<u>48,077</u>
Balance as of March 31, 2023	\$ <u>40,719</u>	<u>7,312</u>	<u>48,031</u>

There were no significant addition and disposal of investment property for the three months ended March 31, 2024 and 2023. Information on depreciation for the period was discussed in note 12. Please refer to note 6(11) of the 2023 annual consolidated financial statements for the other related information.

The fair value of the investment property was not significantly different from those disclosed in the note 6(11) of the annual consolidated financial statements for the year ended December 31, 2023.

(11) Operating lease

The Group leases out part of its buildings and investment property. The Group has classified these leases as operating leases because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

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A maturity analyses of lease payments, showing the undiscounted lease payments to be received after the reporting date, are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Less than one year	\$ 1,133	1,159	437
Two to five years	1,374	1,655	132
Total undiscounted lease payments	<u>\$ 2,507</u>	<u>2,814</u>	<u>569</u>

For the three months ended March 31, 2024 and 2023, the rental income from investment properties each amounted to \$305 thousand.

(12) Goodwill

There were no significant additions, disposal, or recognition and reversal of impairment losses of goodwill for the three month ended March 31, 2024 and 2023. Please refer to note 6(13) of the 2023 annual consolidated financial statements for other related information.

(13) Intangible assets

	Customer relationships	Acquired specific technology	Trademarks	Computer software	Others	Total
Carrying value:						
Balance as of January 1, 2024	\$ 33,039	14,585	733,076	43,910	12	824,622
Balance as of March 31, 2024	\$ 21,520	9,500	759,106	42,319	7	832,452
Balance as of January 1, 2023	\$ 82,610	59,287	733,177	31,712	73	906,859
Balance as of March 31, 2023	\$ 69,624	46,347	727,951	31,691	49	875,662

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three month ended March 31, 2024 and 2023. Information on amortization for the period was discussed in note 12. Please refer to note 6(14) of the 2023 annual consolidated financial statement for other related information.

(14) Short-term borrowings

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured bank loans	\$ 190,000	173,029	490,900
Secured bank loans	740,329	786,780	465,304
	<u>\$ 930,329</u>	<u>959,809</u>	<u>956,204</u>
Range of interest rates	<u>1.70%~8.50%</u>	<u>1.68%~9.5%</u>	<u>1.73%~9%</u>

Please refer to note 6(28) for the disclosure of liquidity risk.

For the collateral for short-term borrowings, please refer to note 8.

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Posiflex Technology, Inc. and Subsidiaries
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(15) Other payables

The details of other payables of the Group were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Payables for salaries and bonus	\$ 274,905	360,348	300,304
Accrued dividends on preference shares	192,419	153,935	192,419
Compensation payables to directors and employees	19,229	15,296	55,485
Payables for equipment	6,173	13,929	1,088
Others	<u>193,621</u>	<u>159,458</u>	<u>190,432</u>
	<u>\$ 686,347</u>	<u>702,966</u>	<u>739,728</u>

(16) Provisions

	March 31, 2024	December 31, 2023	March 31, 2023
Advertising	\$ 49,284	54,451	86,749
Warranties	<u>27,757</u>	<u>28,910</u>	<u>24,608</u>
	<u>\$ 77,041</u>	<u>83,361</u>	<u>111,357</u>

There were no significant changes in provisions for the three month ended March 31, 2024 and 2023 . For other related information, please refer to note 6(17) of the 2023 annual consolidated financial statements for other related information.

(17) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Current	<u>\$ 71,803</u>	<u>68,471</u>	<u>54,264</u>
Non-current	<u>\$ 439,304</u>	<u>378,451</u>	<u>356,595</u>

The lease liabilities mentioned above contain the lease liabilities of the state-owned land leased by the subsidiary, PORTWELL, as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Current	\$ 6,286	6,626	6,565
Non-current	<u>301,344</u>	<u>232,245</u>	<u>237,222</u>
	<u>\$ 307,630</u>	<u>238,871</u>	<u>243,787</u>

For the maturity analysis, please refer to note 6(28).

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The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2024	2023
Interests on lease liabilities	\$ <u>4,051</u>	<u>2,848</u>
Expenses relating to short-term leases	\$ <u>624</u>	<u>481</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>316</u>	<u>299</u>

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

	For the three months ended March 31,	
Total cash outflow for leases	\$ <u>23,037</u>	<u>20,802</u>

A. Real estate leases

The Group leases land (the state-owned land) and buildings for its plants and office spaces. The leases of land typically run for a period of 20 years, and the plants and office spaces for 1 to 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Also, some leases of land and office spaces contain extension options exercisable. These leases are negotiated and monitored by the local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors, in which the lessee is not reasonably certain to use an optional extended lease term. Payments associated with the optional period are not included within lease liabilities.

B. Other leases

The Group leases transportation equipment, with lease terms of 2 to 7 years. The Group does not have the options to purchase the assets at the end of the contract term. In addition, the Group is prohibited from sub-leasing or transferring the entire or portion of the assets without the lessor's consent.

Furthermore, the Group has elected not to recognize the right-of-use assets and lease liabilities for its printers, which qualify as short-term leases and low-value asset leases.

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(18) Long-term borrowings

The details, conditions and terms of the long-term borrowings of the Group were as follows:

March 31, 2024				
	Currency	Range of interest rates	Maturity dates	Amounts
Secured bank loans				
Bank loans	JPY	1.5%	December 2035	\$ 67,099
Less: Current portion				(5,711)
Total				<u><u>\$ 61,388</u></u>
December 31, 2023				
	Currency	Range of interest rates	Maturity dates	Amounts
Unsecured bank loans				
Government rescue loans	JPY	-	February 2024	\$ 21,720
Secured bank loans				
Bank loans	JPY	1.5%	December 2035	70,372
				92,092
Less: Current portion				(27,584)
Total				<u><u>\$ 64,508</u></u>
March 31, 2023				
	Currency	Range of interest rates	Maturity dates	Amounts
Unsecured bank loans				
Government rescue loans	JPY	-	February 2024	\$ 22,880
Secured bank loans				
Bank loans	JPY	1.5%	December 2035	78,765
				101,645
Less: Current portion				(29,058)
Total				<u><u>\$ 72,587</u></u>

For the collateral for bank loans, please refer to note 8.

(19) Preference share liabilities

The details of the preference share liabilities of the Group were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
A preference stock	<u><u>\$ 4,595,089</u></u>	<u><u>4,595,089</u></u>	<u><u>4,595,089</u></u>

There were no significant issues, repurchases and repayments of preference share liabilities for the three month ended March 31, 2024 and 2023. Information on interest expense for the period is discussed in note 6(27). Please refer to note 6(20) of the 2023 annual consolidated financial statements for other related information.

