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Stark Technology Inc.
Parent Company Only Financial Statements and Independent Auditor's
Report
For the Years Ended December 31, 2023 and 2022

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Hsinchu City

TEL: (03)542-5566

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Parent Company Only Financial Statements

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Independent Auditor's Report

To stakeholders of Stark Technology Inc.:

Opinion

We have audited the parent company only balance sheet of Stark Technology Inc. as at December 31, 2023 and 2022, and the parent company only statement of comprehensive income, parent company only statement of changes in equity, parent company only statement of cash flow, and the accompanying footnotes (including summary of key accounting policies) for the periods January 1 to December 31, 2023 and 2022.

We found that none of the material disclosures of the parent company only financial statements mentioned above exhibited any misstatement that did not conform with Regulations Governing the Preparation of Financial Reports by Securities Issuers, or compromised the fair view of the parent company only financial position of Stark Technology Inc. as at December 31, 2023 and 2022, and the parent company only financial performance and cash flow for the periods January 1 to December 31, 2023 and 2022.

Basis for Opinion

We conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the audit principles. Our responsibilities as an auditor under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed CPA code of ethics and maintained independence from Stark Technology Inc. when performing their duties. We believe that the evidence obtained provide an adequate and appropriate basis for our opinion.

Key Audit Matters

Key audit matters are matters that we considered to be the most important, based on professional judgment, when auditing for the year ended December 31, 2023 parent company only financial statements of Stark Technology Inc. These issues have already been addressed when we audited and formed our opinions on the parent company only financial statements. Therefore, we do not provide opinions separately for individual matters.

Recognition of service income

Stark Technology Inc. reported NT\$2,127,550 thousand of service income for the year ended December 31, 2023, representing 36% of total operating revenues and is considered material to the parent company only financial statements. This income is mostly the result of consultation and maintenance services rendered, and given the complexity of contract terms, income is recognized based on the extent of service rendered over the contract tenor. It is therefore necessary to exercise judgment over the scope of performance obligations and the timing of fulfillment, and we consider the amount of income recognized and the recognition approach taken to be key audit issues. Audit procedures that we have taken for the key audit issue mentioned above included (but were not limited to): evaluating the appropriateness of accounting policy on service income recognition, testing the effectiveness of the internal control system that the management has created for recognizing service income, analyzing gross profit margin by service category, executing transaction detail tests including sample examination of service contracts and invoices, and identifying performance obligations, cost-sharing arrangements, and timing of fulfillment for the contracts involved. These actions enabled us to determine whether transactions were recognized at the correct timing. We also reviewed the appropriateness of revenue disclosure mentioned in Notes IV and VI of the parent company only financial statements.

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

Responsibilities of the management were to prepare and ensure fair presentation of parent company only financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and to exercise proper internal control practices that are relevant to the preparation of parent company only financial statements so that the parent company only financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing parent company only financial statements also involved: assessing the ability of Stark Technology Inc. to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate or cease business operations, or is compelled to do so with no alternative solution.

The governance body of Stark Technology Inc. (including the Audit Committee) is responsible for supervising the financial reporting process.

Auditor's Responsibilities for the Audit of Parent Company Only Financial Statements

The purposes of our audit were to obtain reasonable assurance of whether the parent company only financial statements were prone to material misstatements, whether caused by fraud or error, and to issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with audit principles do not necessarily guarantee detection of all material misstatements within the parent company only financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the financial statement user.

When conducting audits in accordance with audit principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risks of material misstatement within the parent company only financial statements that are attributed to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, and our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Obtaining necessary understanding on internal controls relevant to audit and designing audit procedures that are appropriate under the prevailing circumstances, but not for the purpose of providing opinion on the effectiveness of internal control system of Stark Technology Inc.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of Stark Technology Inc. to operate as a going concern, based on the audit evidence obtained. We are bound to remind parent company only financial statement users to pay attention to relevant disclosures in the notes to those statements within our audit report if material uncertainties exist in regards to the aforementioned events or circumstances, and

amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or change of circumstances may still render Stark Technology Inc. no longer capable of operating as a going concern.

5. Assessing the overall presentation, structure, and contents of the parent company only financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the parent company only financial statements.
6. Obtaining sufficient and appropriate audit evidence on financial information of entities within the Company, and expressing opinions on parent company only financial statements. Our responsibilities as auditor are to instruct, supervise, and execute audits and form audit opinions on the Company.

We have communicated with the governance body about the scope, timing, and significant findings (including significant defects in internal control identified during the audit) of our audit.

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with CPA code of ethics, and communicated with the governance body on all matters that may affect the auditor's independence (including relevant protection measures).

We have identified the key audit matters after communicating with the governance body regarding the year ended December 31, 2023 parent company only financial statements of Stark Technology Inc. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decide not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

Ernst & Young
Release of public company financial statements has been approved
by the authority
Approval reference: (96)-Jin-Guan-Zheng-(VI)-0960002720
(103)-Jin-Guan-Zheng-Shen-1030025503

Hsu, Hsin-Min
CPA:
Cheng, Ching-Piao

February 29, 2024

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

Stark Technology Inc.
Parent Company Only Balance Sheet
As at December 31, 2023 and December 31, 2022
(All amounts in NTD thousands)

