

**LANNER ELECTRONICS INC.****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2023 and 2022**

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

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of material policies	9~23
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	23~24
(6) Explanation of significant accounts	24~50
(7) Related-party transactions	50~54
(8) Pledged assets	54
(9) Commitments and contingencies	54
(10) Losses Due to Major Disasters	54
(11) Subsequent Events	54
(12) Other	54~55
(13) Other disclosures	
(a) Information on significant transactions	56~57
(b) Information on investees	57
(c) Information on investment in mainland China	57~58
(d) Major shareholders	58
(14) Segment information	58
9. List of major account titles	59~69



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## Independent Auditors' Report

To the Board of Directors of LANNER ELECTRONICS INC.:

### Opinion

We have audited the parent company only financial statements of LANNER ELECTRONICS INC. (“the Company”), which comprise the balance sheets as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Other Matter

We did not audit the financial statements of certain investments accounted for using the equity method. These statements were audited by others auditor, whose audit report has been furnished to us, and our opinion, insofar as it relates to the amounts included in these investments, is based solely on the audit reports of other auditors. The investments accounted for using the equity method constituting 7% and 5% of total assets as of December 31, 2023 and 2022, respectively, and the related share of profit of subsidiaries accounted for using the equity method constituting 4% and 9% of total net income before tax for the years ended December 31, 2023 and 2022, respectively.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

### 1. Revenue recognition

Please refer to notes 4(n) and 6(q) for disclosures related to revenue recognition.

Description of key audit matter:

Revenue is the key indicator used by the investors and management while evaluating the LANNER ELECTRONICS INC.'s finance or operating performance. The accuracy of the timing and amount of revenue recognized have significant impact on its financial statements. Therefore, we consider it as the key audit matters.

How the matter was addressed in our audit:

Testing the effectiveness of the internal control design and implementation (both manual and system control) of sales and collecting cycle; reviewing the critical judgments, estimates and accounting treatment of revenue recognition for significant sales contracts for the appropriateness; analyzing the changes in significant sales from the customers from the most recent period and previous year to determine whether if there are any significant misstatements; selecting sales transactions from a period of time before and after the balance sheet date, and verifying with the vouchers to determine the accuracy of the timing and amounts of revenue recognition; understanding whether if there is a significant subsequent sales return or discount.

### 2. Inventory measurement

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

Description of key audit matter:

The electronic industry faces rapid evolving technology. Therefore, the characteristic of fierce competition may result in large fluctuations in market demand and prices. In addition, the increasing performance of product within time basis may result in a decline on the price of raw material, wherein the carrying value of inventories may exceed its net realizable value. Also the measurement of inventory depends on the evaluation of the management based on evidence from internal and external, both subjective and objective. Therefore, we consider the inventory measurement as one of our key audit matters.

How the matter was addressed in our audit:

Understanding the management's accounting policy on inventory measurement to determine whether if it is reasonable and is being implemented; reviewing the inventory aging documents and analyzing their changes; obtaining the documents on inventory measurement and evaluating whether the basis used for net realizable value is reasonable; selecting samples and verifying them with the vouchers to test the accuracy of the amounts; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

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

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

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

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

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

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 14, 2024

#### **Notes to Readers**

The accompanying parent company only financial statements are intended only to present the 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 audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

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(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

## LANNER ELECTRONICS INC.

## Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
11xx	<b>Current assets:</b>					21xx	<b>Current liabilities:</b>				
1100	Cash and cash equivalents (note 6(a))	\$ 2,600,096	30	2,272,820	27	2130	Current contract liabilities (note 6(q))	\$ 126,114	1	28,125	-
1136	Current financial assets at amortised cost, net (note 6(b))	1,130,000	13	50,000	1	2321	Bonds payable, current portion (note 6(j))	-	-	893,008	11
1170	Accounts receivable, net (note 6(c))	393,366	5	808,715	10	2170	Accounts payable	1,001,595	13	1,385,433	17
1180	Accounts receivable—related parties, net (notes 6(c) and 7)	467,877	5	1,106,707	13	2180	Accounts payable due to related parties (note 7)	-	-	1,968	-
1200	Other receivables (note 6(d))	8,797	-	8,780	-	2219	Other payables (notes 6(l), (r) and 7)	772,966	9	803,974	10
130x	Inventories (note 6(e))	1,332,163	16	1,455,201	18	2230	Current tax liabilities	280,216	3	337,938	4
1410	Prepayments	16,233	-	16,254	-	2250	Provisions—current (note 6(i))	92,065	1	57,209	1
1476	Other financial assets—current (note 8)	4,284	-	1,584	-	2280	Current lease liabilities (notes 6(k) and 7)	7,654	-	9,874	-
1479	Other current assets	45,693	1	53,418	1	2399	Other current liabilities (note 6(q))	174,640	2	170,567	2
	<b>Total current assets</b>	<u>5,998,509</u>	<u>70</u>	<u>5,773,479</u>	<u>70</u>		<b>Total current liabilities</b>	<u>2,455,250</u>	<u>29</u>	<u>3,688,096</u>	<u>45</u>
15xx	<b>Non-current assets:</b>					25xx	<b>Non-Current liabilities:</b>				
1550	Investments accounted for under equity method (note 6(f))	1,512,396	18	1,411,242	17	2560	Non-current income tax liabilities	104,918	1	-	-
1600	Property, plant and equipment (note 6(g))	941,311	11	967,548	12	2570	Deferred income tax liabilities (note 6(m))	256,846	3	246,960	3
1755	Right-of-use assets (notes 6(h) and 7)	10,663	-	17,001	-	2580	Non-current lease liabilities (notes 6(k) and 7)	3,008	-	7,130	-
1840	Deferred income tax assets (note 6(m))	111,308	1	109,803	1	2630	Long-term deferred revenue (note 6(q))	29,471	-	35,463	-
1915	Prepayments for equipment	230	-	890	-	2640	Net defined benefit liabilities (note 6(l))	44,420	1	35,279	-
1995	Other non-current assets (note 7)	8,017	-	15,108	-	2670	Other non-current liabilities	94	-	98	-
	<b>Total non-current assets</b>	<u>2,583,925</u>	<u>30</u>	<u>2,521,592</u>	<u>30</u>		<b>Total non-current liabilities</b>	<u>438,757</u>	<u>5</u>	<u>324,930</u>	<u>3</u>
						2xxx	<b>Total liabilities</b>	<u>2,894,007</u>	<u>34</u>	<u>4,013,026</u>	<u>48</u>
						3110	<b>Equity attributable to owners of parent (notes 6(j), (n) and (o)):</b>				
						3200	Common stock	1,453,423	17	1,180,424	14
						3300	Capital surplus	1,485,802	17	772,702	9
						3310	Retained earnings:				
						3310	Legal reserve	567,915	7	467,203	6
						3320	Special reserve	68,858	1	135,875	2
						3350	Unappropriated retained earnings	2,193,808	25	1,794,699	22
								<u>2,830,581</u>	<u>33</u>	<u>2,397,777</u>	<u>30</u>
						3400	Other equity:				
						3410	Financial statements translation differences for foreign operations	(81,379)	(1)	(68,858)	(1)
						3xxx	<b>Total equity</b>	<u>5,688,427</u>	<u>66</u>	<u>4,282,045</u>	<u>52</u>
1xxx	<b>Total assets</b>	<u>\$ 8,582,434</u>	<u>100</u>	<u>8,295,071</u>	<u>100</u>	2-3xxx	<b>Total liabilities and equity</b>	<u>\$ 8,582,434</u>	<u>100</u>	<u>8,295,071</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

## LANNER ELECTRONICS INC.

## Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

	2023		2022	
	Amount	%	Amount	%
4000 <b>Operating revenue (notes 6(q) and 7)</b>	\$ 6,391,899	100	8,137,402	100
5000 <b>Operating costs (notes 6(e), (g), (h), (i), (k), (l), (o), (r) and 7)</b>	4,289,001	67	5,766,009	71
5900 <b>Gross profit from operations</b>	2,102,898	33	2,371,393	29
5910 Less: Unrealized gain on affiliated transactions	(63,859)	(1)	86,417	1
<b>Gross profit</b>	<u>2,166,757</u>	<u>34</u>	<u>2,284,976</u>	<u>28</u>
6000 <b>Operating expenses (notes 6(c), (g), (h), (k), (l), (o), (r) and 7):</b>				
6100 Selling expenses	219,855	3	214,532	3
6200 Administrative expenses	265,938	4	321,445	4
6300 Research and development expenses	555,887	9	592,108	7
6450 Expected credit losses (reversal gain)	(4,848)	-	(6,361)	-
<b>Total operating expenses</b>	<u>1,036,832</u>	<u>16</u>	<u>1,121,724</u>	<u>14</u>
6900 <b>Operating profit</b>	<u>1,129,925</u>	<u>18</u>	<u>1,163,252</u>	<u>14</u>
7000 <b>Non-operating income and expenses (notes 6(j), (k), (s) and 7):</b>				
7100 Interest income	53,421	1	13,047	-
7010 Other income	17,374	-	24,682	-
7020 Other gains and losses	(37,144)	(1)	48,613	1
7050 Financial costs	(5,918)	-	(7,772)	-
7070 Share of loss (profit) from the subsidiaries and associates accounted for under equity method	21,548	-	(6,162)	-
<b>Total non-operating income and expenses</b>	<u>49,281</u>	<u>-</u>	<u>72,408</u>	<u>1</u>
7900 <b>Net Income before tax</b>	1,179,206	18	1,235,660	15
7950 <b>Less: income tax expenses(note 6 (m))</b>	191,781	3	232,381	3
8000 <b>Net income</b>	<u>987,425</u>	<u>15</u>	<u>1,003,279</u>	<u>12</u>
8300 <b>Other comprehensive income (loss) (notes 6(l) and (n)):</b>				
8310 <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311 Gains (losses) on remeasurements of defined benefit plans	(9,481)	-	3,843	-
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	<u>(9,481)</u>	<u>-</u>	<u>3,843</u>	<u>-</u>
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	(12,521)	-	67,017	1
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	<u>(12,521)</u>	<u>-</u>	<u>67,017</u>	<u>1</u>
8300 <b>Other comprehensive income</b>	<u>(22,002)</u>	<u>-</u>	<u>70,860</u>	<u>1</u>
8500 <b>Total comprehensive income</b>	<u>\$ 965,423</u>	<u>15</u>	<u>1,074,139</u>	<u>13</u>
9750 <b>Basic earnings per share (New Taiwan Dollars) (note 6(p))</b>	<u>\$ 7.57</u>		<u>8.03</u>	
9850 <b>Diluted earnings per share (New Taiwan Dollars) (note 6(p))</b>	<u>\$ 6.69</u>		<u>6.89</u>	

See accompanying notes to parent company only financial statements.