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According to the declaration from the preference shareholder, Embedded City, received by the Company on August 2023, the Company should not breach the preference share subscription agreement. Otherwise, Embedded City will send a written notice to the Company requiring the Company to redeem its entire unconverted preference shares, held in part or in whole, by cash before July 2025.

According to the declaration from the preference shareholder, Embedded City, received by the Company on August 18, 2022, the Company should not breach the preference share subscription agreement. Otherwise, Embedded City will send a written notice to the Company requiring the Company to redeem its entire unconverted preference shares, held in part or in whole, by cash before July 16, 2024.

The Company received a declaration from the preference shareholder, Embedded City, on May 2024, wherein Embedded City should receive the preference dividends for 2024 according to the preference share subscription agreement and participate in dividend distribution declared in 2025 on ordinary shares such that Embedded City agrees on the dividend distribution for 2025 that belongs to net income in 2024, if the total amount of the preference shares (including the preference dividends and further participation in dividend distributions) reaches the adjusted net profit multiplied by the ownership proportion of preference shares of 70%, the excess of the Embedded City agrees not to continue to participate in the distribution.

The Company received a declaration from the preference shareholder, Embedded City, on May 9, 2023, wherein Embedded City should receive the preference dividends for 2023 according to the preference share subscription agreement and participate in dividend distribution declared in 2024 on ordinary shares such that Embedded City agrees on the dividend distribution for 2024 that belongs to net income in 2023, if the total amount of the preference shares (including the preference dividends and further participation in dividend distributions) reaches the adjusted net profit multiplied by the ownership proportion of preference shares of 70%, the excess of the Embedded City agrees not to continue to participate in the distribution.

(20) Employee benefits

Since there were no significant market fluctuations, curtailments, settlements, and no other significant one off event from the previous fiscal year, the pension costs in the financial statements were measured and disclosed based on the actuarial results determined on December 31, 2023 and 2022.

For information related to the Group's pension costs, please refer to note 12.

(21) Income tax

A. Income tax expenses:

The amounts of income tax expenses were as follows:

	For the three months ended	
	March 31,	
	2024	2023
Current income tax expense		
Current period	\$ 47,786	55,721

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The amount of income tax expense (income) recognized in other comprehensive income were as follows:

	For the three months ended March 31,	
	2024	2023
Exchange differences on translation of foreign financial statements	\$ <u>42,610</u>	<u>(3,597)</u>

- B. The Company's tax returns have been examined by the tax authorities through 2022.
- C. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

(22) Capital and other equity

Except as described in the following paragraph, there were no significant changes in the Group's capital and other equity interest for the three months ended March 31, 2024 and 2023. For related information on the shareholders' equity, please refer to note 6(23) of the 2023 annual consolidated financial statements.

A. Share Capital

The Group received the amount of \$90 thousand as subscription to the 1 thousand capital stocks executed by its employees for the three months ended March 31, 2023, the related registration procedure of all the capital stock have been completed, of which the amounts of \$10 thousand and \$80 thousand were recognized as share capital and increase in capital surplus. In addition, the share capital of \$320 thousand capital stocks which have been advance received in beginning period have completed the related registration procedure.

B. Capital surplus

	March 31, 2024	December 31, 2023	March 31, 2023
Paid-in capital in excess of par value	\$ 396,660	396,660	463,119
Paid-in capital in excess of the par value derived from corporate bond conversion	186,826	186,826	186,826
Share options — bonds payable	87,533	87,533	87,533
Employee share options	37,291	36,190	34,386
Conversion right — preference share	35,191	35,191	35,191
Difference between consideration and carrying amount of subsidiaries acquired or disposed	9,966	9,966	123,035
Changes in equity of investments accounted for using equity method	23,843	23,843	23,843
Others	913	913	913
	<u>\$ 778,223</u>	<u>777,122</u>	<u>954,846</u>

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The following are the appropriation of Capital surplus in 2022, which were proposed during the shareholders' meeting held on June 9, 2023:

	2022	
	Amount per share (NTD)	Total amount
Dividends distributed to ordinary shareholders:		
Cash	<u>\$ 2.06</u>	<u>155,563</u>
Dividends distributed to preference shareholders:		
Cash	<u>\$ 1.06</u>	<u>33,022</u>

C. Retained earnings

The following are the appropriation of earnings in 2023 and 2022 which were approved during the board's meeting and shareholders' meeting held on March 7, 2024 and June 9, 2023, respectively:

	2023		2022	
	Amount per share (NTD)	Total amount	Amount per share (NTD)	Total amount
Dividends distributed to ordinary shareholders:				
Cash	<u>\$ 4.70</u>	<u>355,300</u>	<u>4.94</u>	<u>373,048</u>

The preference share dividends of A shares for 2023 and 2022, each amounting to \$153,935 thousand, were calculated based on an annual interest rate of 3.35%.

The appropriation of retained earnings for 2022 is consistent with the resolutions proposed by the Board of Directors. The appropriation of earnings distribution for 2023 will be presented for resolution in annual shareholders' meeting. The related information will be available on the Market Observation Post System on the website after the meeting.

(23) Share-based payment

Except as described in the following paragraph, there were no significant changes in the Group's share-based payment for the three months ended March 31, 2024 and 2023. For related information on the share-based payment, please refer to note 6(24) of the consolidated financial statements for the year ended December 31, 2023.

The amount of compensation costs generated from share-based payment were as follow:

	For the three months ended March 31,	
	2024	2023
Compensation cost	<u>\$ 1,308</u>	<u>2,198</u>

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(24) Earnings per share

	For the three months ended March 31,	
	2024	2023
Basic earnings per share:		
Net income attributable to ordinary shareholders of the Company	\$ <u>110,582</u>	<u>90,387</u>
Weighted-average number of ordinary shares (in thousands)	<u>75,596</u>	<u>75,515</u>
Basic earnings per share	\$ <u>1.46</u>	<u>1.20</u>
Diluted earnings per share:		
Net income attributable to ordinary shareholders of the Company (basic)	\$ 110,582	90,387
Interest expense on preference shares	<u>38,484</u>	<u>-</u>
Net income attributable to ordinary shareholders of the Company (diluted)	\$ <u>149,066</u>	<u>90,387</u>
Weighted-average number of ordinary shares (in thousands) (basic)	75,596	75,515
Employee remuneration	80	327
Employee share options	331	420
Convertible preference shares	<u>31,153</u>	<u>-</u>
Weighted-average number of ordinary shares (in thousands) (diluted)	<u>107,160</u>	<u>76,262</u>
Diluted earnings per share	\$ <u>1.39</u>	<u>1.19</u>

Since the convertible preference share issued by the group had an anti-dilution effect from January 1 to March 31, 2023, there are not indeed in the calculation of diluted earnings per share.