Asset			December 31, 2023		December 31, 2022	
Code	Major Accounts	Notes	Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	(IV), (VI).1 and (XII)	\$ 1,195,432	19	\$ 850,146	14
1140	Contract assets - current	(IV), (VI).15, (VI).16, and (XII)	207,938	3	240,969	4
1150	Notes receivable, net	(IV), (VI).3, (VI).16, and (XII)	11,368	-	10,342	-
1172	Accounts receivable	(IV), (VI).4, (VI).16, and (XII)	443,437	7	365,691	6
1173	Installment accounts receivable	(IV), (VI).4, (VI).16, and (XII)	47,505	1	78,453	1
1180	Accounts receivable - related parties, net	(IV), (VI).4, (VI).16, (VII), and (XII)	2,665	-	452	-
1200	Other receivables	(XII)	8,955	-	4,607	-
130x	Inventories	(IV) and (VI).5	2,087,674	33	2,198,171	37
1410	Prepayments	(IV) and (VI).6	676,325	11	585,285	10
1476	Other financial assets - current	(IV), (VIII) and (XII)	2,597	-	7,651	-
1478	Refundable deposits	(XII)	75,670	1	77,837	1
1479	Other current assets		1,709	-	1,365	-
11xx	Total current assets		<u>4,761,275</u>	<u>75</u>	<u>4,420,969</u>	<u>73</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	(IV), (VI).2 and (XII)	59,968	1	54,291	1
1550	Investments accounted for using equity method	(IV) and (VI).7	869,453	14	951,680	16
1600	Property, plant and equipment	(IV) and (VI).8	495,417	8	440,059	7
1755	Right-of-use assets	(IV) and (VI).17	27,515	1	25,394	1
1780	Intangible assets	(IV) and (VI).9	1,424	-	2,905	-
1840	Deferred income tax assets	(IV) and (VI).21	11,225	-	15,804	-
1920	Refundable deposits	(XII)	94,173	1	79,629	1
1933	Long-term installment accounts receivable	(IV) and (VI).4	18,690	-	37,080	1
1980	Other financial assets - non-current	(IV), (VIII) and (XII)	8,507	-	4,796	-
1990	Other non-current assets	(VI).10	3,399	-	1,661	-
15xx	Total non-current assets		<u>1,589,771</u>	<u>25</u>	<u>1,613,299</u>	<u>27</u>
1xxx	Total assets		<u>\$ 6,351,046</u>	<u>100</u>	<u>\$ 6,034,268</u>	<u>100</u>

(Please refer to notes to parent company only financial statements)

Chairman: Liang, Hsiu-Chung

Manager: Liang, Hsiu-Chung

Head of Accounting: Huang, I-Tzu

Stark Technology Inc.
Parent Company Only Balance Sheet - (Continued)
As at December 31, 2023 and December 31, 2022
(All amounts in NTD thousands)

Liabilities and equity			December 31, 2023		December 31, 2022	
Code	Major Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	(IV), (VI).11 and (XII)	\$ -	-	\$ 150,000	2
2130	Contract liabilities - current	(IV) and (VI).15	1,533,332	24	1,307,406	22
2150	Notes payable	(XII)	3,074	-	18,857	-
2170	Accounts payable	(XII)	926,679	15	797,907	13
2180	Accounts payable - related parties	(VII) and (XII)	2,009	-	573	-
2200	Other payables	(XII)	276,427	4	280,315	5
2230	Current income tax liabilities	(IV) and (VI).21	191,921	3	158,571	3
2250	Provisions	(VI).12	8,532	-	5,108	-
2280	Lease liabilities - current	(IV) and (VI).17	13,309	-	9,815	-
2399	Other current liabilities		43,473	1	72,323	1
21xx	Total current liabilities		<u>2,998,756</u>	<u>47</u>	<u>2,800,875</u>	<u>46</u>
	Non-current liabilities					
2570	Deferred income tax liabilities	(IV) and (VI).21	36,152	1	60,098	1
2580	Lease liabilities - non-current	(IV) and (VI).17	14,529	-	15,914	-
2640	Net defined benefit liabilities - non-current	(IV) and (VI).13	24,560	-	26,448	1
2645	Guarantee deposits	(XII)	7,098	-	5,606	-
25xx	Total non-current liabilities		<u>82,339</u>	<u>1</u>	<u>108,066</u>	<u>2</u>
2xxx	Total liabilities		<u>3,081,095</u>	<u>48</u>	<u>2,908,941</u>	<u>48</u>
	Equity	(VI).14				
31xx	Share capital					
3100	Ordinary share		1,063,603	17	1,063,603	18
3200	Capital surplus		166,514	3	166,514	3
3300	Retained earnings					
3310	Legal reserve		1,017,069	16	943,184	15
3320	Special reserve		144	-	144	-
3350	Unappropriated retained earnings		994,655	16	950,400	16
	Total retained earnings		<u>2,011,868</u>	<u>32</u>	<u>1,893,728</u>	<u>31</u>
3400	Other equity interests		27,966	-	1,482	-
3xxx	Total equity		<u>3,269,951</u>	<u>52</u>	<u>3,125,327</u>	<u>52</u>
	Total liabilities and equity		<u>\$ 6,351,046</u>	<u>100</u>	<u>\$ 6,034,268</u>	<u>100</u>

(Please refer to notes to parent company only financial statements)

Chairman: Liang, Hsiu-Chung

Manager: Liang, Hsiu-Chung

Head of Accounting: Huang, I-Tzu

Stark Technology Inc.
Parent Company Only Statement of Comprehensive Income
For the Years Ended December 31, 2023 and 2022
(All amounts are in NTD thousands, except for earnings per share)