(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

**LANNER ELECTRONICS INC.****Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings						Financial statements translation differences for foreign operations	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings		
<b>Balance at January 1, 2022</b>	\$ 1,170,034	744,705	417,739	128,464	1,198,582	1,744,785	(135,875)	3,523,649
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	49,464	-	(49,464)	-	-	-
Special reserve	-	-	-	7,411	(7,411)	-	-	-
Cash dividends	-	-	-	-	(354,130)	(354,130)	-	(354,130)
Net income	-	-	-	-	1,003,279	1,003,279	-	1,003,279
Other comprehensive income (loss)	-	-	-	-	3,843	3,843	67,017	70,860
Total comprehensive income (loss)	-	-	-	-	1,007,122	1,007,122	67,017	1,074,139
Share-based payment arrangements	-	4,412	-	-	-	-	-	4,412
Issuance of shares for exercise of employee stock options	10,390	23,585	-	-	-	-	-	33,975
<b>Balance at December 31, 2022</b>	1,180,424	772,702	467,203	135,875	1,794,699	2,397,777	(68,858)	4,282,045
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	100,712	-	(100,712)	-	-	-
Special reserve	-	-	-	(67,017)	67,017	-	-	-
Cash dividends	-	-	-	-	(474,030)	(474,030)	-	(474,030)
Stock dividends	71,110	-	-	-	(71,110)	(71,110)	-	-
Net income	-	-	-	-	987,425	987,425	-	987,425
Other comprehensive income (loss)	-	-	-	-	(9,481)	(9,481)	(12,521)	(22,002)
Total comprehensive income (loss)	-	-	-	-	977,944	977,944	(12,521)	965,423
Conversion of convertible bonds	197,239	701,507	-	-	-	-	-	898,746
Share-based payment arrangements	-	1,689	-	-	-	-	-	1,689
Issuance of shares for exercise of employee stock options	4,650	9,904	-	-	-	-	-	14,554
<b>Balance at December 31, 2023</b>	\$ <u>1,453,423</u>	<u>1,485,802</u>	<u>567,915</u>	<u>68,858</u>	<u>2,193,808</u>	<u>2,830,581</u>	<u>(81,379)</u>	<u>5,688,427</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

## LANNER ELECTRONICS INC.

## Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
<b>Cash flows from (used in) operating activities:</b>		
Net income before tax	\$ 1,179,206	1,235,660
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit and loss:</b>		
Depreciation expense	85,879	77,058
Reversal of impairment loss determined in accordance with IFRS9	(4,848)	(6,361)
Net gain on financial assets or liabilities at fair value through profit or loss	-	(1,737)
Interest expense	5,918	7,772
Interest income	(53,421)	(13,047)
Share-based payment transactions	1,689	4,412
Share of loss (profit) of subsidiaries and associates accounted for using equity method	(21,548)	6,162
Gain on disposal of property, plant and equipment	(85)	(1,465)
Loss on disposal of investments	1,358	-
Unrealized (loss) gain on affiliated transactions	(63,859)	86,417
Total adjustments to reconcile profit	(48,917)	159,211
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets or liabilities at fair value through profit or loss	-	575,928
Accounts receivable	420,197	(170,419)
Accounts receivable due from related parties	638,830	(448,095)
Other receivables	(21)	10,752
Inventories	123,038	(205,129)
Prepayments	21	(1,314)
Other current assets	7,725	1,480
Other financial assets – current	-	2,417
Other non-current assets	2,800	(5,200)
Total changes in operating assets, net	1,192,590	(239,580)
Changes in operating liabilities:		
Contract liabilities	97,989	(14,162)
Accounts payable	(383,838)	16,848
Accounts payable to related parties	(1,968)	1,968
Other payables	(31,008)	224,084
Provisions	34,856	17,135
Other current liabilities	(3,325)	(33,968)
Net defined benefit liabilities	(340)	(655)
Deferred revenue	1,406	7,350
Total changes in operating liabilities, net	(286,228)	218,600
Total changes in operating assets and liabilities, net	906,362	(20,980)
Total adjustments	857,445	138,231
Cash flow from operating activities	2,036,651	1,373,891
Interest income received	50,721	12,637
Interest paid	(180)	(206)
Income taxes paid	(136,204)	(86,425)
<b>Net cash flows from operating activities</b>	<b>1,950,988</b>	<b>1,299,897</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at amortised cost	(1,080,000)	-
Proceeds from disposal of financial assets at amortised cost	-	210,000
Acquisition of investments accounted for using equity method	(31,862)	(32,676)
Proceeds from capital reduction of investments accounted for using equity method	2,236	-
Acquisition of property, plant and equipment	(47,426)	(133,109)
Proceeds from disposal of property, plant and equipment	85	1,465
Decrease in other non-current assets	4,291	10,454
Increase in prepayments for equipment	(441)	(1,822)
<b>Net cash flows from (used in) investing activities</b>	<b>(1,153,117)</b>	<b>54,312</b>
<b>Cash flows from (used in) financing activities:</b>		
Payment of lease liabilities	(11,119)	(12,515)
Decrease in other non-current liabilities	-	(1)
Cash dividends paid	(474,030)	(354,130)
Proceeds from exercise of employee stock options	14,554	33,975
<b>Net cash used in financing activities</b>	<b>(470,595)</b>	<b>(332,671)</b>
<b>Net increase in cash and cash equivalents</b>	<b>327,276</b>	<b>1,021,538</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,272,820</b>	<b>1,251,282</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,600,096</b>	<b>2,272,820</b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

**LANNER ELECTRONICS INC.**

**Notes to the Financial Statements**

**For the years ended December 31, 2023 and 2022**

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

**(1) Company history**

LANNER ELECTRONICS INC. (the Company) was incorporated on October 30, 1986, under the laws of the Republic of China (ROC). The Company is mainly engaged in the manufacturing and trading of computer peripheral equipment, computer software design and development services, and related information processing trade business. Please refer to note 14.

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

The parent company only financial statements were authorized for issue by the Board of Directors and issued on March 14, 2024.

**(3) New standards, amendments and interpretations adopted:**

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

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

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

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

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

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

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

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

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

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

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

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

**(4) Summary of material policies**

The material accounting policies presented in the parent company only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

- (a) Statement of compliance

These parent company only 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”).

- (b) Basis of preparation

- (i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for those otherwise explained in the accounting policies in the notes.

- (ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment. The Company's parent company only financial statements are presented in New Taiwan Dollars, which is Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

- (c) Foreign currency

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

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

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

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

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

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

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

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

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

(e) Cash and cash equivalents

Cash and cash equivalents comprised cash, cash in banks and short-term investments with high liquidity that are subject to an insignificant risk of changes in their fair value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

(f) Financial instruments

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

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model in managing its financial assets.

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI )

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets).

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

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

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

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

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

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

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

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

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

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(Continued)



**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) Financial liabilities

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

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

6) Derecognition of financial liabilities

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

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

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

7) Offsetting of financial assets and liabilities

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

8) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(iii) Derivative financial instruments

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

(g) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted-average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

The equity of associates is incorporated in the financial statements using the equity method. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the changes in ownership interests of the associate in capital surplus in proportion to its ownership interests.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Investment in subsidiaries

When preparing the Company's financial statements, investments in subsidiaries which are controlled by the Company using the equity method. Under the equity method, the net income, other comprehensive income, and equity in the financial statements are equivalent to those attributable to the shareholders of the parent company in the parent company only financial statements.

Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions.

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) buildings	29~51 years
2) machinery	2~9 years
3) other equipment	1~11 years

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

(k) Leases

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

(i) As a lessee

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

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

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

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

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

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

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

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modification

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

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

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

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

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

(ii) As a lessor

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(l) Impairment – non-financial assets

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

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

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

(m) Provisions

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

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(n) Revenue from contracts with customers

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

(i) Sale of goods

The Company manufactures and sells industrial personal computers and network communication apparatus to computer manufacturers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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

The Company provides certain customers who buy product with an extended warranty over the two-year period in addition to the assurance that the product complies with agreed-upon specifications. This kind of contract contains two performance obligations and, therefore, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. Management estimates the stand-alone selling prices at contract inception based on the observable prices at which the Group would sell the product and the extended warranty separately in similar circumstances and to similar customers. The Group recognizes revenue for the service-type warranty on a straight-line basis over the extended warranty period. The payment terms of the extended warranty are similar to product.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

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

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

(Continued)



**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

(q) Income tax

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The weighted-average number of common shares outstanding is adjusted retroactively for the increase in common shares outstanding from stock issuance arising from the capitalization of retained earnings, or additional paid-in capital.

When computing diluted earnings per share with regards to employee bonuses in the form of stock, the closing price at the balance sheet date is used as the basis of computation in the number of shares to be issued. When computing diluted earnings per share prior to the following year's Board of Directors the effect of dilution from these potential stocks is taken into consideration.

(s) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statements. Hence no further information is disclosed in the financial statements.

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

In preparing these financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The Management will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of change and the future period of their impact.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the parent company only financial statements.

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

Inventory measurement

Since inventories are measured at the lower of cost or net realizable value, the Company evaluated the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. Please refer to note 6(e) for inventory measurement.