(25) Revenue from contracts with customers

A. Disaggregation of revenue

	For the three months ended March 31, 2024			
	Domestic	U.S.A.	Others	Total
Revenue from sale of goods	\$ 513,667	1,184,051	458,587	2,156,305
Revenue from warranty and managed services	<u>2,438</u>	<u>57,219</u>	<u>-</u>	<u>59,657</u>
	\$ <u>516,105</u>	<u>1,241,270</u>	<u>458,587</u>	<u>2,215,962</u>
	For the three months ended March 31, 2023			
	Domestic	U.S.A.	Others	Total
Revenue from sale of goods	\$ 504,926	1,270,319	529,673	2,304,918
Revenue from warranty and managed services	<u>1,631</u>	<u>73,515</u>	<u>-</u>	<u>75,146</u>
	\$ <u>506,557</u>	<u>1,343,834</u>	<u>529,673</u>	<u>2,380,064</u>

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B. Contract liabilities

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Contract liabilities — current			
Sale of goods	\$ 203,193	190,235	166,740
Warranty and managed services	<u>151,317</u>	<u>125,094</u>	<u>172,215</u>
	<u>354,510</u>	<u>315,329</u>	<u>338,955</u>
Contract liabilities — non-current			
Warranty and managed services	<u>96,041</u>	<u>80,961</u>	<u>113,631</u>
	<u>\$ 450,551</u>	<u>396,290</u>	<u>452,586</u>

For details on notes and accounts receivable, and loss allowance, please refer to note 6(2).

The amounts of revenue recognized for the three months ended March 31, 2024 and 2023 that were included in the contract liability balance at the beginning of the period were \$111,570 thousand and \$111,765 thousand, respectively.

(26) Remuneration to employees and directors

According to the Articles of Association, once the Group has annual profit, it should appropriate 2%~10% of the profit to its employees, and no more than 4% to its directors as remuneration.

The remunerations to employees amounted to \$2,622 thousand and \$2,220 thousand, as well as the remunerations to directors amounted to \$1,311 thousand and \$1,110 thousand for the three months ended March 31, 2024 and 2023, respectively. These amounts were calculated using the Group's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Group's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts approved by the Board of Directors, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

For the years ended December 31, 2023 and 2022, the remunerations to employees amounted to \$10,197 thousand and \$41,724 thousand, and the remunerations to directors amounted to \$5,099 thousand and \$10,431 thousand, respectively, which were both paid in cash. There were no differences between the estimated amounts and the actual amounts of remuneration. The information is available on the Market Observation Post System website.

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(27) Non-operating income and expenses

A. Interest income

	For the three months ended March 31,	
	2024	2023
Interest income from bank deposits	\$ 17,167	8,938
Interest income on lease receivable	22	35
Other interest income	6	4
	<u>\$ 17,195</u>	<u>8,977</u>

B. Other income

	For the three months ended March 31,	
	2024	2023
Rental income	\$ 5,576	7,177
Dividend income	8	9
	<u>\$ 5,584</u>	<u>7,186</u>

C. Other gains and losses

	For the three months ended March 31,	
	2024	2023
Gains on disposal of property, plant and equipment	\$ -	19
Foreign exchange gains (losses), net	45,222	(12,776)
Net loss on financial assets and liabilities at FVTPL	(3,185)	(24)
Other	1,841	1,013
	<u>\$ 43,878</u>	<u>(11,768)</u>

D. Finance costs

	For the three months ended March 31,	
	2024	2023
Interest expenses on preference share liabilities	\$ 38,484	38,484
Interest expenses on bank loans	6,557	7,202
Interest expenses on lease liabilities	4,051	2,848
	<u>\$ 49,092</u>	<u>48,534</u>

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(28) Financial Instruments

Except as described in the following paragraph, there were no significant changes in the Group's fair value of financial instruments exposed to credit risk and market risk. For related information about the fair value on financial instruments, please refer to note 6(29) of the 2023 annual consolidated financial statements.

A. Credit risk

(a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(b) Concentration of credit risk

The Group mainly transacts with entities with good credit ratings, domestic and foreign. Aside from granting credit facilities to customers according to procedures for granting credits, the Group also continues to obtain understanding of the credit status of its customers. As of March 31, 2024, December 31 and March 31, 2023, the Group's accounts receivable were not concentrated.

(c) Receivables and debt securities

For credit risk exposure on receivables, please refer to note 6(2). No loss allowances were recognized under other financial assets at amortized cost, including other receivables and other financial assets.

B. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements, except for notes and accounts payable (including related parties) and other payables:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1~5 years</u>	<u>Over 5 years</u>
March 31, 2024					
Non-derivative financial liabilities					
Short-term borrowings	\$ 930,329	954,227	954,227	-	-
Lease liabilities (including current portion)	511,107	605,767	86,097	196,442	323,228
Long-term borrowings (including current portion)	67,099	72,974	6,671	25,828	40,475
Preference share liabilities	4,595,089	4,595,089	-	4,595,089	-
Guarantee deposits received	138,864	138,865	1,176	137,689	-
	<u>\$ 6,242,488</u>	<u>6,366,922</u>	<u>1,048,171</u>	<u>4,955,048</u>	<u>363,703</u>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1~5 years</u>	<u>Over 5 years</u>
December 31, 2023					
Non-derivative financial liabilities					
Short-term borrowings	\$ 959,809	981,998	981,998	-	-
Lease liabilities (including current portion)	446,922	501,538	77,111	194,742	229,685
Long-term borrowings (including current portion)	92,092	98,386	28,595	26,611	43,180
Preference share liabilities	4,595,089	4,595,089	-	4,595,089	-
Guarantee deposits received	135,162	135,162	-	132,242	2,920
	<u>\$ 6,229,074</u>	<u>6,312,173</u>	<u>1,087,704</u>	<u>4,948,684</u>	<u>275,785</u>
	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1~5 years</u>	<u>Over 5 years</u>
March 31, 2023					
Non-derivative financial liabilities					
Short-term borrowings	\$ 956,204	967,660	967,660	-	-
Lease liabilities (including current portion)	410,859	459,913	59,500	159,892	240,521
Long-term borrowings (including current portion)	101,645	109,128	30,186	28,311	50,631
Preference share liabilities	4,595,089	4,595,089	-	4,595,089	-
Guarantee deposits received	146,746	146,746	-	143,876	2,870
	<u>\$ 6,210,543</u>	<u>6,278,536</u>	<u>1,057,346</u>	<u>4,927,168</u>	<u>294,022</u>

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

C. Currency risk

(a) Exposure to currency risk

The Group's financial assets and liabilities exposed to exchange rate risk were as follows:

	March 31, 2024		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 51,620	32.000	1,651,852
CNY	9,250	4.408	40,773
<u>Investments accounted for using equity method</u>			
USD	1,633	32.000	52,241
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	20,279	32.000	648,923
CNY	1,305	4.408	5,752

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December 31, 2023			
	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 50,096	30.705	1,538,201
CNY	10,111	4.327	43,749
<u>Investments accounted for using equity method</u>			
USD	1,631	30.705	50,094
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	19,651	30.705	603,370
CNY	1,148	4.327	4,967
March 31, 2023			
	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 53,200	30.45	1,619,936
CNY	8,647	4.431	38,316
<u>Investments accounted for using equity method</u>			
USD	1,594	30.45	48,528
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	25,939	30.45	789,834
CNY	881	4.431	3,906

(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, receivables, short-term borrowings, notes and accounts payable (including related parties), and other payables that are denominated in foreign currency. Assuming all other variable factors remain constant, a strengthening (weakening) of 5% of the NTD against the USD and CNY, as of March 31, 2024 and 2023, would have increased (decreased) the comprehensive income \$41,518 thousand and \$34,580 thousand for the three months ended March 31, 2024 and 2023, respectively.

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(c) Foreign exchange gains or losses on monetary items

Due to the variety of the functional currencies of the Group's entities, the Group's foreign (losses) gains on monetary items amounted to \$45,222 thousand, and \$(12,776) thousand for the three months ended March 31, 2024 and 2023, respectively.

D. Interest rate risk

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year.

If the interest rate had increased or decreased by 1%, the Group's net income would have increased or decreased by \$1,995 thousand and \$2,116 thousand for the three months ended March 31, 2024 and 2023, respectively, with all other variable factors remaining constant.

E. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The fair value of financial assets at FVOCI is measured on a recurring basis. The Group's carrying amount and the fair value of financial assets (including information for fair value hierarchy, but excluding financial instruments whose fair values approximate the carrying amounts, and lease liabilities), were as follows:

	Carrying amount	March 31, 2024			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVTPL					
Foreign convertible promissory note	\$ 32,000	-	32,000	-	32,000
Financial assets at FVOCI					
Domestic listed stocks	\$ 344	344	-	-	344
Domestic emerging market shares	73,839	-	18,517	55,322	73,839
Domestic unlisted stocks	25,929	-	-	25,929	25,929
Foreign unlisted stocks	26,578	-	-	26,578	26,578
	<u>\$ 126,690</u>	<u>344</u>	<u>18,517</u>	<u>107,829</u>	<u>126,690</u>

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December 31, 2023					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVOCI					
Domestic listed stocks	\$ 388	388	-	-	388
Domestic emerging market shares	77,365	-	22,043	55,322	77,365
Domestic unlisted stocks	25,845	-	-	25,845	25,845
Foreign unlisted stocks	27,444	-	-	27,444	27,444
	<u>\$ 131,042</u>	<u>388</u>	<u>22,043</u>	<u>108,611</u>	<u>131,042</u>
March 31, 2023					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at FVOCI					
Domestic listed stocks	\$ 395	395	-	-	395
Domestic emerging market shares	78,413	-	36,455	41,958	78,413
Domestic unlisted stocks	29,521	-	-	29,521	29,521
Foreign unlisted stocks	33,193	-	-	33,193	33,193
	<u>\$ 141,522</u>	<u>395</u>	<u>36,455</u>	<u>104,672</u>	<u>141,522</u>

(b) Valuation techniques for financial instruments not measured at fair value

The Group estimates its financial instruments not measured at fair value using the following methods and assumptions:

Fair value measurement for assets and financial liabilities measured at amortized cost will be based on the latest quoted price and agreed upon price if these prices are available in active markets. When market value is unavailable, the fair value of financial assets and liabilities is evaluated based on the discounted cash flow of the financial liabilities.

(c) Valuation techniques for financial instruments that are measured at fair value

A. Non-derivative

The Group held its domestic listed stocks and domestic emerging market shares, which are measured at fair value, according to standard provisions and conditions, with the fair value being measured using the quoted prices in an active market.

Except for the above financial instruments with an active market, the Group estimated the fair value of the remaining financial instruments by using the valuation techniques. The valuation technique is used to arrive at their fair value, for which the market transaction prices of the similar companies and market conditions are considered.

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B. Derivative

The fair value is measured using the public quotation. When a public quotation cannot be obtained, the fair value will be based on third-party pricing information. Forward foreign exchange contracts are usually valued based on the current forward exchange rate.

(d) Transfer between level 1 and level 2: None.

(e) Reconciliation of level 3 fair values:

	Financial assets at FVOCI – equity investments without an active market
Balance as of January 1, 2024	\$ 108,611
Total gains and losses	
Recognized in other comprehensive income	(782)
Balance as of March 31, 2024	<u><u>\$ 107,829</u></u>
Balance as of January 1, 2023	\$ 100,869
Total gains and losses	
Recognized in other comprehensive income	3,803
Balance as of March 31, 2023	<u><u>\$ 104,672</u></u>

The gains (losses) from financial assets at FVOCI resulted from the recognition of the total gains and losses mentioned above.

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

The Group's financial instruments that use Level 3 inputs to measure their fair value include financial assets at FVOCI – equity investments.

The Group classified its equity investments without an active market as recurring level 3 fair values in the fair value hierarchy due to the use of significant unobservable inputs. The significant unobservable inputs of the equity investments without an active market are independent, therefore, there is no correlation between them.

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Quantified information of significant unobservable inputs were as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVOCI—equity investments without an active market	Market approach	• Price-to-book ratios as of March 31, 2024, December 31 and March 31, 2023 were 2.43, 2.43 and 2.25, respectively. • Liquidity discount as of March 31, 2024, December 31 and March 31, 2023 were 14.04%, 14.04% and 16.03%, respectively.	• The higher the price-to-book ratio, the higher the fair value. • The higher the liquidity discount, the lower the fair value.
Financial assets at FVOCI—equity investments without an active market	Asset approach	• Net asset value. • Liquidity discount as of March 31, 2024, December 31 and March 31, 2023 were 30% .	• The higher the net asset value ratio, the higher the fair value. • The higher the liquidity discount, the lower the fair value.

(29) Financial risk management

There were no significant changes in the Group's objectives and policies applied in the financial risk management from those in the consolidated financial statement for the year ended December 31, 2023. For related information about the financial risk management, please refer to note 6(30) of the consolidated financial statements for the year ended December 31, 2023.

(30) Capital management

The Group's objectives, policies and processes for capital management were consistent with those of consolidated financial statements for the year ended December 31, 2023. There were no significant changes in quantified factors of capital management from those in the consolidated financial statement for the year ended December 31, 2023. For related information about the capital management, please refer to note 6(31) of the consolidated financial statements for the year ended December 31, 2023.