Code	Major Accounts	Notes	2023		2022	
			Amount	%	Amount	%
4000	Net operating revenue	(IV), (VI).15 and (VII)	\$ 5,905,815	100	\$ 5,794,860	100
5000	Operating cost	(VI).6, (VI).18 and (VII)	(4,313,908)	(73)	(4,289,958)	(74)
5900	Operating margin		1,591,907	27	1,504,902	26
6000	Operating expenses	(VI).16 and (VI).17				
6200	Administrative expenses	(VI).18 and (VII)	(734,231)	(12)	(742,177)	(13)
6300	Research and development expenses		(90,305)	(2)	(84,411)	(1)
6450	Expected credit impairment reversal gain		754	-	1,651	-
	Total operating expenses		(823,782)	(14)	(824,937)	(14)
6900	Operating income		768,125	13	679,965	12
7000	Non-operating income and expenses	(VI).19 and (VII)				
7100	Interest income		8,850	-	6,957	-
7010	Other income		79,701	1	51,149	1
7020	Other gains and losses		(829)	-	28,644	-
7050	Finance costs		(2,470)	-	(1,658)	-
7070	Share of profits/losses on subsidiaries, associated companies, and joint ventures accounted for using the equity method		82,857	2	116,315	2
	Total non-operating income and expenses		168,109	3	201,407	3
7900	Income before income tax		936,234	16	881,372	15
7950	Income tax expenses	(IV) and (VI).21	(152,993)	(3)	(146,201)	(2)
8200	Net income	(IV) and (VI).22	783,241	13	735,171	13
8300	Other comprehensive income					
8310	Items not reclassified into profit or loss					
8311	Remeasurement of defined benefit plan	(VI).20	(586)	-	4,596	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income		34,758	1	(41,936)	(1)
8349	Income tax benefit (expense) related to items that are not reclassified into profit or loss		117	-	(919)	-
8360	Items likely to be reclassified into profit or loss	(VI).20				
8361	Exchange differences on translation of foreign operations		(7,091)	-	6,287	-
	Other comprehensive income for the current period (net of income tax)		27,198	1	(31,972)	(1)
8500	Total comprehensive income for the period		\$ 810,439	14	\$ 703,199	12
	Earnings per share (NTD)					
9750	Basic earnings per share					
9710	Net income	(VI).22	\$ 7.36		\$ 6.91	
9850	Diluted earnings per share					
9810	Net income	(VI).22	\$ 7.32		\$ 6.86	

(Please refer to notes to parent company only financial statements)

Chairman: Liang, Hsiu-Chung

Manager: Liang, Hsiu-Chung

Head of Accounting: Huang, I-Tzu

Stark Technology Inc.
Parent Company Only Statement of Changes in Equity
For the Years Ended December 31, 2023 and 2022
(All amounts in NTD thousands)

Code	Item	Share capital 3100	Capital surplus 3200	Retained earnings			Other equity items		Total equity 3XXX
				Legal reserve 3310	Special reserve 3320	Unappropriated retained earnings 3350	Exchange differences on translation of foreign operations 3410	Unrealized gains (losses) on financial assets at fair value through other comprehensive income 3420	
A1	Balance as at January 1, 2022	\$ 1,063,603	\$ 166,514	\$ 879,312	\$ 144	\$ 873,169	\$ (24,222)	\$ 61,353	\$ 3,019,873
B1	Appropriation and distribution of 2021 earnings (Note)	-	-	63,872	-	(63,872)	-	-	-
B5	Cash dividends on ordinary shares	-	-	-	-	(597,745)	-	-	(597,745)
D1	Net income for the year ended December 31, 2022	-	-	-	-	735,171	-	-	735,171
D3	Other comprehensive income for the year ended December 31, 2022	-	-	-	-	3,677	6,287	(41,936)	(31,972)
D5	Total comprehensive income for the period	-	-	-	-	738,848	6,287	(41,936)	703,199
Z1	Balance as at December 31, 2022	<u>\$ 1,063,603</u>	<u>\$ 166,514</u>	<u>\$ 943,184</u>	<u>\$ 144</u>	<u>\$ 950,400</u>	<u>\$ (17,935)</u>	<u>\$ 19,417</u>	<u>\$ 3,125,327</u>
A1	Balance as at January 1, 2023	\$ 1,063,603	\$ 166,514	\$ 943,184	\$ 144	\$ 950,400	\$ (17,935)	\$ 19,417	\$ 3,125,327
B1	Appropriation and distribution of 2022 earnings (Note)	-	-	73,885	-	(73,885)	-	-	-
B5	Cash dividends on ordinary shares	-	-	-	-	(665,815)	-	-	(665,815)
D1	Net income for the year ended December 31, 2023	-	-	-	-	783,241	-	-	783,241
D3	Other comprehensive income for the year ended December 31, 2023	-	-	-	-	(469)	(7,091)	34,758	27,198
D5	Total comprehensive income for the period	-	-	-	-	782,772	(7,091)	34,758	810,439
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	1,183	-	(1,183)	-
Z1	Balance as at December 31, 2023	<u>\$ 1,063,603</u>	<u>\$ 166,514</u>	<u>\$ 1,017,069</u>	<u>\$ 144</u>	<u>\$ 994,655</u>	<u>\$ (25,026)</u>	<u>\$ 52,992</u>	<u>\$ 3,269,951</u>

(Please refer to notes to parent company only financial statements)

Note: Employee remuneration for the years ended December 31, 2023 and 2022 amounted to NTS\$67,000 thousand and NTS\$67,000 thousand, respectively.

Chairman: Liang, Hsiu-Chung

Manager: Liang, Hsiu-Chung

Head of Accounting: Huang, I-Tzu

Stark Technology Inc.
Parent Company Only Statement of Cash Flow
For the Years Ended December 31, 2023 and 2022
(All amounts in NTD thousands)