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash on hand	\$ 468	264
Demand deposits	542,150	463,128
Time deposits	1,130,000	1,260,000
Foreign currency deposits	<u>927,478</u>	<u>549,428</u>
Cash and cash equivalents per consolidated statements of cash flow	<u><b>\$ 2,600,096</b></u>	<u><b>2,272,820</b></u>

Please refer to note 6(t) for the credit risk, exchange rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets measured at amortized cost

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Time deposits	<u><b>\$ 1,130,000</b></u>	<u><b>50,000</b></u>
Interest rate (%)	1.41~1.5	0.53~1.175
Maturity dates	2024.04~2024.05	2023.02

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

The Company's financial assets measured at amortized cost had not pledged as collateral.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

(c) Notes and accounts receivable (including related parties)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	\$ 393,903	814,100
Accounts receivable—related parties	467,877	1,106,707
Less: allowance for impairment	<u>537</u>	<u>5,385</u>
	<u><u>\$ 861,243</u></u>	<u><u>1,915,422</u></u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision were determined as follows:

	<u>December 31, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 847,037	0.00%	-
1 to 30 days past due	14,743	0.00%	-
31 to 60 days past due	-	6.88%	-
61 to 90 days past due	-	100%	-
91 to 120 days past due	-	100%	-
More than 121 days past due	<u>-</u>	100%	<u>-</u>
	<u><u>\$ 861,780</u></u>		<u><u>-</u></u>
	<u>December 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,909,571	0.03%	605
1 to 30 days past due	7,767	1.52%	118
31 to 60 days past due	160	16.95%	27
61 to 90 days past due	-	58.09%	-
91 to 120 days past due	-	100%	-
More than 121 days past due	<u>3,309</u>	100%	<u>3,309</u>
	<u><u>\$ 1,920,807</u></u>		<u><u>4,059</u></u>

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

	<u>2023</u>	<u>2022</u>
Balance at beginning of the period	\$ 5,385	11,746
Impairment loss reversed	<u>(4,848)</u>	<u>(6,361)</u>
Balance at end of the period	<u><u>\$ 537</u></u>	<u><u>5,385</u></u>

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

The Company has not provided the notes and accounts receivable as collateral or factored them for cash. For other credit risk information, please refers to note 6(t).

(d) Other receivables

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other	<u>\$ 8,797</u>	<u>8,780</u>

As of December 31, 2023 and 2022, the Company had no other receivables that were past due. For other credit risk information, please refers to note 6(t).

(e) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Finished goods	\$ 407,270	460,873
Work in process	375,341	284,861
Raw material	549,552	709,467
Total	<u>\$ 1,332,163</u>	<u>1,455,201</u>

Inventories are measured at the lower of cost and net realizable value. Hence, the Company makes judgments and estimates in the net realizable value of inventory for financial statement. The rapid development on technology may significantly affect the market demand on electronic products, which can lead to product obsolescence, resulting in the cost of inventory to exceed its net realizable value. Valuation of the inventory is based according to the estimated future demand for its products. Hence, there is a possibility for the valuation to have a significant fluctuation.

As of December 31, 2023 and 2022, the Company did not pledge any collateral on inventories.

A side from charging operating costs through the ordinary sale of inventories, other gains and losses directly recorded under operating costs in the years 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Loss on market value of inventory	46,808	21,121
Loss from scrapped inventory	36,693	36,449
Loss (gain) on physical count	2	(2)
Total	<u>83,503</u>	<u>57,568</u>

(f) Investments accounted for under the equity method

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiaries	\$ 1,507,998	1,410,422
Associates	4,398	820
	<u>\$ 1,512,396</u>	<u>1,411,242</u>

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

(i) Subsidiaries

Please refer to the consolidated financial statement for the year end December 31, 2023.

(ii) Collateral

As of December 31, 2023 and 2022, the Company did not pledge any collateral on investments accounted for under the equity method.

(g) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Cost or deemed cost:					
Balance at January 1, 2023	\$ 493,537	427,668	235,313	414,204	1,570,722
Additions	-	-	13,615	33,811	47,426
Disposals	-	-	(1,992)	(1,428)	(3,420)
Reclassification	-	-	-	1,101	1,101
Balance at December 31, 2023	<u>\$ 493,537</u>	<u>427,668</u>	<u>246,936</u>	<u>447,688</u>	<u>1,615,829</u>
Balance at January 1, 2022	\$ 493,537	427,668	133,339	410,117	1,464,661
Additions	-	-	111,889	21,220	133,109
Disposals	-	-	(13,978)	(21,137)	(35,115)
Reclassification	-	-	4,063	4,004	8,067
Balance at December 31, 2022	<u>\$ 493,537</u>	<u>427,668</u>	<u>235,313</u>	<u>414,204</u>	<u>1,570,722</u>
Depreciation and impairment loss:					
Balance at January 1, 2023	\$ -	135,243	115,029	352,902	603,174
Depreciation	-	10,457	22,122	42,185	74,764
Disposal	-	-	(1,992)	(1,428)	(3,420)
Balance at December 31, 2023	<u>\$ -</u>	<u>145,700</u>	<u>135,159</u>	<u>393,659</u>	<u>674,518</u>
Balance at January 1, 2022	\$ -	124,786	118,611	330,345	573,742
Depreciation	-	10,457	10,396	43,694	64,547
Disposal	-	-	(13,978)	(21,137)	(35,115)
Balance at December 31, 2022	<u>\$ -</u>	<u>135,243</u>	<u>115,029</u>	<u>352,902</u>	<u>603,174</u>
Carrying value:					
December 31, 2023	<u>\$ 493,537</u>	<u>281,968</u>	<u>111,777</u>	<u>54,029</u>	<u>941,311</u>
December 31, 2022	<u>\$ 493,537</u>	<u>292,425</u>	<u>120,284</u>	<u>61,302</u>	<u>967,548</u>
January 1, 2022	<u>\$ 493,537</u>	<u>302,882</u>	<u>14,728</u>	<u>79,772</u>	<u>890,919</u>

The Company did not pledge any collateral on property, plant and equipment.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

## (h) Right-of-use assets

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

	<u>Building</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 26,764	8,855	35,619
Additions	4,469	1,399	5,868
Write-off	(4,247)	(1,565)	(5,812)
Lease modification	-	(2,922)	(2,922)
Balance at December 31, 2023	<u>\$ 26,986</u>	<u>5,767</u>	<u>32,753</u>
Balance at January 1, 2022	\$ 25,535	16,202	41,737
Additions	1,229	1,784	3,013
Write-off	-	(9,131)	(9,131)
Balance at December 31, 2022	<u>\$ 26,764</u>	<u>8,855</u>	<u>35,619</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2023	\$ 14,245	4,373	18,618
Depreciation	8,778	2,337	11,115
Write-off	(4,247)	(1,565)	(5,812)
Lease modification	-	(1,831)	(1,831)
Balance at December 31, 2023	<u>\$ 18,776</u>	<u>3,314</u>	<u>22,090</u>
Balance at January 1, 2022	\$ 5,884	9,354	15,238
Depreciation	8,361	4,150	12,511
Write-off	-	(9,131)	(9,131)
Balance at December 31, 2022	<u>\$ 14,245</u>	<u>4,373</u>	<u>18,618</u>
Carrying value:			
December 31, 2023	<u>\$ 8,210</u>	<u>2,453</u>	<u>10,663</u>
December 31, 2022	<u>\$ 12,519</u>	<u>4,482</u>	<u>17,001</u>
January 1, 2022	<u>\$ 19,651</u>	<u>6,848</u>	<u>26,499</u>

The Company did not pledge any collateral on right-of-use assets.

## (i) Provisions – current

	<u>Warranty provision</u>	<u>Onerous contracts</u>	<u>Total</u>
Balance at January 1, 2023	\$ 57,209	-	57,209
Provisions made during the year	37,014	24,298	61,312
Provisions used during the year	(26,456)	-	(26,456)
Balance at December 31, 2023	<u>\$ 67,767</u>	<u>24,298</u>	<u>92,065</u>

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

	<u>Warranty provision</u>	<u>Onerous contracts</u>	<u>Total</u>
Balance at January 1, 2022	\$ 40,074	-	40,074
Provisions made during the year	47,834	-	47,834
Provisions used during the year	(30,699)	-	(30,699)
Balance at December 31, 2022	<u>\$ 57,209</u>	<u>-</u>	<u>57,209</u>

In 2023 and 2022, provisions are estimated based on the historical data of trading of interment communications equipment, which are mainly associated with the Company's business products. The Company anticipates the warranties to occur in the following year of the sales.

In 2023, in order to meet its obligation in the purchase contracts, the Company expected the benefit to be lower than the expected cost. The Company accrued its provision according to the contracts, and the adjustment was recorded under cost of goods sold.

(j) Bonds payable

(i) The information of unsecured convertible bonds issued by the Company was as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total amount of convertible bonds upon issuance	\$ 900,000	900,000
Unamortized discount on bonds payable	-	6,992
Less: accumulated converted balance	(900,000)	-
due within a year	-	(893,008)
Ending balance of bonds payable	<u>\$ -</u>	<u>-</u>
Equity component— conversion options (recorded as capital surpluses— share options)	<u>\$ -</u>	<u>22,680</u>
	<u>2023</u>	<u>2022</u>
Interest expenses	<u>\$ 5,738</u>	<u>7,565</u>

(ii) On June 19, 2020, the first domestic unsecured convertible bonds issued by the Company were approved at the shareholders' meeting under the private placement, fully funded on November 19, 2020 and fully converted on October 2, 2023, respectively. The primary term and conditions of the bonds are as follows:

- 1) Principal amount: \$900,000 thousand.
- 2) Issue price: 100% of the principal amount of the bonds, with a par value of \$100 thousand.
- 3) Coupon rate: 0%.
- 4) Repayment method: The Group may redeem the bonds in cash at 100% par value of the bonds upon maturity, with the exception of those converted into ordinary shares of the Group by the private bondholders in accordance with Article 10 of the issuance and conversion method.