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(31) Financing activities of non-cash transactions

Reconciliation of liabilities arising from financing activities was as follows:

			Non-cash changes		
	January 1, 2024	Cash flow	Foreign exchange movement	Other changes	March 31, 2024
Short-term borrowings	\$ 959,809	(36,380)	6,900	-	930,329
Lease liabilities (including current portion)	446,922	(18,046)	7,259	74,972	511,107
Guarantee deposits received	135,162	(1,804)	5,506	-	138,864
Long-term borrowings (including current portion)	92,092	(22,631)	(2,362)	-	67,099
	<u>\$ 1,633,985</u>	<u>(78,861)</u>	<u>17,303</u>	<u>74,972</u>	<u>1,647,399</u>

			Non-cash changes		
	January 1, 2023	Cash flow	Foreign exchange movement	Other changes	March 31, 2023
Short-term borrowings	\$ 1,206,677	(249,790)	(683)	-	956,204
Lease liabilities (including current portion)	422,051	(17,174)	(409)	6,391	410,859
Guarantee deposits received	147,972	-	(1,226)	-	146,746
Long-term borrowings (including current portion)	588,563	(485,302)	(1,616)	-	101,645
	<u>\$ 2,365,263</u>	<u>(752,266)</u>	<u>(3,934)</u>	<u>6,391</u>	<u>1,615,454</u>

7. Related-party Transactions

(1) Names and relationship with related parties

The followings are entities that have had transactions with the Group during the periods covered in the consolidated financial statements:

Name of related parties	Relationship with the Group
MiTwell, Inc. (MiTwell)	Associate
LPK Limited (LPK)	Associate
POME Technology Inc. (POME)	Subsidiary of associate
WELINK SOLUTIONS Inc. (WELINK)	Subsidiary of associate
Esquarre Capital Taiwan Branch (Esquarre)	Substantive related party

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

(2) Significant related-party transactions

A. Operating revenue

	For the three months ended March 31,	
	2024	2023
Associate	\$ 8,924	2,615
Subsidiary of associate	12,075	26,286
	<u>\$ 20,999</u>	<u>28,901</u>

The selling prices for sales to related parties were determined by the products' fair market value, and the collection terms were mainly 30-90 days, which were similar to those offered to third party customers.

The Group's receivables due from related parties as a result of transactions mentioned above were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Associate	\$ 7,890	27,087	2,718
Subsidiary of associate	9,872	5,608	19,483
	<u>\$ 17,762</u>	<u>32,695</u>	<u>22,201</u>

B. Purchases

	For the three months ended March 31,	
	2024	2023
Associate	\$ -	50,873
Subsidiary of associate	41,774	22,802
	<u>\$ 41,774</u>	<u>73,675</u>

The terms and pricing of purchase transactions with related parties were not significantly different from those with third party vendors.

The Group's payables to related parties as a result of transactions mentioned above were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Associate	\$ -	809	7,648
Subsidiary of associate	28,048	10,203	9,403
	<u>\$ 28,048</u>	<u>11,012</u>	<u>17,051</u>

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

C. Other transactions

- (a) The amounts paid by the Group to its related parties for administrative and other expenses were as follows:

	For the three months ended March 31,	
	2024	2023
Substantive related party	\$ 1,500	1,500
Associate	18	492
Subsidiary of associate	215	145
	\$ 1,733	2,137

The Group's payables as a result of transactions mentioned above were as follow:

	March 31, 2024	December 31, 2023	March 31, 2023
Associate	\$ -	-	164
Subsidiary of associate	125	363	33
	\$ 125	363	197

- (b) The Group signed lease contracts with its related parties, with lease terms based on their mutual agreements, and the related rental revenue was as follows:

	For the three months ended March 31,	
	2024	2023
Associate	\$ 58	1,224
Subsidiary of associate	942	19
	\$ 1,000	1,243

As of March 31, 2024, December 31 and March 31, 2023, the Group received the rental guaranteed deposits of \$353 thousand, \$313 thousand and \$275 thousand, respectively.

- (c) The Group's receivables as a result of transactions mentioned above were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Associate	\$ -	695	1,242
Subsidiary of associate	512	519	366
	\$ 512	1,214	1,608

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

(3) Transactions with key management personnel

Key management personnel compensation comprised the following:

	For the three months ended March 31,	
	2024	2023
Short-term employee benefits	\$ 59,363	56,301
Post-employment benefits	1,185	846
Share-based payment	1,126	2,083
	\$ 61,674	59,230

The remuneration to directors and key executives was determined by the remuneration committee, which is based on the performance of individuals and market trends.

Please refer to note 6(23) for further information on share-based payment.

8. Assets pledged as security

The carrying values of the Group's pledged assets are as follows:

Assets	Purpose of Pledged	March 31, 2024	December 31, 2023	March 31, 2023
Security deposit for loans (recognized as other financial assets — current)	Collateral for short-term bank loans	\$ 2,991	2,860	2,862
Security deposit for loans (recognized as other financial assets — non-current)	Collateral for bank borrowing	-	-	1,800
Property, plant and equipment	Collateral for bank borrowing	2,201,385	2,222,485	2,278,437
Cash in bank (recognized as financial assets at amortized cost)	Collateral for short-term bank loans	15,000	15,000	15,000
Time deposits (recognized as financial assets at amortized cost)	Collateral for long-term and short-term bank loans	574,133	537,353	533,514
Guarantee deposits paid (recognized as other financial assets — non-current)	Lease guarantee	21,830	21,991	20,880
		\$ 2,815,339	2,799,689	2,852,493

9. Significant Commitments and Contingencies

Company A, a customer of the Group, provided the guarantee deposit amounting to \$135,903 thousand (USD \$4,247 thousand) to ensure the delivery of its order. The deposit is not deductible to the payables and shall be fully refunded to Company A after the end of the project. The deposit received by the Group had been recognized as guarantee deposits received-non-current.

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

10. Significant Casualty Loss: None.

11. Significant Subsequent Events: None.

12. Other

- (a) Summaries of current-period employee benefits, depreciation, and amortization, by function, were as follows:

By function	For the three months ended March 31, 2024			For the three months ended March 31, 2023		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
By item						
Employee benefits						
Salary	125,517	404,033	529,550	112,044	378,603	490,647
Labor and health insurance	11,565	32,873	44,438	10,987	26,922	37,909
Pension	4,098	16,133	20,231	3,881	13,725	17,606
Others	3,741	13,398	17,139	9,377	13,223	22,600
Depreciation (note)	22,487	39,546	62,033	20,858	35,256	56,114
Amortization	5,824	17,054	22,878	13,068	15,318	28,386

Note: For the three months ended March 31, 2024 and 2023, both of the deprecation expenses of the assets leased to the third parties under operating leases amounted to \$46 thousand, recognized as deductions of rental revenue.