Code	Item	2023	2022	Code	Item	2023	2022
		Amount	Amount			Amount	Amount
AAAA	Cash flow from operating activities:			BBBB	Cash flow from investing activities:		
A10000	Income before income tax	\$ 936,234	\$ 881,372	B00010	Acquisition of financial assets at fair value through other comprehensive income	(1,250)	(26,000)
A20000	Adjustments:			B02300	Disposal of subsidiary	1,751	-
A20010	Income, expenses and losses:			B02700	Acquisition of property, plant and equipment	(65,442)	(8,991)
A20100	Depreciation expenses	34,874	30,021	B02800	Disposal of property, plant and equipment	1,476	-
A20200	Amortization expenses	2,822	6,928	B03700	Increase in refundable deposits	(12,377)	(36,978)
A20300	Expected credit impairment reversal gain	(754)	(1,651)	B04500	Acquisition of intangible assets	(1,341)	(1,845)
A20900	Interest expense	2,470	1,658	B06500	Decrease (increase) in other financial assets	1,343	(4,240)
A21200	Interest income	(8,850)	(6,957)	B06700	Increase in other non-current assets	(1,738)	(541)
A21300	Dividend income	(3,088)	(3,014)	BBBB	Net cash outflow from investing activities	<u>(77,578)</u>	<u>(78,595)</u>
A22400	Share of profits on subsidiaries, associated companies, and joint ventures accounted for using the equity method	(82,857)	(116,315)				
A22500	Gains on disposals and retirements of property, plant, and equipment	(18)	-	CCCC	Cash flow from financing activities:		
A31000	Changes in assets/liabilities that are related to operating activities:			C00200	Increase (decrease) in short-term loans	(150,000)	80,000
A31125	Contract assets	35,201	(64,915)	C03000	Increase in guarantee deposits	1,492	2,910
A31130	Notes receivable	(1,026)	(6,457)	C04020	Repayment of lease principal	(18,614)	(14,411)
A31150	Accounts receivable	(28,477)	(31,412)	C04500	Distribution of cash dividends	(665,815)	(597,745)
A31160	Accounts receivable - related parties	(2,213)	1,705	CCCC	Net cash outflow from financing activities	<u>(832,937)</u>	<u>(529,246)</u>
A31180	Other receivables	(4,346)	(18)	EEEE	Net increase in cash and cash equivalents for the current period	345,286	55,398
A31200	Inventories	102,260	(426,954)	E00100	Cash and cash equivalents, beginning of period	850,146	794,748
A31230	Prepayments	(91,040)	(182,406)	E00200	Cash and cash equivalents, end of period	<u>\$ 1,195,432</u>	<u>\$ 850,146</u>
A31240	Other current assets	(344)	(115)				
A32125	Contract liabilities - current	225,926	334,642				
A32130	Notes payable	(15,783)	17,918				
A32150	Accounts payable	128,772	141,463				
A32160	Accounts payable - related parties	1,436	(765)				
A32180	Other payables	(3,843)	48,975				
A32200	Provisions	3,424	(6,809)				
A32230	Other current liabilities	(28,850)	(1,482)				
A32240	Net defined benefit liabilities	(2,474)	(3,193)				
A33000	Cash inflow from operations	<u>1,199,456</u>	<u>612,219</u>				
A33100	Interests received	7,500	3,076				
A33200	Dividend received	189,662	118,525				
A33300	Interests paid	(1,924)	(1,170)				
A33500	Income tax paid	(138,893)	(69,411)				
AAAA	Net cash inflow from operating activities	<u>1,255,801</u>	<u>663,239</u>				

(Please refer to notes to parent company only financial statements)

Chairman: Liang, Hsiu-Chung

Manager: Liang, Hsiu-Chung

Head of Accounting: Huang, I-Tzu

Stark Technology Inc.
Notes to Parent Company Only Financial Statements
For the Years Ended December 31, 2023 and 2022
(All amounts in NTD thousands unless otherwise specified)

(I) Organization and Operations

Stark Technology Inc. (the "Company") was incorporated on March 24, 1993. Its main business activities include distribution and maintenance of computers and peripherals; research, design, development, and sale of computer software/hardware, computer system design, and import/export trade for the Company's own products.

Shares of the Company have been listed for trading on "Taiwan Stock Exchange Corporation" since September 2001. The Company's place of registration and main business location is 12F-1, No. 83, Section 2, Dongda Road, Hsinchu City.

(II) Financial Statement Approval Date and Procedures

Parent company only financial statements of the Company for the years ended December 31, 2023 and 2022 were approved by the board of directors on February 29, 2024.

(III) Application of new standards, amendments, and interpretations

1. Change of accounting policy resulting from first-time adoption of International Financial Reporting Standards (IFRS)

The Company has adopted the version of IFRS, IAS, IFRIC and interpretations thereof that approved and effected by Financial Supervisory Commission (FSC) for accounting periods on and after January 1, 2023. First-time adoption of the new standards and amendments has had no material impact on the Company.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

2. The Company had not adopted the following IASB-announced and FSC-approved new standards, amendments, guidance, and interpretation as of the release date of the financial reports:

Item No.	New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
1	Amendments to IAS 1 - "Classification of Liabilities as Current or Non-Current"	January 1, 2024
2	Amendments to IFRS 16 - "Lease Liability in a Sale and Leaseback"	January 1, 2024
3	Amendments to IAS 1 - "Non-Current Liabilities in Contracts"	January 1, 2024
4	Amendments to IAS 7 and IFRS 7 – "Supplier Finance Arrangements"	January 1, 2024

- (1) Amendments to IAS 1 - "Classification of Liabilities as Current or Non-current"

This amendment concerns the classification of liabilities between current and non-current, as stated in paragraphs 69-76 of IAS 1 - "Presentation of Financial Statements."

- (2) Amendments to IFRS 16 - "Lease Liability in a Sale and Leaseback"

This amendment for IFRS 16 – "Leases" is intended to ensure the consistency of application of the standard by adding subsequent measurement requirements for a seller-lessee in a sale and leaseback transactions.

- (3) Amendments to IAS 1 - "Non-Current Liabilities in Contracts"

This amendment aims to enhance the information provided by the entity regarding long-term debt contracts. The disclosure of contractual obligations that are required to be met within twelve months after the reporting period does not affect the classification of such liabilities as current or non-current at the end of the reporting period.

- (4) Amendments to IAS 7 and IFRS 7 – "Supplier Finance Arrangements"

In addition to enhancing the explanation of supplier financing arrangements, this amendment also introduces additional disclosures related to supplier financing arrangements.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

The aforementioned new, revised and amended standards or interpretations are issued by IASB and endorsed by FSC to take effect for annual periods beginning on January 1, 2024. Upon assessment, the adoption of newly issued or revised standards and interpretations does not have any material impact on the Company.