(Continued)



**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

5) Issue period: 3 years (December 4, 2020 to December 4, 2023).

6) Conversion Period:

The private bondholders shall convert the convertible bonds 3 months after the issuance date (March 5, 2021) to 10 days before the maturity date (November 24, 2023), with the exceptions of the following: (1) the closing period in accordance with the applicable laws,(2) the period starting from the fifteen business days prior to the date of record for determination wherein the shareholders are entitled to receive the distributions or rights to subscribe for new shares from a capital increase for cash, and ends on the date of record for the distribution of the right/benefits (3) the period starting from the date of record of the capital decrease and ends one day prior to the re issuance of the trading of shares after the capital decrease .

7) Conversion price and adjustment:

The conversion price was set at \$55.62 per share. On August 23, 2023, August 12, 2022 and August 10, 2021, the adjustment conversion price was \$45.63, \$50.28 and \$52.44, respectively. After the issuance of the converted bonds, if the Company issue additional common share (included but not limited to capital increase by issuing additional stock shares through public or private placement, capital increased out of retained earnings, capitalization of reserves, company merged or issuance of new shares due to acquisition of shares of another company, stock split or cash capital increase through issue overseas depository receipt) apart from common shares that entitled to conversion rights or stock options to exchange for common shares or when new shares are issued for employee compensation, the conversion price shall be adjusted according to the formula in the issuance terms as follows. Adjustment price will be based on the Ex-date of the new issuance share and be disclosed on the Taiwan Market Observation Post System. However, if there is a scheduled payment date then the adjustment price will be based on the date when payment fully received. If the price changed after the Ex-date then the price per share shall be adjusted according to the formula. If the adjustment price after the calculation is lower than the Ex-date price then the price will be re-announced.

(k) Lease liabilities

The Company's lease liabilities were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	<u>\$ 7,654</u>	<u>9,874</u>
Non-current	<u>\$ 3,008</u>	<u>7,130</u>

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

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

The amounts recognized in profit or loss were as follows:

	<u>2023</u>	<u>2022</u>
Interest on lease liabilities	\$ <u>180</u>	<u>206</u>
Expenses relating to short-term leases	\$ <u>621</u>	<u>571</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>82</u>	<u>48</u>

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

	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	\$ <u>12,002</u>	<u>13,340</u>

(l) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The present value of the defined benefit obligations	\$ 62,951	54,563
Fair value of plan assets	<u>(18,531)</u>	<u>(19,284)</u>
The net defined benefit liability	\$ <u>44,420</u>	<u>35,279</u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six-months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$18,531 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

2) Movements in present value of the defined benefit obligations

The movements in present value of the Group's defined benefit plan obligation for the years ended December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Defined benefit obligation at 1 January	\$ 54,563	63,221
Current service costs and interest	1,052	607
Remeasurements of the net defined benefit liability		
– Due to changes in financial assumption of actuarial (losses) gains	9,633	(1,998)
Benefits paid by the plan	<u>(2,297)</u>	<u>(7,267)</u>
Defined benefit obligation at 31 December	<u>\$ 62,951</u>	<u>54,563</u>

3) Movement in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Fair value of plan assets, January 1	\$ 19,284	23,444
Interest income	283	131
Remeasurements of the net defined benefit liability		
– Return on plan assets (excluding amounts included in net interest expense)	152	1,845
Contributions made	1,109	1,131
Benefits paid by the plan	<u>(2,297)</u>	<u>(7,267)</u>
Fair value of plan assets, December 31	<u>\$ 18,531</u>	<u>19,284</u>

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Current service cost	\$ 240	259
Net interest on the defined benefit liability	<u>529</u>	<u>217</u>
	<u>\$ 769</u>	<u>476</u>
	<u>2023</u>	<u>2022</u>
Operating costs	\$ 391	376
Operating expenses	<u>378</u>	<u>100</u>
	<u>\$ 769</u>	<u>476</u>

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

5) Actuarial assumptions

The principal actuarial assumption used to determine the present value of the defined benefit obligation on December 31, 2023 and 2022 is as follows:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Discount rate	1.625 %	1.750 %
Future salary increases rate	3.300 %	3.300 %

The Company expects to make contributions of \$1,128 thousand to the defined benefit plans in the next year starting from the reporting date of 2023.

The weighted average duration of the defined benefit obligation is 11.27 years.

6) Sensitivity analysis

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

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

	<b>The impact of defined benefit obligation</b>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2023		
Discount rate	\$ (742)	766
Future salary increase rate	732	(715)
December 31, 2022		
Discount rate	(871)	898
Future salary increase rate	868	(841)

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

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

(ii) Defined contribution plans

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

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

The Company's pension costs under the defined contribution method were \$28,669 thousand and \$27,857 thousand for 2023 and 2022, respectively. Payment was made to the Bureau of the Labor Insurance.

(iii) Short-term employee benefit

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Annual leave benefit	<u>\$ 24,873</u>	<u>22,390</u>

(m) Income tax

(i) Income tax expenses

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

	<b>2023</b>	<b>2022</b>
Current tax expense		
Current period	\$ 210,193	250,525
Adjustment for prior periods	<u>(26,793)</u>	<u>(18,594)</u>
	<u>183,400</u>	<u>231,931</u>
Deferred income tax expense		
Origination and reversal of temporary differences	<u>8,381</u>	<u>450</u>
Income tax expense from continuing operations	<u>\$ 191,781</u>	<u>232,381</u>

Reconciliation of the Company's income tax expense and the profit before tax for 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Net income before tax	<u>\$ 1,179,206</u>	<u>1,235,660</u>
Income tax using the Company's domestic tax rate	\$ 235,841	247,132
Previously overestimate income tax	(26,793)	(18,594)
R&D tax credits utilized	(40,850)	(33,338)
Others	<u>23,583</u>	<u>37,181</u>
Total	<u>\$ 191,781</u>	<u>232,381</u>

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

- (ii) Deferred income tax assets and liabilities— Recognized deferred income tax assets and liabilities

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

Deferred income tax assets:

	Allowance for inventory valuations	Unrealized profit from sales	Tax differences from sales	Others	Total
<b>Balance at January 1, 2023</b>	\$ 24,575	54,759	13,106	17,363	109,803
Recognized in profit or loss	9,361	(13,107)	(2,150)	7,401	1,505
<b>Balance at December 31, 2023</b>	<u>\$ 33,936</u>	<u>41,652</u>	<u>10,956</u>	<u>24,764</u>	<u>111,308</u>
<b>Balance at January 1, 2022</b>	\$ 20,350	34,972	10,713	13,871	79,906
Recognized in profit or loss	4,225	19,787	2,393	3,492	29,897
<b>Balance at December 31, 2022</b>	<u>\$ 24,575</u>	<u>54,759</u>	<u>13,106</u>	<u>17,363</u>	<u>109,803</u>

Deferred income tax liabilities:

	Foreign investment income accounted for using equity method
<b>Balance at January 1, 2023</b>	\$ (246,960)
Recognized in profit or loss	(9,886)
<b>Balance at December 31, 2023</b>	<u>\$ (256,846)</u>
<b>Balance at January 1, 2022</b>	\$ (216,613)
Recognized in profit or loss	(30,347)
<b>Balance at December 31, 2022</b>	<u>\$ (246,960)</u>

- (iii) Assessment of tax

The tax returns of the Company have been assessed by the tax authorities through 2021.

- (n) Capital and other equity

As of December 31, 2023 and 2022, the ordinary shares with par value of \$10 per share, amounted to \$2,000,000 thousand, also, 145,342 thousand and 118,042 thousand common stocks, respectively, were issued from the shares mentioned above. All issued shares were paid up upon issuance.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

Reconciliations of the Company's outstanding shares for the years ended December 31, 2023 and 2022 were as follows:

	Unit: thousands shares	
	<b>2023</b>	<b>2022</b>
Balance at January 1	118,042	117,003
Exercise of employee share options	465	1,039
Capitalization of retained earnings	7,111	-
Conversion of convertible bonds	19,724	-
Balance at December 31	<b>145,342</b>	<b>118,042</b>

(i) Issue of common stock

For the years ended December 31, 2023 and 2022, the Company issued 465 and 1,039 thousand shares of common stocks, respectively, as its employees exercised their stock option at \$31.3 per share and \$32.7 per share, respectively.

On June 21, 2023, the shareholders' meeting approved a resolution to transfer the undistributed earning of \$71,110 thousand for the issuance of 7,111 thousand shares of common stocks, with a face value of \$10 dollars per share. The relevant statutory registration procedures have since been completed.

For the years ended December 31, 2023, the Company issued convertible bonds of \$900,000 thousand, which were converted to 19,724 thousand shares of common stocks, at \$45.63 per share.

(ii) Capital surplus

The composition of the Company's capital surplus are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Share premium from issuance	\$ 1,446,824	709,058
Changes in equity of subsidiaries accounted for using equity method	17,539	17,539
Employee share options	10,860	13,925
Share options	-	22,680
Employee share options expired	10,579	9,500
	<b>\$ 1,485,802</b>	<b>772,702</b>

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

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

(iii) Retained earnings

1) Legal reserve

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

2) Special earnings reserve

By choosing to apply exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards during the Company's first-time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments (gains) recognized under shareholders' equity were reclassified to retained earnings at the adoption date. An increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special earnings reserve during earnings distribution. However, when adjusted retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC are insufficient for the appropriation of a special earnings reserve at the transition date, the Company may appropriate a special earnings reserve up to the amount of increase in retained earnings. Upon the use, disposal, or reclassification of related assets, the Company may reverse the special earnings reserve proportionately. As a result of elections made according to IFRS 1, the Company has reclassified \$(13,624) thousand to retained earnings and is not required to appropriate a special earnings reserve.

In accordance with the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.