- (b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclical factors.

13. Other disclosures:

- (1) Information on significant transactions:

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

- A. Loans to other parties: None.
- B. Guarantees and endorsements for other parties: Please refer to Table 1.
- C. Securities held as of March 31, 2024 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 2.
- D. Individual securities acquired or disposed of with accumulated amount \$300 million or 20% of the capital stock: None.
- E. Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None.

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

- F. Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None.
 - G. Related-party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock: Please refer to Table 3.
 - H. Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock: Please refer to Table 4.
 - I. Trading in derivative instruments: Please refer to note 6(2).
 - J. Business relationships and significant intercompany transactions: Please refer to Table 5.
- (2) Information on investees: Please refer to Table 6.
- (3) Information on investment in Mainland China: Please refer to Table 7.
- (i) The names of investees in Mainland China, their main businesses and products, and other information: Please refer to Table 7.
 - (ii) Limitation on investment in Mainland China: Please refer to Table 7.
 - (iii) Significant transactions:
- The significant intercompany transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.
- (4) Major shareholders:

(In Shares)

Shareholder's Name	Shareholding	Shares	Percentage
Embedded City Taiwan limited		31,153,147	29.18 %

Note: The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total non-physical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the consolidated financial statement due to the use of different calculation basis.

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements

14. Segment information:

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

For the three months ended March 31, 2024				
	Domestic	U.S.A.	Others	Total
Revenue from external customers	<u>\$ 516,105</u>	<u>1,241,270</u>	<u>458,587</u>	<u>2,215,962</u>
Reportable segment profit	<u>\$ 428,860</u>	<u>193,639</u>	<u>42,590</u>	<u>665,089</u>
Total segment assets				\$ 15,169,281
Investments accounted for using equity method				243,815
Total assets				<u>\$ 15,413,096</u>

For the three months ended March 31, 2023				
	Domestic	U.S.A.	Others	Total
Revenue from external customers	<u>\$ 506,557</u>	<u>1,343,834</u>	<u>529,673</u>	<u>2,380,064</u>
Reportable segment profit	<u>\$ 375,110</u>	<u>177,234</u>	<u>45,720</u>	<u>598,064</u>
Total segment assets				\$ 14,904,942
Investments accounted for using equity method				260,438
Total assets				<u>\$ 15,165,380</u>

(Continued)

Posiflex Technology, Inc. and Subsidiaries
Guarantees and endorsements for other parties
For the three months ended March 31, 2024

Table 1

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period (Note 4)	Balance of guarantees and endorsements as of the reporting date (Note 4)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of the accumulated amounts of guarantees and endorsements to net worth of the latest financial statements (Note 3)	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/ guarantees to third parties on behalf of the subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of the parent company	Endorsements/ guarantees to third parties on behalf of the companies in Mainland China	Note
		Name	Relationship with the Company (Note1)											
0	The Company	PBM	b	7,699,644	256,000	256,000	-	-	6.65 %	7,699,644	Y	N	N	
0	The Company	PTIL	b	7,699,644	24,480	24,480	24,480	-	0.64 %	7,699,644	Y	N	N	
0	The Company	KIOSK	b	7,699,644	192,000	192,000	140,800	90,000	4.99 %	7,699,644	Y	N	N	Note 5
1	APT	PORTWELL	d	6,268,582	480,000	480,000	400,000	481,853	15.37 %	6,268,582	N	N	N	Note 6

Note 1: The Company may make endorsements/guarantees for the following companies:

- a. A company which has business transactions with the Company.
- b. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- c. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
- d. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- e. The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- f. All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- g. Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: According to the Company's guarantee of the endorsement:

- a. Limit for the total endorsements/ guarantees amount shall not exceed 200% of the latest financial statements of the Company's net assets. The amount of endorsements/ guarantees for any single entity shall not exceed 200% of the latest financial statements of the Company's net assets.
- b. The total amount of endorsements/ guarantees of the Company and its subsidiaries shall not exceed 200% of the latest financial statements of the Company's net assets. The amount of endorsements/ guarantees of the Company and its subsidiaries for any single entity shall not exceed 200% of the latest financial statements of the Company's net assets.

- c. Besides the restrictions mentioned in the two paragraphs above, the Company makes endorsements/guarantees for another entity due to their business transactions, wherein the amount of endorsements/ guarantees for the individual entity shall not exceed the total amount of transactions between the Company and the entity in recent year (the higher of the purchase or sales amount between the parties).
- d. Limit for the total endorsements/ guarantees amount shall not exceed 200% of the latest financial statements of APT's net assets, and it shall not exceed 200% of the latest financial statements of the Company's net assets as well. The amount of endorsements/ guarantees for any single entity shall not exceed 200% of the latest financial statements of APT's net assets, and it shall not exceed 200% of the latest financial statements of the Company's net assets as well.

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the net assets mentioned above refer to equity attributable to the shareholders of the Company on the balance sheet.

Note 3: The ratio of endorsements/guarantees to net assets from the financial statements of the Company for the year ended March 31, 2024.

Note 4: Both of the highest balance and the balance at the end of the period of the endorsements/guarantees for PBM each amounted to US\$8,000 thousand; both of the highest balance and the balance at the end of the period of the endorsements/guarantees for PTIL each amounted to US\$765 thousand; both of the highest balance and the balance at the end of the period of the endorsements/guarantees for KIOSK each amounted to US\$6,000 thousand. The ending balance of endorsements/guarantees with NTD was calculated by the exchange rate of US\$1: NT\$32 as of March 31, 2024.

Note 5: The time deposit of NT\$75,000 thousand and cash in bank of NT\$15,000 thousand was pledged as collateral for KIOSK's bank borrowings amounting to US\$4,500 thousand.

Note 6: The time deposit of US\$15,058 thousand was pledged as collateral by APT for Portwell's bank borrowings amounting NTD\$400,000 thousand.