3. As of the publication date of financial statements, the Company had not adopted the following IASB-announced new standards, amendments, guidance, and interpretation that were not approved by FSC:

Item No.	New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
1	Amendments to IFRS 10 - "Consolidated Financial Statements" and IAS 28 - "Investments in Associates and Joint Ventures" regarding "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	To be determined by International Accounting Standards Board
2	IFRS 17 - "Insurance Contracts"	January 1, 2023
3	Amendments to IAS 21 - "Lack of Exchangeability"	January 1, 2025

- (1) Amendments to IFRS 10 - "Consolidated Financial Statements" and IAS 28 - "Investments in Associates and Joint Ventures" regarding "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"

This amendment is intended to address the inconsistent treatments between IFRS 10 - "Consolidated Financial Statements" and IAS 28 - "Investments in Associates and Joint Ventures" in cases where a company loses control in a subsidiary when ownership of that subsidiary is offered as consideration for investing into an associated company or joint venture. IAS 28 states that, when a company contributes non-monetary asset in exchange for equity interest in an associated company or joint venture, the transaction shall be treated as a downstream transaction and any share of gains or losses that arises as a result is eliminated. IFRS 10, however, requires the entirety of gains or losses to be recognized when a company loses control in a subsidiary. This amendment limits the IAS 28 treatment mentioned above, and requires all gains or losses to be recognized when the assets sold or contributed constitute a business defined under IFRS 3.

Meanwhile, IFRS 10 was amended so that, when an investor sells or contributes a subsidiary that does not constitute a business defined under IFRS 3 with its associated company or joint venture, gains or losses that arise as a result shall be recognized only for the share that is not attributed to the investor.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
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(2) IFRS 17 - "Insurance Contracts"

This standard provides a comprehensive model for the treatment of insurance contracts, including accounting practices (from recognition, measurement, presentation to disclosure). The standard uses a general model at its core, and under this model, a group of insurance contracts shall be recognized at initiation as the sum of fulfillment cash flows and contractual service margin; thereafter, book value for the group of insurance contracts shall be presented as the sum of liability for remaining coverage and liability for incurred claims as at each balance sheet date.

In addition to the general model, the standard also introduces treatment for insurance contract with direct participation features (the Variable Fee Approach) and simplified approach for short-term contracts (the Premium Allocation Approach).

This standard was first published in May 2017 and later amended in 2020 and 2021, which postponed the effective date stated in the transition clause by 2 years (from January 1, 2021 to January 1, 2023), introduced additional exemptions, and reduced cost of adoption through the simplified approach. The amendment also made some circumstances easier to interpret. This standard will supersede the transitional standard (i.e. IFRS 4 - "Insurance Contracts") once effected.

(3) Amendments to IAS 21 - "Lack of Exchangeability"

The amendments explain the exchangeability and lack of exchangeability between currencies and how to determine the exchange rate as well as additional disclosures required when a currency is not exchangeable. The amendments will take effect for annual periods beginning on January 1, 2025.

All above standards and interpretations announced by IASB but not yet approved by FSC shall become effective on dates announced by FSC. The Company is currently evaluating the potential impacts of newly announced/amended standards and interpretations listed in (1), and is unable to provide reasonable estimate of how the above standards or interpretations may affect the Company. Aside from the above, other newly announced/amended standards and interpretations have no material impact on the Company.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

(IV) Summary of Significant Accounting Policies

1. Compliance statement

Parent company only financial statements of the Company for the years ended December 31, 2023 and 2022 have been prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

2. Basis of Preparation

The Company has prepared the parent company only financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers." According to Article 21 of Regulations Governing the Preparation of Financial Reports by Securities Issuers, the amount of current profit/loss and other comprehensive income attributable to parent company shareholders should be consistent between parent company only and consolidated financial statements; the amount of equity attributable to parent company shareholders should also be consistent between parent company only and consolidated financial statements. For this reason, investments in subsidiaries are presented as "Investments accounted for using equity method" in the parent company only financial statements, with valuation adjustments made as necessary.

The parent company only financial statements have been prepared based on historical cost, except for financial instruments carried at fair value. Unless otherwise specified, all amounts in the parent company only financial statements are presented in NTD thousands.

3. Foreign currency transactions

The parent company only financial statements are presented using the Company's functional currency (NTD).

Foreign currency transactions are converted into the functional currency using exchange rates as of the date of transaction. Foreign currency monetary items are converted using closing exchange rate at the end of each reporting period. Foreign currency-denominated non-monetary items measured at fair value are converted using exchange rate as of the valuation date. Foreign currency-denominated non-monetary items carried at historical cost are converted using exchange rate as of the initial transaction date.

Exchange differences arising from settlement or translation of monetary accounts are recognized in profit and loss in the period occurred, except in the following circumstances.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

- (1) For foreign currency loans that are undertaken for the purpose of acquiring a qualifying asset, the exchange difference would form part of the borrowing cost if it is treated as an adjustment to interest cost, and capitalized into the cost of the asset.
- (2) Foreign currency items subject to IFRS 9 - "Financial Instruments" are treated using accounting policy on financial instruments.
- (3) For monetary items that make up a part of the reporting entity's net investments in foreign operation, exchange difference is recognized as other comprehensive income at initiation, and subsequently reclassified from equity into profit or loss upon disposal of net investments.

Non-monetary accounts that have gains and losses recognized as other comprehensive income shall also have any exchange component of that gain or loss recognized as other comprehensive income. Non-monetary accounts that have gains and losses recognized in profit and loss shall also have any exchange component of that gain or loss recognized in profit and loss.