**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

3) Earnings distribution

In accordance with the Company's articles of incorporation that after-tax earnings from the current year shall first be used to offset against any prior year's deficit and pay income tax; and 10% of the remaining balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. After the distribution of dividends, the remaining earnings, if any, may be appropriated according to the proposal presented in the annual stockholders' meetings by the board of directors. Distribution plan shall be executed after a resolution by the shareholders' meeting. The Company authorizes the Distribution plan paid in cash shall be executed after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

In accordance with Article 241 of the Company Act, the distribution of its legal reserve and the following capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash ; Once upon by cash, the Company authorizes the distribution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

After the abovementioned appropriation, in order to operate proper investment and maintain Capital adequacy ratio simultaneously, the Company uses the Residual dividend policy to measure its monetary demand for the future according to its budget planned for the following years, then executes financial intermediation with retain earnings, after which, distributes cash dividends with the remaining earnings, which should not less than 30% of the total dividends amount.

The amount of cash dividends on the appropriations of earning for 2022 and 2021 was approved during the board meeting on May 4, 2023 and May 5, 2022, respectively, the remaining appropriations of earnings were approved in the shareholders' meeting on June 21, 2023 and June 17, 2022, respectively, were as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Amount per share (NTD)</u>	<u>Total Amount</u>	<u>Amount per share (NTD)</u>	<u>Total Amount</u>
Dividends distributed to ordinary stockholders:				
Cash	\$ 4.00	474,030	3.00	354,130
Shares	0.60	71,110	-	-
Total		<u>\$ 545,140</u>		<u>354,130</u>

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

(iv) Other equities (net of tax)

	<b>Foreign exchange differences arising from foreign operation</b>
Balance at January 1, 2023	\$ (68,858)
Foreign exchange differences arising from net assets of foreign operation	(13,785)
Disposal of other equity in foreign operations reclassified to profit	<u>1,264</u>
Balance at December 31, 2023	<u><u>\$ (81,379)</u></u>
Balance at January 1, 2022	\$ (135,875)
Foreign exchange differences arising from net assets of foreign operation	<u>67,017</u>
Balance at December 31, 2022	<u><u>\$ (68,858)</u></u>

(o) Share-based payment

On December 9, 2019, the Securities and Futures Bureau approved the Company's issuance of 3,000 units of Employee's Stock option; with each unit representing 1,000 shares of common stock, wherein a total of 3,000 thousand shares may be subscribed. The option holder is eligible, two years after issuance until five years maturity of issuance, to convert a certain percentage of options to common stocks at the price designated on the issuance date. Under such circumstances as changes in equity or distribution of cash dividends, the exercise price per share and the number of subscriptions per option are to be adjusted using a specific formula. However, the adjusted exercise price should not be lower than the par value. All options were granted on March 19, 2020 and their fair value on the grant date was priced using the Black Scholes option pricing model. The weighted-average data of each assumption were as follows:

Dividend rate	-
Expected volatility	25.78 %
Risk-free interest rate	0.4750 %
Expected life	5 years

The Company estimates the compensation to be \$22,105 thousand based on the above assumptions. The compensation will be amortized over three years. Under the fair value method, the compensation of the option were estimated to be \$1,689 thousand and \$4,412 thousand for the year ended December 31, 2023 and 2022 respectively. The additional paid-in capital also increased due to the stock option plan.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

The outstanding stock option rights were as follows:

<u>Employee stock options in 2019</u>	<b>2023</b>	
	<b>Units</b>	<b>Exercise price (dollars)</b>
Outstanding balance as of January 1	1,816	\$ 31.30
Options granted	-	-
Options exercised	465	31.30
Options cancelled	-	-
Options expired	85	-
Outstanding balance as of December 31	<u>1,266</u>	28.40
Exercisable as of December 31	<u>574</u>	-
Exercisable shares per unit as of December 31 – adjusted	<u>1,000</u>	
Fair market value	<u>\$ 8.6</u>	
	<b>2022</b>	
<u>Employee stock options in 2019</u>	<b>Units</b>	<b>Exercise price (dollars)</b>
Outstanding balance as of January 1	2,940	\$ 32.70
Options granted	-	-
Options exercised	1,039	32.70
Options cancelled	-	-
Options expired	85	-
Outstanding balance as of December 31	<u>1,816</u>	31.30
Exercisable as of December 31	<u>389</u>	-
Exercisable shares per unit as of December 31 – adjusted	<u>1,000</u>	
Fair market value	<u>\$ 8.6</u>	

As of December 31, 2023 and 2022, the expected duration of the employee stock option issued in 2019 was 1.22 years and 2.22 years, respectively.

(p) Earnings per share

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

(i) Basic earnings per share

	<u>2023</u>	<u>2022</u>
Net income attributable to ordinary shareholders of the Company	<u>\$ 987,425</u>	<u>1,003,279</u>
Weighted-average number of ordinary shares	<u>130,428</u>	<u>124,926</u>
Basic earnings per share (in NTD)	<u>\$ 7.57</u>	<u>8.03</u>

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

## (ii) Diluted earnings per share

	<u>2023</u>	<u>2022</u>
Net income of the company	\$ 987,425	1,003,279
Effect of after tax interest expense of conversion bonds	<u>4,591</u>	<u>6,052</u>
Net income attributable to ordinary shareholders of the Company (diluted)	<u>\$ 992,016</u>	<u>1,009,331</u>
Weighted-average number of ordinary shares (basic)	130,428	124,926
Effect of dilutive potential ordinary shares		
Effect of employee stock bonus	2,072	2,740
Effect of employee stock option	931	934
Effect of conversion of convertible bonds	<u>14,860</u>	<u>17,900</u>
Weighted-average number of ordinary shares (diluted)	<u>148,291</u>	<u>146,500</u>
Diluted earnings per share (in NTD)	<u>\$ 6.69</u>	<u>6.89</u>

For calculation of the dilutive effect of the stock option, the average market value is assessed based on the quoted market price where the Company's option is outstanding.

## (q) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<u>2023</u>		
	<u>Sale of Network Communication and other related products</u>	<u>Others</u>	<u>Total</u>
Primary geographical markets:			
America	\$ 2,949,840	46,915	2,996,755
Asia	1,269,439	20,881	1,290,320
Europe	2,029,527	11,648	2,041,175
Others	<u>63,165</u>	<u>484</u>	<u>63,649</u>
	<u>\$ 6,311,971</u>	<u>79,928</u>	<u>6,391,899</u>
Primary merchandises/services lines:			
Network communication apparatus	\$ 5,684,250	72,242	5,756,492
Others	<u>627,721</u>	<u>7,686</u>	<u>635,407</u>
	<u>\$ 6,311,971</u>	<u>79,928</u>	<u>6,391,899</u>

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

	<b>2022</b>		
	<b>Sale of Network Communication and other related products</b>	<b>Others</b>	<b>Total</b>
Primary geographical markets:			
America	\$ 4,697,731	22,276	4,720,007
Asia	1,470,579	28,001	1,498,580
Europe	1,807,919	4,999	1,812,918
Others	105,482	415	105,897
	<b>\$ 8,081,711</b>	<b>55,691</b>	<b>8,137,402</b>
Primary merchandises/services lines:			
Network communication apparatus	\$ 7,195,922	51,429	7,247,351
Others	885,789	4,262	890,051
	<b>\$ 8,081,711</b>	<b>55,691</b>	<b>8,137,402</b>

Unearned revenue, net for the Company's amounted to \$1,407 thousand and \$7,350 thousand for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, accumulated unearned revenue amounted to \$52,175 thousand and \$50,769 thousand, respectively. Unearned revenue was booked due to identifiable services to be rendered.

(ii) Contract balance

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Current contract liabilities	<b>\$ 126,114</b>	<b>28,125</b>	<b>42,287</b>

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the period was \$25,140 thousand and \$42,287 thousand, respectively.

The contract liabilities primarily relate to the advance consideration received from customers for the electronic components sales contracts, for which revenue is recognized when products are delivered to customers.

(r) Remuneration to employees and directors

According to the Articles of Incorporation, once the Company has annual profit, it should appropriate 10%~20% of the profit to its employees and 2% or less to its directors as remuneration. The pervading target given via shares includes those dependent employees of the Company's subsidiaries under certain requirements.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

For the years ended December 31, 2023 and 2022, the Company recognized its employee remuneration of \$185,066 thousand and \$221,180 thousand, respectively, and directors' remuneration of \$17,083 thousand and \$17,694 thousand, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. Related information would be available at the Market Observation Post System website.

The amounts, as stated in the parent company only financial statements, are identical to those of the resolutions in Board of directors for 2023 and 2022.

(s) Non-operating income and expenses

(i) Interest income

The details of the Company's interest income were as follows:

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ <u>53,421</u>	<u>13,047</u>

(ii) Other income

The details of the Company's other income were as follows:

	<u>2023</u>	<u>2022</u>
Rent income	\$ 1,776	1,839
Other	<u>15,598</u>	<u>22,843</u>
Total other income	\$ <u>17,374</u>	<u>24,682</u>

(iii) Other gains and losses

The details of the Company's other gains and losses were as follows:

	<u>2023</u>	<u>2022</u>
Gain on disposal of property, plant and equipment	\$ 85	1,465
Loss on disposal of investments	(1,358)	-
Gains (loss) on foreign exchange, net	(34,267)	46,343
Gains on financial assets (liabilities) at fair value through profit or loss	-	1,737
Other losses	<u>(1,604)</u>	<u>(932)</u>
Net other gains and losses	\$ <u>(37,144)</u>	<u>48,613</u>

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

## (iv) Finance costs

The details of the Company's finance costs were as follows:

	<b>2023</b>	<b>2022</b>
Interest expense	<b>\$ 5,918</b>	<b>7,772</b>

## (t) Financial instruments

## (i) Credit risk

## 1) Exposure to credit risk

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

## 2) Concentration of credit risk

Approximately, 28% and 32% each constituting of the Company's total sales were derived from a single client in 2023 and 2022, respectively. Region wise, approximately 79% and 80% of the sales were significantly concentrated in Europe and America in 2023 and 2022, respectively.