Posiflex Technology, Inc. and Subsidiaries
Securities held as of March 31, 2024 (excluding investment in subsidiaries, associates and joint ventures)
As of March 31, 2024

Table 2

(In Thousands of New Taiwan Dollars/share)

Name of holder	Category and name of security	Relationship with company	Account	Ending balance				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
The Company	O' Pay Electronic Payment Co., Ltd.'s stock	-	Financial assets at fair value through other comprehensive income — non-current	932,828	18,517	1.28 %	18,517	
The Company	Green World FinTech Service Co., Ltd.'s stock	-	Financial assets at fair value through other comprehensive income — non-current	847	344	0.01 %	344	
The Company	Banyan Hills Technologies, Inc.'s convertible promissory note	-	Financial assets at fair value through porfit and loss — non-current	-	32,000 (USD1,000)	- %	32,000 (USD1,000)	
PORTEWLL	AcSiP Technology Corp.'s stock	PORTWELL is director of AcSiP Technology Crop.	Financial assets at fair value through other comprehensive income — non-current	5,180,000	55,322	14.14 %	55,322	
PORTEWLL	S-SHARP Corporation's stock	-	Financial assets at fair value through other comprehensive income — non-current	232,000	-	16.20 %	-	
PORTEWLL	GRIDWELL, Inc.'s stock	-	Financial assets at fair value through other comprehensive income — non-current	400,000	-	15.04 %	-	
PORTEWLL	Welink Solutions, Inc.' stock	Subsidiary of associate	Financial assets at fair value through other comprehensive income — non-current	1,935,346	25,929	9.68 %	25,929	
HOLDING	Beijing Caswell Ltd.'s stock	-	Financial assets at fair value through other comprehensive income — non-current	-	26,578	18.00 %	26,578	

Note 1: For more information about the investment of subsidiaries, associates and joint ventures, please refer to Tables 6 and 7.

Note 2: The Company did not recognize any carrying value deriving from Hua He Tang, Yao Teng, NiceRaker, WaWaWorks, and My Ball, since they have ceased operating or their businesses have no substantial operating activities.

Posiflex Technology, Inc. and Subsidiaries

Related-party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock

For the three months ended March 31, 2024

Table 3

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
PORTWELL	APT	Subsidiary	Sale	(347,146)	62 %	Net 15 days from invoice date	-	-	109,102	29.83 %	Note

Note : The relevant transactions and ending balance were eliminated in the consolidated financial statements.

Posiflex Technology, Inc. and Subsidiaries
Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock
For the three months ended March 31, 2024

Table 4

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss Allowance	Note
					Amount	Action taken			
The Company	PTIL	Subsidiary of the Group	101,147	2.03	24,696	Strengthen collections of receivables	12,225	-	Note 1
PORTWELL	APT	Subsidiary of the Group	109,102	19.95	-	-	109,102	-	Note 1

Note 1: The relevant transactions and ending balance were eliminated in the consolidated financial statements.

Posiflex Technology, Inc. and Subsidiaries
Business relationships and significant intercompany transactions
For the three months ended March 31, 2024

Table 5

(In Thousands of New Taiwan Dollars)

No. (Note 2)	Name of company	Name of counter-party	Nature of relationship (Note 3)	Intercompany transactions			
				Account (Note 5)	Amount	Trading terms	Percentage of the consolidated total revenue or total assets (Notes 1, 4)
0	The Company	PBM	1	Sales revenue	59,210	The selling price for related parties, determined by the consumption situation in their regions, approximated the market price.	3 %
0	The Company	PJ	1	Sales revenue	41,966	The selling price for related parties, determined by the consumption situation in their regions, approximated the market price.	2 %
0	The Company	PTIL	1	Sales revenue	53,398	The selling price for related parties, determined by the consumption situation in their regions, approximated the market price.	2 %
1	PORTWELL	APT	3	Sales revenue	347,146	The selling price for related parties, determined by the consumption situation in their regions, approximated the market price.	16 %

Note 1: The transactions with amount that account for more than 1% of the consolidated total revenue or total assets were disclosed.

Note 2: The information of number is as follow:

1. The number 0 represents the parent company.
2. The subsidiaries are numbered in order starting from number 1.

Note 3: The types of relationships with traders are as follows:

1. The parent company to the subsidiary.
2. The subsidiary to the parent company.
3. The subsidiary to the subsidiary.

Note 4: The ratio of the transaction amount to the consolidated total sales revenue or consolidated total assets was calculated as follows:

1. For transaction amount accounted for as asset or liability, the ratio is calculated based on the ending balance of the consolidated total assets.
2. For transaction amount accounted for as profit or loss, the ratio is calculated based on the accumulated amount of profit or loss at the end of the financial period of the consolidated total sales revenue.

Note 5: Only the sales revenue and accounts receivable from related parties were disclosed; the relative purchase and accounts payable need not be redisclosed.

Posiflex Technology, Inc. and Subsidiaries
Information on investees
For the three months ended March 31, 2024