4. Translation of foreign currency financial statements

Each foreign operation of the Company determines its own functional currency, and presents financial statements in the functional currency chosen. When preparing parent company only financial statements, assets and liabilities of foreign operations are converted into NTD using closing exchange rate as at the balance sheet date, whereas income, expenses, and losses are converted using average exchange rate for the current period. Exchange differences arising from financial statement translation are recognized as other comprehensive income; upon disposal of foreign operations, exchange differences previously recognized as other comprehensive income and accumulated under equity from separate parts are reclassified from equity to profit or loss when recognizing gain/loss on disposal. In a partial disposal of subsidiary containing foreign operation that results in a loss of control, and partial disposal of equity in an associated company or joint agreement containing foreign operation, the disposal treatment shall also apply if the remaining equity can be regarded as a financial asset containing foreign operation.

In a partial disposal of subsidiary containing foreign operation that does not result in a loss of control, cumulative exchange differences previously recognized in other comprehensive income are re-attributed to non-controlling equity of such foreign operation, instead of being

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

recognized in profit or loss. In a partial disposal of associated company or joint agreement containing foreign operation where significant influence or joint control is not lost, cumulative exchange differences are reclassified into profit or loss proportionally.

5. Classification of current and non-current assets and liabilities

Assets that satisfy any of the following criteria are classified as current assets; assets that are not classified as current are classified as non-current assets:

- (1) Assets that are expected to be realized, or intended to be sold or consumed, in the Company's normal operating cycle.
- (2) Assets that are held mainly for the purpose of trading.
- (3) Assets that are expected to be realized within 12 months after the reporting period.
- (4) Cash or cash equivalents, except those are restricted from being swapped or used to repay liabilities beyond 12 months after the end of the reporting period, and those with restricted uses.

Liabilities that satisfy any of the following criteria are classified as current liabilities; liabilities that are not classified as current are classified as non-current liabilities:

- (1) Liabilities that are expected to be repaid in the Company's normal operating cycle.
- (2) Liabilities that are held mainly for the purpose of trading.
- (3) Liabilities that are expected to be repaid within 12 months after the reporting period.
- (4) Liabilities where the repayment terms cannot be unconditionally beyond 12 months after the reporting period. Liabilities with terms that give counterparties the option to be repaid by the issue of equity instruments do not affect their classification.

6. Cash and cash equivalents

Cash and cash equivalent refer to cash on hand, demand deposit, and short-term and highly liquid time deposits or investments (including time deposits with terms equal to or less than 12 months) that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

7. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to a financial instrument contract.

Financial assets and liabilities subject to IFRS 9 - "Financial Instruments" are measured at fair value at initiation. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (except for financial assets and liabilities at fair value through profit or loss) are added to or deducted from the fair value of the respective asset/liability.

(1) Recognition and measurement of financial assets

Regular transactions of financial asset are recognized and derecognized using trade date accounting.

The Company classifies financial assets into those that are carried at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss based on the two considerations below:

- A. Business model for managing the financial assets
- B. Characteristics of contractual cash flow for the financial assets

Financial assets at amortized costs

Financial assets that simultaneously satisfy the two conditions below are carried at amortized cost and presented on balance sheet as notes receivable, accounts receivable, installment accounts receivable, long-term installment accounts receivable, and other receivables:

- A. Business model for managing the financial assets: financial asset is held for the purpose of collecting contractual cash flow
- B. Characteristics of contractual cash flow for the financial assets: cash flow is solely used to pay principal and interests on outstanding principal

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

These financial assets (excluding those that are associated with hedge) are subsequently carried at amortized cost {i.e. the initial amount less principals repaid, plus/less cumulative amortization of differences between the initial amount and the maturity amount (calculated using the effective interest method), and adjusted for loss provisions}. Upon derecognition, amortization, or recognition of impairment gains/losses, the gains or losses are recognized in profit or loss.

Interests calculated using the effective interest method (i.e. by multiplying the book value of financial asset with effective interest rate) or under the following circumstances are recognized in profit or loss:

- A. Purchased or originated credit-impaired financial assets, where interest is calculated by multiplying the cost of financial assets after amortization with credit-adjusted effective interest rate.
- B. Subsequent impairment of financial asset that does not meet the above description, where interest is calculated by multiplying the cost of financial assets after amortization with effective interest rate.

Financial assets at fair value through other comprehensive income

Financial assets that simultaneously satisfy the two criteria below are measured at fair value through other comprehensive income, and presented on the balance sheet as financial assets at fair value through other comprehensive income.

- A. Business model for managing the financial assets: financial asset is held for collecting contractual cash flow and sale
- B. Characteristics of contractual cash flow for the financial assets: cash flow is solely used to pay principal and interests on outstanding principal

Gains and losses associated with this type of financial assets are recognized in the following manner:

- A. Prior to derecognition or reclassification, gains and losses are recognized in other comprehensive income, except for impairment gains/losses and foreign exchange gains/losses, which are recognized in profit or loss
- B. Upon derecognition, all cumulative gains/losses previously recognized in other comprehensive income are reclassified from equity to profit or loss and treated as a reclassification adjustment

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

C. Interests calculated using the effective interest method (i.e. by multiplying the book value of financial asset with effective interest rate) or under the following circumstances are recognized in profit or loss:

- (a) Purchased or originated credit-impaired financial assets, where interest is calculated by multiplying the cost of financial assets after amortization with credit-adjusted effective interest rate.
- (b) Subsequent impairment of financial asset that does not meet the above description, where interest is calculated by multiplying the cost of financial assets after amortization with effective interest rate.

For equity instruments that are subject to IFRS 9 but are neither held for trading nor recognized as acquirer's contingent consideration under IFRS 3 - Business Combinations, a (irrevocable) choice can be made at initial recognition to account for subsequent fair value changes in other comprehensive income. Amounts presented in other comprehensive income cannot be subsequently reclassified into profit or loss (upon disposal of the equity instrument, amounts previously accumulated under other equity item are reclassified directly into retained earnings); these instruments are presented on balance sheet as financial assets at fair value through other comprehensive income. Dividends from investments are recognized in profit or loss, unless the dividends clearly represent a partial recovery of the investment cost.