## (ii) Liquidity risk

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

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within a year</b>	<b>1-2 years</b>	<b>3-5 years</b>	<b>Over 5 years</b>
<b>December 31, 2023</b>						
Non-derivative financial liabilities						
Accounts payable	\$ 1,001,595	1,001,595	1,001,595	-	-	-
Other payables	772,966	772,965	772,965	-	-	-
Lease liabilities	10,662	10,840	7,781	2,914	145	-
Guarantee deposits received	94	94	-	-	-	94
	<b>\$ 1,785,317</b>	<b>1,785,494</b>	<b>1,782,341</b>	<b>2,914</b>	<b>145</b>	<b>94</b>
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Accounts payable (including related parties)	\$ 1,387,401	1,387,401	1,387,401	-	-	-
Other payables	803,974	803,974	803,974	-	-	-
Bonds payable (including current portion)	893,008	900,000	900,000	-	-	-
Lease liabilities	17,004	17,301	10,635	5,640	1,026	-
Guarantee deposits received	98	98	-	-	-	98
	<b>\$ 3,101,485</b>	<b>3,108,774</b>	<b>3,102,010</b>	<b>5,640</b>	<b>1,026</b>	<b>98</b>

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<b>December 31, 2023</b>			
Financial assets:			
Monetary items:			
USD	\$ 56,964	30.658	1,746,402
Financial liabilities:			
Monetary items:			
USD	\$ 23,292	30.658	714,086
<b>December 31, 2022</b>			
Financial assets:			
Monetary items:			
USD	\$ 76,952	30.675	2,360,503
Financial liabilities:			
Monetary items:			
USD	\$ 30,106	30.675	923,492

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, trade receivables and trade payables that are denominated in foreign currency. A 1 dollar appreciation (depreciation) of the NTD against the USD as of December 31, 2023 and 2022 would have increased or decreased income after tax by \$26,938 thousand and \$37,477 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Company has many kinds of functional currency, the information on foreign exchange loss (gain) on Monetary items is disclosed by total amount. For the years ended December 31, 2023 and 2022, foreign exchange loss (gain) (including realized and unrealized abortions) amounted to \$34,267 thousand and \$(46,343) thousand, respectively.

(iv) Interest rate analysis

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

(Continued)



**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

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

If the interest rate increases or decreases by 1%, the Company's income after tax will increase or decrease by \$37,306 thousand and \$18,588 thousand, respectively, for the years ended December 31, 2023 and 2022, with all other variable factors remain constant. This is mainly due to the Company's bank deposit and financial assets at amortized cost were in variable rates.

(v) Information of fair value

1) Categories and fair value of financial instruments

Except for the following, carrying amount of the Group's financial assets and liabilities are valued approximately to their fair value. No additional disclosure is required in accordance to the Regulations.

	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Bonds payable(including current portion)	\$ 893,008	-	893,008	-	893,008

2) Valuation techniques and assumptions used in fair value determination

The financial instruments of the Company are evaluated by using the publicly-adopted valuation models. Open-ended funds are based on net assets value. Forward contracts are referred to the evaluation outcomes from financial institutions.

(u) Financial risk management

(i) Overview

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

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

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

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Company's management is responsible for establishing and monitoring risk management policies, and reporting its activities to the Board of directors regularly.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set control mechanism, and to monitor the execution of the policies. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, developed a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors the risk which should be in compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Assisting the Board of Directors in oversight, the internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, and reports the results to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by each customer's condition. However, management also considers the demographics of the customers, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. The Company's Accounts Receivable and Notes Receivable are mainly due from customers in Asia and America, accounting 88% and 76% of the total amount of the receivables as of December 31, 2023, and 2022, respectively.

The Company has established a credit policy wherein each new customer is assessed for credit rating before standard payment, delivery terms, and conditions are granted. The analysis includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer and reviewed regularly. Any amount below the limits requires no approval from the Board of Directors. Customers that fail to meet the Company's rating benchmark are allowed to transact with the Company only on a prepayment basis.

The Company has established an allowance for bad debt account to reflect the estimated losses on trade receivable and other receivable. The allowance for bad debt account consists of specific losses related to individually significant exposure and unrecognized losses arose from similar assets groups. The allowance for bad debt account is based on the historical collection record of similar financial assets.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

2) Investments

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

3) Guarantees

The company's policy provides endorsements and guarantees to be offered only to companies who it has business relationship with, as well as to those companies who hold more than 50% of the voting rights of the consolidated company, either directly or indirectly. As of December 31, 2023 and 2022, the Company did not provide any endorsement and guarantees.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of the expected cash flows on financial liabilities (other than trade payables) over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2023 and 2022, the Company's unused credit line were amounted to \$1,359,870 thousand and \$1,467,488 thousand, respectively.

(v) Market Risk

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

In order to manage market risk, the Company conducts derivative transactions and incurs financial liabilities. All such transactions are within the guidelines set by the Board of Directors. Generally, the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

1) Currency risk

The Company reports its financial statements in TWD, while conducting such transaction as sales, purchase, in USD, thereby exposing itself to currency risk.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

The Company hedges most of its trade receivables and trade payables denominated in a foreign currency. The Company hedges its currency risk through forward exchange contracts with maturity less than one year from the reporting date.

2) Interest rate risk

To avoid interest rate risk, the Company raises its working capital mainly through short-term loans. Should long term loans be needed, plans and conditions of early repayment shall be settled in advance.

(v) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	\$ 2,894,007	4,013,026
Less: cash and cash equivalents	<u>2,600,096</u>	<u>2,272,820</u>
Net debt	<b>\$ 293,911</b>	<b>1,740,206</b>
Total equity	<b>\$ 5,688,427</b>	<b>4,282,045</b>
Debt-to-adjusted-capital ratio	<u>5 %</u>	<u>41 %</u>

The decreased of the debt to capital equity ratio as of December 31, 2023 was due to the decrease in convertible bonds.

As of December 31, 2023, no changes have been made on the capital management.

(w) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2023 and 2022 were as follows:

	<b>January 1, 2023</b>	<b>Cash flows</b>	<b>Non-cash changes</b>		<b>December 31, 2023</b>
			<b>Amortization discount</b>	<b>Others</b>	
Lease liabilities	\$ 17,004	(11,119)	-	4,777	10,662
Bonds payable	893,008	-	5,738	(898,746)	-
Guarantee deposits received	98	(4)	-	-	94
Total liabilities from financing activities	<b>\$ 910,110</b>	<b>(11,123)</b>	<b>5,738</b>	<b>(893,969)</b>	<b>10,756</b>

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

	January 1, 2022	Cash flows	Non-cash changes		December 31, 2022
			Amortization discount	Others	
Lease liabilities	\$ 26,506	(12,515)	-	3,013	17,004
Bonds payable	885,443	-	7,565	-	893,008
Guarantee deposits received	99	(1)	-	-	98
Total liabilities from financing activities	<u>\$ 912,048</u>	<u>(12,516)</u>	<u>7,565</u>	<u>3,013</u>	<u>910,110</u>

(x) Investment and financing activities of non-cash transactions

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2023, were as follows. For right-of-use assets under leases in the years ended December 31, 2022, please refer to note 6(h).

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

(ii) For conversion of convertible bonds to ordinary shares, please refer to note 6(j).

(7) **Related-party transactions**

(a) Parent Company and ultimate controlling party

The Company is the ultimate controlling party of the Company and the subsidiaries.

(b) Names and relationship with related parties

In this financial report, the related parties having transactions with the Company and subsidiaries were listed as below:

<u>Related-parties</u>	<u>Relationship between the Company</u>
LANNER ELECTRONICS USA, INC. (LANNER USA)	The subsidiaries of the Company
LANNER ELECTRONICS (MAURITIUS) INC.	//
LANNER ELECTRONICS CANADA LTD. (LCA)	//
LANCOM HOLDING CO., LTD.	//
Lanner Technology (Dongguan) Co., Ltd. (Lanner Technology)	//
L&S Lancom Platform Tech. Co., Ltd. (L&S)	//
Dongguan Lihua Haiwell Tech. Co., Ltd. (Haiwell)	//
Whitebox Solutions Inc	//
LANNER EUROPE B.V. (LEU)	//
LannerTech Electronics Inc.	//

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

<u>Related-parties</u>	<u>Relationship between the Company</u>
LANNER KOREA INC.	The Company recognized associates under equity method
Lanner electronics cultural and educational foundation(Lanner Foundation)	Substantive related party
LANNER TECHNOLOGY JAPAN Co., Ltd.	The subsidiaries of the Company, has been liquidated in November 2023.
Haiwell Lancom Electronic Co., Ltd.	Related party and liquidation completed in June 2022.
Wanmily Investment Development Ltd. (Wanmily)	Chairman of the Company also serves as a director of the related-party

(c) Significant related party transactions

(i) Operating revenue

The amounts of significant sales transactions between the Company and related parties were as follows:

	<u>2023</u>	<u>2022</u>
Subsidiaries		
LANNER USA	\$ 1,762,432	2,710,672
LCA	414,570	945,545
Other subsidiaries	150,611	190,803
Associates		
Other associates	137,742	10,573
	<u>\$ 2,465,355</u>	<u>3,857,593</u>

There were no significant differences between the pricing of sale transactions and receipts condition with related parties and other customers.

The Company provided design and development services to its subsidiaries were as follows:

	<u>2023</u>	<u>2022</u>
Subsidiaries		
LANNER USA	\$ 11,203	10,968
LCA	12,009	5,657
Other subsidiaries	473	2,947
Associates		
Other associates	15	-
	<u>\$ 23,700</u>	<u>19,572</u>

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

## (ii) Purchases

The amount of purchase transactions between the Company and related parties were as follows:

	<u>2023</u>	<u>2022</u>
Subsidiaries	\$ 39,723	28,407
Associates	4,512	-
	<u>\$ 44,235</u>	<u>28,407</u>

There were no significant differences in purchase prices and payment terms between related parties and non-related suppliers.