Table 6

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2024	December 31, 2023	Shares	Percentage of ownership	Carrying value			
The Company	PORTWELL	Taiwan	Manufacture and sale of industrial computers and peripheral equipment and information software services	2,534,078	2,534,078	54,070,812	55.00 %	3,347,829	166,579	88,319	Subsidiary(Notes 1,2)
The Company	PBM	U.S.A.	Foreign trade	2,810,494	2,810,494	417,034,408	100.00 %	1,985,556	(62,713)	(62,713)	Subsidiary(Note 1)
The Company	PIC	Seychelles	Foreign trade	107,055	107,055	-	100.00 %	62,606	(5,653)	(5,653)	Subsidiary(Note 1)
The Company	PENETEK	Taiwan	Manufacture and sale of industrial computers and peripheral equipment	36,910	36,910	3,691,000	61.52 %	38,097	(3,253)	(2,001)	Subsidiary(Note 1)
The Company	KOMING	Taiwan	Foreign trade and software services	15,000	15,000	1,500,000	100.00 %	10,307	27	27	Subsidiary(Note 1)
The Company	PBMM	Malaysia	Foreign trade	7,795	7,795	801,214	83.46 %	9,092	472	403	Subsidiary(Note 1)
The Company	PTSC	Argentina	Foreign trade	15,151	15,151	-	100.00 %	(44)	-	-	Subsidiary(Note 1)
The Company	ONK Cloud	Taiwan	Software services	3,196	3,196	319,667	99.90 %	83	-	-	Subsidiary(Note 1)
The Company	PG	Germany	Foreign trade	67,989	67,989	-	100.00 %	25,738	(2,695)	(2,695)	Subsidiary(Note 1)
The Company	PTIL	India	Foreign trade	8,441	8,441	51,000	51.00 %	26,056	2,162	1,103	Subsidiary(Note 1)
The Company	PTPL	Singapore	Foreign trade	11,612	11,612	500,000	100.00 %	3,588	(496)	(496)	Subsidiary(Note 1)
The Company	PJ	Japan	Foreign trade	43,162	43,162	2,400	100.00 %	(1,731)	842	842	Subsidiary(Note 1)
The Company	LPK	U.S.A.	Foreign trade	52,403	52,403	17,500	35.00 %	52,241	95	33	Investment accounted for using the equity method
The Company	KIOSKTW	Taiwan	Software services	20,000	20,000	2,000,000	100.00 %	11,924	(3,394)	(3,394)	Subsidiary(Note 1)
ONK Cloud	ONK International	Samoa	Investing	5,027	5,027	-	100.00 %	(93)	-	-	Subsidiary(Note 1)
PBM	KIA	U.S.A.	Investing	3,295,755	3,295,755	1,012,355	82.00 %	1,838,118	(26,825)	(40,282)	Subsidiary(Notes 1,2)
PTIL	MUSTEK	India	Foreign trade	48	48	-	100.00 %	560	42	42	Subsidiary(Note 1)
PTIL	QUINTA	India	Foreign trade	931	931	69,999	70.00 %	(12,562)	(6,423)	(4,496)	Subsidiary(Note 1)
QUINTA	QUGO	India	Ecommerce platform for travel	474	-	12,500	25.00 %	492	49	12	Investment accounted for using the equity method
PORTWELL	APT	U.S.A.	Manufacture and sale of industrial computers and peripheral equipment	909,329	909,329	42,777,780	100.00 %	3,098,279	59,089	59,089	Subsidiary (Note 1)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2024	December 31, 2023	Shares	Percentage of ownership	Carrying value			
PORTWELL	PJI	Japan	Manufacture and sale of industrial computers and peripheral equipment	31,383	31,383	1,980	99.00 %	157,067	1,679	1,663	Subsidiary (Note 1)
PORTWELL	DEVELOPMENT	Samoa	Investing	91,840	91,840	2,800,000	100.00 %	60,617	71	71	Subsidiary (Note 1)
PORTWELL	EPT	Netherland	Manufacture and sale of industrial computers and peripheral equipment	208,574	208,574	45,000	100.00 %	174,627	(8,213)	(8,213)	Subsidiary (Note 1)
PORTWELL	PIT	India	Manufacture and sale of industrial computers and peripheral equipment	14,470	14,470	2,877,776	51.00 %	5,012	(387)	(197)	Subsidiary (Note 1)
PORTWELL	PKI	South Korea	Manufacture and sale of industrial computers and peripheral equipment	36,457	36,457	278,153	100.00 %	(1,710)	625	625	Subsidiary (Note 1)
PORTWELL	GANLOT	Taiwan	Manufacture and sale of industrial computers and peripheral equipment	16,800	16,800	2,800,000	100.00 %	58,402	2,448	2,448	Subsidiary (Note 1)
PORTWELL	MiTwel	Taiwan	Manufacture and sale of industrial computers and peripheral equipment	64,047	64,047	6,097,663	18.86 %	191,082	(15,789)	(2,983)	Investment accounted for using the equity method
PORTWELL	HOLDWEL	Cayman Islands	Investing	94,520	94,520	100,000,000	83.33 %	274,486	13,567	11,967	Subsidiary (Note 1)
APT	KIA	U.S.A	Investing	525,215	525,215	222,225	18.00 %	521,780	(26,825)	(4,828)	Subsidiary (Note 1)
DEVELOPMENT	HOLDING	Samoa	Investing	91,840	91,840	2,800,000	100.00 %	60,853	71	71	Subsidiary (Note 1)
EPT	KES	Germany	Manufacture and sale of industrial computers and peripheral equipment	59,953	59,953	1	100.00 %	90,276	15,595	15,595	Subsidiary (Note 1)
EPT	PUK	U.K.	Manufacture and sale of industrial computers and peripheral equipment	3,883	3,883	200,000	100.00 %	13,743	317	317	Subsidiary (Note 1)
EPT	KESI	Italy	Manufacture and sale of industrial computers and peripheral equipment	1,586	1,586	50,000	100.00 %	3,364	(3,956)	(3,956)	Subsidiary (Note 1)
HOLDWEL	MEDWELL	Taiwan	Manufacture and sale of industrial computers and peripheral equipment	92,000	92,000	9,200,000	100.00 %	236,907	9,379	9,379	Subsidiary (Note 1)

Note 1: The relevant transactions and ending balance were eliminated in the consolidated financial statements.

Note 2: Share of profits / losses of investee includes the amortized adjustment caused by consolidation.

Posiflex Technology, Inc. and Subsidiaries
Information on investment in Mainland China
For the three months ended March 31, 2024

Table 7

(In Thousands of New Taiwan Dollars)

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

Name of investee	Main businesses and products	Total amount of paid-in capital (note 3)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2024 (note 4)	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2024 (note 4)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (note 1)	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow							
Posiflex Business Machines (Beijing) Co., Ltd. (PBMB)	Foreign trade	112,000	(note 5)	112,000	-	-	112,000	(5,653)	100.00%	(5,653)	62,606	-	
ONK Clouding Shanghai (ONK Shanghai)	Software services	5,440	(note 5)	5,440	-	-	5,440	-	99.90 %	-	(93)	-	
Beijing Caswell Ltd.	Manufacture and sale of networking and communication equipment	121,600	(note 5)	21,888	-	-	21,888	(10,843)	18.00 %	-	26,578	-	Note 2
Welink Technology Co., Ltd.	Manufacture and sale of computers and peripheral equipment; design and sale of software; foreign trade	39,840	(note 5)	-	-	-	-	(461)	100.00%	(461)	5,911	-	Note 2

Note 1: The investment income (losses) recognized was based on the financial statements from the investee company, which had not been reviewed

Note 2: The beginning investment amounts of Welink Technology were RMB \$174 thousand and US\$1,045 thousand; and the beginning investment amounts of Beijing Caswell were US\$180 thousand. All investment capitals were remitted through third regions.

Note 3: The amounts with NTD were calculated based on the exchange rate of US\$1: NT\$32 and RMB1: NT\$4.408 at the end of March 2024. The paid-in capitals of PBMB, ONK Clouding Shanghai, Beijing Caswell, Welink Technology were US\$3,500 thousand, US\$170 thousand, US\$3,800 thousand, US\$1,245 thousand, respectively.

Note 4: The amounts with NTD were calculated based on the exchange rate of US\$1: NT\$32 at the end of December 31, 2023. The cumulative investment amount from Taiwan at the beginning and the end of the period were US\$3,500 thousand for PBMB, US\$170 thousand for ONK Clouding Shanghai and US\$684 thousand for Beijing Caswell.

Note 5: Investments in companies in Mainland China through the existing companies in the third regions.

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of March 31, 2024 (Note 2)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment (Note 1)
207,040	207,040	4,008,972

Note 1: According to Directions Governing the Examination of Investment or Technical Cooperation in Mainland China, the upper limit of investment in mainland China is the higher between 60% of the total equity or total consolidated equity.

Note 2: The amount with NTD was calculated based on the exchange rate of US\$1:NT\$32 at the end of March 2024. The amount of accumulated investments included that of the Company of US\$3,670 thousand and PORTWELL of US\$2,800 thousand.

Note 3: The amount with NTD was calculated based on the exchange rate of US\$1:NT\$32 at the end of March 2024. The investment amounts authorized by Investment Commission, MOEA included those of the Company of US\$3,670 thousand, and PORTWELL of US\$2,800 thousand.