Financial assets at fair value through profit or loss

With the exception of financial assets that are carried at amortized cost or measured at fair value through other comprehensive income for satisfying the special criteria mentioned above, all other financial assets are measured at fair value through profit or loss, and presented on balance sheet at fair value through profit or loss.

This category of financial assets is measured at fair value. Gains or losses arising from remeasurement are recognized in profit or loss. The amount of gains and losses recognized in profit or loss includes all dividends or interests collected on the financial asset.

(2) Impairment of financial assets

The Company recognizes and measures the loss provisions for debt instrument investments held at fair value through other comprehensive income and financial assets carried at amortized cost at an amount equal to expected credit loss. Loss provisions on debt instrument investments held at fair value in other comprehensive income are

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

recognized in other comprehensive income and do not reduce the book value of investment.

The Company measures expected credit losses after taking into account of the following:

- A. An unbiased and probability-weighted amount determined after assessing the possible outcomes
- B. Time value of monetary
- C. Rational and verifiable information about past event, current situation, and future economic forecast (that can be obtained on the balance sheet date without incurring excessive cost or input)

Loss provisions are measured using the methods explained below:

- A. At an amount equal to 12-month expected credit loss: applies to financial assets that exhibit no significant increase in credit risk since initial recognition, or those that are considered to be of low credit risk as at the balance sheet date. This method also applies to accounts that had loss provisions measured based on lifetime expected credit losses in the previous reporting period, but no longer meets the condition of having exhibited significant increase in credit risk since initial recognition as at the current balance sheet date.
- B. At an amount equal to lifetime expected credit losses: applies to financial assets that exhibit significant increase in credit risk since initial recognition, or purchase of originated credit-impaired financial assets.
- C. For accounts receivable or contractual assets that arise from the transactions defined in IFRS 15, the Company measures loss provisions at an amount equal to lifetime expected credit losses.
- D. For lease receivable that arises from the transactions defined in IFRS 16, the Company measures loss provisions at an amount equal to lifetime expected credit losses.

On each balance sheet date, the Company examines financial instruments for any change in default risk between the balance sheet date and the date of initial recognition, and in doing so evaluates whether there is significant increase in the credit risk of financial instrument since initial recognition. Please see Note XII for credit risk-related information.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
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(3) Derecognition of financial assets

Financial assets that satisfy any of the following criteria are derecognized:

- A. When contractual entitlement to receive cash flow from the asset has ended.
- B. When the financial asset has been transferred along with virtually all risks and returns associated with the ownership of the asset.
- C. When control of the asset has been transferred, even if the Company does not transfer or retain virtually all risks and returns associated with the asset.

When a financial asset is derecognized, the difference between book value and the sum of consideration received/receivable plus any cumulative gains or losses previously recognized in other comprehensive income is recognized in profit or loss.

(4) Financial liabilities and equity instruments

Classification of liability and equity

Debt and equity instruments issued by the Company are classified into financial liabilities or equity based on the essence of the contract agreement and definitions of financial liabilities and equity instrument.

Equity instrument

Equity instrument refers to any contract that represents residual interests after the Company deducts all of its liabilities from its assets. Equity instruments issued by the Company are recognized at the amount of proceeds received net of direct issuing costs.

Financial liabilities

Financial liabilities subject to IFRS 9 are classified as financial liabilities at fair value through profit or loss or financial liabilities at amortized cost at initiation.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
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Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities that are held for trading and designated to be measured at fair value through profit or loss.

Financial liabilities are classified as held for trading if it satisfies any of the following criteria:

- A. Acquired mainly for the purpose of being sold in the short term.
- B. Having been recognized at initiation as part of a portfolio of identifiable financial instruments under collective management, and there is evidence to suggest that the portfolio is being traded for short-term profits; or
- C. Exhibits the characteristics of a derivative instrument (except for financial guarantee contracts or derivative instruments designated for effective hedge).

Contracts that contain one or multiple embedded derivative instruments can be designated as hybrid (combined) contracts, and presented as financial liabilities at fair value through profit or loss. These instruments are designated to be measured at fair value through profit or loss at initiation if more relevant information can be obtained in one of the following situations:

- A. Designation would eliminate or significantly reduce discrepancies arising from measurement or recognition; or
- B. A group of financial liabilities or a group of financial assets and liabilities that are managed and evaluated performance based on fair value, as per risk management guidelines or investment strategy that are in written form, and that information of the investment portfolio provided internally to the management of the Company is also based on fair value.

Gains and losses arising from remeasurement of this category of financial liabilities are recognized in profit or loss. The amount of gains and losses recognized in profit or loss includes all interests paid on the financial liability.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

Financial liabilities at amortized costs

Financial liabilities at amortized costs include payables and loans, which are subsequently measured using the effective interest rate method after initial recognition. When financial liabilities are derecognized from balance sheet and when amortization is provided using the effective interest rate method, the corresponding gains, losses, and amortizations are recognized in profit or loss.

Calculation of amortized costs takes into consideration discounts or premiums at the time of acquisition and transaction costs.

Derecognition of financial liabilities

Financial liabilities are derecognized from balance sheet when obligations have been relieved, canceled, or voided.

When the Company engages a creditor in a swap of debt instruments with significant discrepant terms, or makes significant modification to some or all terms of existing financial liability (whether due to financial distress or not), the effects are accounted by derecognizing the original liability and recognizing the new liability at the same time. When derecognizing financial liability, differences between the book value and the considerations paid/payable (including non-cash assets transferred or liabilities assumed) are recognized in profit or loss.

(5) Offset of financial assets and liabilities

Financial assets and financial liabilities may be offset against each other and reported in the balance sheet in net amount only when the entity is legally entitled to do so and has the intention to settle assets and liabilities in net amount or to realize the asset and settle the liability at the same time.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
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8. Fair value assessment

Fair value refers to the price that market participants are able to receive for selling an asset, or the price that has to be paid to transfer a liability, in an orderly transaction on the measurement date. Fair value assessment assumes that the asset/liability is sold/transferred in one of the following markets:

- (1) The principal market for the asset or liability; or
- (2) The most advantageous market for the asset or liability, if the principal market does not exist

The principal or most advantageous market must be one that the Company has access to and is able to transact in.