## (iii) Receivables from related parties

The details of the Company's receivables from related parties were as follow:

<u>Accounts</u>	<u>Type of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Account receivable — related parties	Subsidiaries		
	LANNER USA	\$ 308,919	781,595
	LCA	122,303	242,419
	LEU	18,865	8,145
	Haiwell	12,244	60,371
	Other subsidiaries	3,750	3,573
	Associates		
	Other associates	1,796	10,604
		<u>\$ 467,877</u>	<u>1,106,707</u>

## (iv) Payables to related parties

The payables due to related parties were as follows:

<u>Accounts</u>	<u>Type of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable — related parties	Subsidiaries	\$ -	1,968
Other payable	Key management of Company	54,582	54,582
		<u>\$ 54,582</u>	<u>56,550</u>

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

## (v) Guarantees

The credit limits of the guarantees the Company had provided to the bank for related parties were as follows:

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Subsidiaries		
Haiwell	\$ -	65,847
L&S	-	100,965
	<u>\$ -</u>	<u>166,812</u>

## (vi) Leases

## 1) Lessee

Lease contracts with the period from June 2020 to May 2025 were signed with Wannily on April 2020. In accordance with the contract, the Company provided \$175 thousand as deposit and booked the same amount under non-current assets. For the years ended December 31, 2023 and 2022, the Company recognized the amount of \$35 thousand as interest expense, respectively. As of December 31, 2023 and 2022, the balance of lease liabilities amounted to \$1,821 thousand and \$3,106 thousand, respectively.

## 2) Lessor

	<u>2023</u>	<u>2022</u>
Subsidiaries		
Other subsidiaries	\$ 16	47
Other related parties		
Lanner Foundation	327	326
	<u>\$ 343</u>	<u>373</u>

The amount of rent is based on neighboring rent, and the rental is collected monthly from related parties.

## (vii) Other income and expense

- 1) The Company provided management technology and other service to subsidiaries and other related parties. For the years ended December 31, 2023 and 2022, the services amounted to \$857 thousand and \$7,261 thousand, respectively, and recorded under other income.
- 2) The Company received quality control and repair services from its subsidiaries and other related parties. For the years ended December 31, 2023 and 2022, the services amounted to \$13,794 thousand and \$11,021 thousand, respectively, and were recorded under operating costs and operating expenses.

(Continued)



**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

(viii) Contribution

The company agreed to contribute \$5,000 thousand and \$3,000 thousand to Lanner Foundation for the years ended December 31, 2023 and 2022, respectively, recorded under operating expense.

(d) Key management personnel compensations

Key management personnel compensation comprised:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 108,106	128,581
Post-employment benefits	<u>861</u>	<u>824</u>
	<u>\$ 108,967</u>	<u>129,405</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Certificate of deposits (recorded under other financial assets – current)	Guarantee for customs	<u>\$ 1,000</u>	<u>1,000</u>

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other

The following is a summary statement of employee benefits, depreciation and amortization expensed by function:

By nature	By function	Years ended December 31, 2023			Years ended December 31, 2022		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		179,369	581,285	760,654	193,838	719,280	913,118
Labor and health insurance		22,087	40,820	62,907	21,557	37,481	59,038
Pension		7,746	21,692	29,438	8,026	20,307	28,333
Remuneration of directors		-	17,083	17,083	-	15,894	15,894
Others		11,846	15,518	27,364	12,492	18,334	30,826
Depreciation		40,404	45,475	85,879	30,793	46,265	77,058
Amortization		-	-	-	-	-	-

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

The Company's number of employees for the years ended December 31, 2023 and 2022 and additional information on employee benefits are as follows :

	<u>2023</u>	<u>2022</u>
Number of employees	<u>745</u>	<u>741</u>
Number of directors who were not employees	<u>4</u>	<u>3</u>
The average employee benefit	<u>\$ 1,188</u>	<u>1,397</u>
The average salaries and wages	<u>\$ 1,027</u>	<u>1,237</u>
The average of employee salary cost adjustment as follows	<u>(16.98)%</u>	
Supervisor remuneration	<u>\$ -</u>	<u>1,800</u>

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

(a) Remuneration to director

In accordance with the revised articles of incorporation, when allocating the earnings for each fiscal year (based on the net profit before tax, excluding the remuneration to employees, directors), the Company should contribute 10% to 20% as employees' remuneration and not more than 2% as directors' remuneration. The Company's remuneration committee makes recommendations on the remuneration of directors in accordance with the Company's Articles of Incorporation and the "Regulations Governing the Remuneration of Directors and Functional Committee Members" and submits them to the Board of Directors for approval.

(b) The Remuneration policy of managers and employees

The Company considered the remuneration based on the profitability of the Company, the performance of individuals, their contribution to the Company and the level of the industry. The overall remuneration includes fixed and variable remuneration in order to attract, motivate and retain outstanding talents.

(Continued)

## LANNER ELECTRONICS INC. Notes to Financial Statements

### (13) Other disclosures

#### (a) Information on significant transactions:

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

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the Company										
0	The Company	Haiwell	(2)	1,137,685	66,578	-	-	-	- %	2,844,214	Y	N	Y
0	The Company	L&S	(2)	1,137,685	102,086	-	-	-	- %	2,844,214	Y	N	Y

Note 1: The guarantee's relationship with the guarantor is as follows:

- (1) A company with which it does business.
- (2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
- (4) A company in which the public company holds, directly and indirectly, 90 percent or more of voting shares.
- (5) A company that 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.
- (6) A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) 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: The aggregate amount of guarantee by the Company is limited to 50 percent of total equity.

Note 3: The guaranteed amount is limited to 20 percent for one party.

Note 4: The Company endorses others due to business relationships, and the amount of the endorsement guarantee shall not exceed the amount of the company's business transactions with it.

(iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included): None

(iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital: None.

(v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None.

(vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None.

(vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:

Unit: thousand dollars

Name of Company	Counter-party	Relationship	Transaction details				The status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	LANNER (USA)	Subsidiary	(Sales)	(1,762,432)	(28) %	90 days	-	-	308,919	36 %	-
LANNER (USA)	The Company	Subsidiary	Purchase	1,762,432	96 %	90 days	-	-	(308,919)	(96) %	-
The Company	LCA	Subsidiary	(Sales)	(414,570)	(6) %	90 days	-	-	122,303	14 %	-
LCA	The Company	Subsidiary	Purchase	414,570	92 %	90 days	-	-	(122,303)	(99) %	-
The Company	LANNER KOREA	Associates	(Sales)	(137,742)	(2) %	60 days	-	-	1,796	- %	-
Haiwell	L&S	Subsidiary	(Sales)	(578,555)	(72) %	60 days	-	-	-	- %	-
L&S	Haiwell	Subsidiary	Purchase	578,555	100 %	60 days	-	-	-	- %	-

(viii) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Note)	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
The Company	LANNER (USA)	Subsidiary	308,919	3.23	-		308,919 (Until March 14, 2024)	-
The Company	LCA	Subsidiary	122,303	2.27	-		106,619 (Until March 14, 2024)	-

(Continued)

## LANNER ELECTRONICS INC. Notes to Financial Statements

(ix) Information regarding trading in derivative financial instruments: None.

(b) Information on investees:

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

Name of investor	Investor investee	Address	Scope of business.	Original cost		Ending balance			Net income of investee	Investment income (losses)	Remarks
				December 31, 2023	December 31, 2022	Shares	Ratio of shares	Book value			
The Company	LANNER ELECTRONICS USA, INC.	USA	Trading of computer peripheral equipment	248,819	248,819	7,850	100 %	385,657	42,459	42,459	
The Company	LANNER ELECTRONICS (MAURITIUS) INC.	Mauritius	Investing	119,282	119,282	3,853	100 %	905,688	(16,075)	(16,075)	
The Company	LANNER ELECTRONICS CANADA LTD.	Canada	Trading of computer peripheral equipment	153,926	153,926	5,105	100 %	176,896	10,113	10,113	
The Company	LANNER TECHNOLOGY JAPAN CO., LTD.	Japan	Trading of computer peripheral equipment	-	8,145	-	-	(Note 1)	(982)	(786)	
The Company	Whitebox Solutions Inc.	Taiwan	Trading of computer peripheral products	7,500	7,500	750	100 %	7,469	44	44	
The Company	Lanner Europe B.V	Netherlands	Trading of computer peripheral equipment	91,724	59,862	2,780	100 %	32,147	(18,160)	(18,160)	
The Company	LannerTech Electronics Inc.	Taiwan	Research and development	6,000	6,000	600	100 %	141	(87)	(87)	
The Company	Lanner Korea INC.	Korea	Trading of computer peripheral equipment	820	820	7	35 %	4,398	11,437	4,040	
LANNER ELECTRONICS (MAURITIUS) INC.	LANCOM HOLDING CO.,LTD.	Samoa	Investing	112,543	112,543	3,823	100 %	924,059	(15,868)	(15,868)	

Note 1: LANNER TECHNOLOGY JAPAN CO., LTD. has been liquidated in November 2023.

(c) Information on investment in mainland China:

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

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2023	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2023	Net income (losses) on investee	Direct / indirect investment holding percentage	Investment income (losses) (Note 2)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
L&S	Trading of computer peripheral equipment	118,388	(2)	110,274	-	-	110,274	(22,971)	100.00 %	(22,971)	877,692	-
Haiwell	Manufacture and trading of computer peripheral products	92,037	(3)	-	-	-	-	913	100.00 %	(6,165)	76,547	-
Lanner Technology	Trading of computer peripheral equipment	22,099	(2)	-	-	-	-	5,742	100.00 %	5,742	16,004	-

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

- (1) Direct investment in Mainland China.
- (2) Indirectly investment in Mainland China through companies registered in a third region- Investing in Mainland China through LANCOM HOLDING CO., LTD.
- (3) Other methods – Investing in Mainland China through L & S Lancom Platform Tech. Co., Ltd.

Note 2: The investment income (losses) were based on the financial statements audited by the auditor of the Company.

(ii) Limitation on investment in Mainland China:

Accumulated investment amount remitted from Taiwan to Mainland China at the end of the period	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
110,274	391,185	- (Note 1)

Note 1: The Company was certified as an operations center by the Industrial Development Bureau, Ministry of Economic Affairs, in approval letter No. 11020425720, and the certification is valid from 2021 to 2024. The Company has no limitation on investment in Mainland China during the abovementioned period.

(Continued)

**LANNER ELECTRONICS INC.**  
**Notes to the Financial Statements**

(iii) Significant transactions with investees in Mainland China:

Please refer to “Information on significant transactions” and “Business relationships and significant intercompany transaction” for the indirect and direct business transactions in China.

(d) Major shareholders:

			Unit: shares
<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Delta Electronics, Inc.		26,893,540	18.50 %
I-Wen-Chou		10,823,754	7.44 %

**(14) Segment information**

Please refer to the year 2023 consolidated financial statements.

**LANNER ELECTRONICS INC.**  
**Statement of cash and cash equivalents**  
**December 31, 2023**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Type</u>	<u>Description</u>	<u>Amount</u>
Cash and revolving funds		\$ 468
Bank deposits	Demand deposits	542,150
	Foreign currency deposits	
	USD29,990 thousand, @30.658	919,438
	EUR2 thousand, @33.807	51
	CNY1 thousand, @4.3045	2
	JPY37,114 thousand, @0.2152	7,987
	Time deposits (rate 1.35%~1.41%, maturity from 2024.01.11~2024.01.27)	<u>1,130,000</u>
		<u><u>\$ 2,600,096</u></u>

**LANNER ELECTRONICS INC.**

**Statement of trade receivables**

**December 31, 2023**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Customer</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Related parties:			
LANNER ELECTRONICS USA, INC.	Arising from operating activities	\$ 308,919	
LANNER ELECTRONICS CANADA LTD.	"	122,303	
LANNER EUROPE B.V.	"	18,865	
Dongguan Lihua Haiwell Tech. Co., Ltd.	"	12,244	
L&S Lancom Platform Tech. Co., Ltd.	"	3,661	
LANNER KOREA INC.	"	1,796	
Lanner Technology (Dongguan) Co., Ltd.	"	<u>89</u>	
Subtotal		<u>467,877</u>	
Non-related parties:			
A Company	Arising from operating activities	114,991	
B Company	"	84,016	
C Company	"	40,285	
D Company	"	35,128	
E Company	"	31,189	
F Company	"	22,801	
Other (Individually less than 5%)	"	<u>65,493</u>	
		393,903	
Less: Allowance for Impairment		<u>537</u>	
		<u>393,366</u>	
		<u><b>\$ 861,243</b></u>	

## LANNER ELECTRONICS INC.

## Statement of inventories

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Type	Amount		Note
	Cost	Net realizable value	
Finished goods	\$ 466,644	586,053	Market value is determined at net realizable value
Work-in-process	387,206	418,553	"
Raw materials	647,995	648,969	"
Total	1,501,845	<u>1,653,575</u>	
Less: Allowance for Inventory Write-down	<u>169,682</u>		
	<u>\$ 1,332,163</u>		

## Statement of prepayments

Type	Description	Amount	Note
Prepaid software service expense		\$ 7,855	
Prepaid advertising expense		3,634	
Other prepaid expense	Prepaid hardware service fee and rent and insurance, etc.	<u>4,744</u>	
		<u>\$ 16,233</u>	



**LANNER ELECTRONICS INC.**

**Statement of other current assets**

**December 31, 2023**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Tax receivable	Sales tax return	\$ 40,445	
Payment on behalf		3,740	
Other		<u>1,508</u>	
		<u><u>\$ 45,693</u></u>	

## LANNER ELECTRONICS INC.

## Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Company	Balance, Beginning of Period		Increase		Decrease		Balance, End of Period			Market Value or Book Value		Pledged as Collateral	Note
	Shares	Amount	Shares	Amount (Note 1)	Shares	Amount (Note 1)	Shares	Ownership (%)	Amount	Unit price	Gross value		
LANNER ELECTRONICS USA, INC.	7,850	\$ 299,510	-	87,074	-	927	7,850	100.00	385,657	-	385,657	None	
LANNER ELECTRONICS (MAURITIUS) INC.	3,853	928,739	-	10,738	-	33,789	3,853	100.00	905,688	-	905,688	None	
LANNER ELECTRONICS CANADA LTD.	5,105	143,667	-	33,229	-	-	5,105	100.00	176,896	-	176,896	None	
LANNER TECHNOLOGY JAPAN CO., LTD.	3	3,318	-	-	3	3,318	-	-	-	-	-	None	
Whitebox Solutions Inc.	750	7,425	-	44	-	-	750	100.00	7,469	-	7,469	None	
LannerTech Electronics Inc.	600	228	-	-	-	87	600	100.00	141	-	141	None	
LANNER EUROPE B.V.	1,848	27,535	932	32,503	-	27,891	2,780	100.00	32,147	-	32,147	None	
LANNER KOREA INC.	7	820	-	4,040	-	462	7	35.00	4,398	-	4,398	None	
		<u>\$ 1,411,242</u>		<u>167,628</u>		<u>66,474</u>			<u>1,512,396</u>		<u>1,512,396</u>		

Note 1: The sum of \$101,154 thousand is derived from \$31,862 thousand of capital increase, (\$3,594) thousand of dissolution and liquidation, \$21,548 thousand of Share of loss (profit) from the subsidiaries and associates accounted for under equity method, \$(12,521) thousand of translation effects from foreign operations, and \$63,859 thousand of adjustments in unrealized profits

## LANNER ELECTRONICS INC.

## Statement of other non-current assets

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Refundable deposits	Rent deposits	\$ 4,698	
Other receivables	Compensation receivables	2,400	
Other	Prepaid software service fee and repair fee	919	
		<u>\$ 8,017</u>	

## Statement of trade payables

<u>Customer</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties:			
G Company	Arising from operating activities	\$ 243,825	
H Company	"	49,455	
Other (Individually less than 5%)	"	708,315	
		<u>\$ 1,001,595</u>	

**LANNER ELECTRONICS INC.**

**Statement of other payables**

**December 31, 2023**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Type</u>	<u>Description</u>	<u>Amount</u>
Compensation due to employees		\$ 358,613
Salary and bonus payables		235,853
Other	Accrued expenses, etc.	178,500
		<u>\$ 772,966</u>

**Statement of provisions - current**

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Warranty provision		\$ 67,767	
Onerous contracts provision		24,298	
		<u>\$ 92,065</u>	

**LANNER ELECTRONICS INC.**  
**Statement of other current liabilities**  
**December 31, 2023**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Receipts under custody		\$ 151,922	
Deferred revenue — current		22,705	
Other		<u>13</u>	
		<u><b>\$ 174,640</b></u>	

**Statement of operating revenue**  
**For the year ended December 31, 2023**

<u>Type</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Sales of network communication and other related products	-	\$ 6,311,971	
Other	-	<u>79,928</u>	
		<u><b>\$ 6,391,899</b></u>	

Note: The aforementioned amount is the net amount after deducting sales returns and discounts of \$10,776 thousand and \$31,622 thousand, respectively.

## LANNER ELECTRONICS INC.

## Statement of operating costs

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Type	Amount	
	Subtotal	Total
Cost of goods sold (in house manufacturing) :		
Direct raw material		
Beginning raw material inventory	\$ 780,297	
Add: Raw material purchased	3,993,339	
Other	40,580	
Less: Ending raw material inventory	647,995	
Raw materials sold	164,677	
Raw materials write off	14,229	
Loss on physical raw materials	2	
Transferred to manufacturing and operating expenses	41,054	
Subtotal	3,946,259	
Direct labor	116,577	
Manufacturing expenses	214,379	
Manufacturing costs	4,277,215	
Add: Beginning work in process inventory	300,775	
Material purchased	7,228	
Less: Ending work in process inventory	387,206	
Sales of work in process inventory	2,481	
Work in process inventory write off	13,794	
Transferred to manufacturing and operating expenses	51,809	
Other	40,581	
Cost of finished goods	4,089,347	
Add: Beginning finished goods	497,003	
Finished goods purchased	62,230	
Less: Ending finished goods	466,644	
Finished goods write off	8,670	
Transferred to manufacturing and operating expenses	34,802	
Total: cost of goods sold (in house manufacturing)		4,138,464
Cost of goods sold (purchase from suppliers) :		
Total: cost of goods sold		4,138,464
Costs of raw material and work in process inventory sold		167,158
Decline in market value of inventory		46,808
Loss on physical count		2
Loss from scrapped inventory		36,693
Other costs		(100,124)
Operating costs		<u>\$ 4,289,001</u>

**LANNER ELECTRONICS INC.**

**Statement of selling expenses**

**For the year ended December 31, 2023**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salaries and bonus		\$ 82,720	
Commission		35,852	
Advertising expenses		17,619	
Insurance expenses		13,736	
Miscellaneous expenses		14,337	
Other		<u>55,591</u>	
		<u><b>\$ 219,855</b></u>	

**Statement of administrative expenses**

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salaries and bonus		\$ 165,392	
Remuneration of directors		17,083	
Depreciation		13,979	
Other		<u>69,484</u>	
		<u><b>\$ 265,938</b></u>	

**LANNER ELECTRONICS INC.**

**Statement of research and development expenses**

**For the year ended December 31, 2023**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salaries and bonus		\$ 333,173	
Sample fee		86,471	
Other		<u>136,243</u>	
		<u><u>\$ 555,887</u></u>	

Statement of charges in property, plant and equipment please refer to note 6(g).

Statement of charges in accumulated depreciation of property, plant and equipment please refer to note 6(g).

Statement of charges in right-of-use assets please refer to note 6(h).

Statement of charges in accumulated depreciation of right-of-use assets please refer to note 6(h).