Common assumptions that market participants adopt for pricing assets or liabilities are used when assessing fair value of an asset or liability. These assumptions assume that market participants all act in their best economic interest.

Fair value assessment of non-financial assets takes into consideration market participants' intent to make the highest and best use of the asset, or their intent to sell the asset to another market participant that will make the highest and best use in order to generate economic benefits.

The Company assesses fair value by adopting valuation techniques that are appropriate for the given circumstance and for which data can be obtained, while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

9. Inventories

Accounted at acquisition cost; the cost of inventory is calculated using the weighted average method. Inventory is subsequently measured at the lower of cost or net realizable value item by item. Net realizable value refers to the balance of estimated selling price less any costs required to sell inventory under normal circumstances. Allowance for losses on inventory devaluation and obsolescence that is considered slow-moving or obsolete.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
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10. Investments accounted for using the equity method

The Company accounts for subsidiaries in accordance with Article 21 of Regulations Governing the Preparation of Financial Reports by Securities Issuers, and presents them as "investments accounted for using the equity method" with valuation adjustments made as deemed necessary so that the amount of current profit/loss and other comprehensive income attributable to parent company shareholders are consistent between parent company only and consolidated financial statements, and that the amount of equity attributable to parent company shareholders are also consistent between parent company only and consolidated financial statements. These adjustments primarily take into consideration the consolidation treatments for subsidiary investments mentioned in IFRS 10 - "Consolidated Financial Statements" and differences in applicable IFRS rules for different reporting entities, and may involve debiting or crediting accounts such as "investments accounted for using the equity method," "share of profit or loss from subsidiaries, associated companies, and joint ventures accounted for using the equity method," and "share of other comprehensive income from subsidiaries, associated companies, and joint ventures accounted for using the equity method."

11. Property, plant and equipment

Property, plant and equipment are recognized at acquisition cost and presented net of accumulated depreciation and accumulated impairment. The abovementioned cost includes the cost of uninstalling, removing, and restoring property, plant and equipment at the given location, and any interest costs incurred on construction-in-progress. Significant compositions of property, plant, and equipment are depreciated separately. When making regular replacements for major component of property, plant, and equipment, the Company treats the replacement as a separate asset and recognizes depreciation based on the specified useful life and depreciation method. Book values of replaced assets are derecognized from balance sheet in accordance with IAS 16 - "Property, plant and equipment." Major repair costs that satisfy the recognition criteria are treated as replacement costs and recognized as part of the book value of property, plant and equipment. All other repair and maintenance expenditures are recognized in profit or loss.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
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Depreciation is provided on a straight-line basis over the estimated useful lives mentioned below:

Buildings	51-56 years
Accessory equipment of buildings	6 years
Transportation equipment	6 years
Office equipment	4-6 years
Right-of-use assets/lease assets	The lower between lease tenor and useful life
Lease improvements	The lower between lease tenor and useful life
Other equipment	2-6 years

The entity derecognizes property, plant and equipment or any of its major components from balance sheet and recognizes in profit or loss when it disposes the asset or expects no further inflow of economic benefits from utilization or disposal of the asset.

Residual value, useful life, and depreciation method of property, plant and equipment are evaluated at the end of each financial year. If the expected value differs from previous estimates, the difference is treated as a change in accounting estimate.

12. Lease

The Company evaluates whether a contract meets the criteria of (or contains) lease on the day of establishment. A contract is considered as (or contains) lease if it involves a transfer of control over identified assets for a period of time in exchange for consideration. To determine whether a contract transfers the right to control the use of an identified asset for a period of time, the Company evaluates whether the following two conditions are met throughout the entire period of use:

- (1) The user has the right to obtain substantially all of the economic benefits from using the identified asset; and
- (2) The user has the right to determine how identified asset is used.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
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For contracts that meet the criteria of (or contain) lease, the Company treats every lease component in the contract as a standalone lease, and accounts for non-lease components separately. For a contract that contains a lease component and one or multiple additional lease or non-lease components, the Company separates relative standalone price of each lease component from total standalone price of non-lease components, and allocates consideration to lease components. Relative standalone prices of lease and non-lease components are determined based on the price received by lessor (or supplier of similar nature) for the particular component (or similar component). If observable standalone prices are not readily available, the Company will maximize the use of observable information to estimate the standalone price.

Where the Company is the lessee

Except for leases that meet the criteria for and are accounted as short-term lease or lease of low-value asset, the Company recognizes right-of-use assets and lease liabilities on all lease contracts where it is the lessee.

On the commencement date, the Company measures lease liabilities at the present value of unpaid lease payments outstanding on that day. Lease payments are discounted at the implicit interest rate if it can be determined easily. If the implicit interest rate cannot be determined easily, the lessee's incremental borrowing rate is used instead. Lease payments to be included in the calculation of lease liabilities on the commencement date include the following payments outstanding on that day that are relevant to the right-of-use of the underlying asset over the lease tenor:

- (1) Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (2) Variable lease payments that are determined by certain index or rate (which are initially measured using index or rate as at the commencement date);
- (3) Amounts that the lessee expects to pay under guaranteed residual value;
- (4) Exercise price for the purchase option, provided that the Company is reasonably certain to exercise such option; and
- (5) Penalties that have to be paid upon termination of lease, if the lease term reflects the lessee's intent to exercise the termination option.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

After the commencement date, the Company measures lease liabilities at amortized cost basis and uses the effective interest method to increase the book value of lease liabilities to reflect the interest expense on lease liabilities. Lease payments reduce the book value of lease liabilities.

The Company measures right-of-use assets at cost on the commencement date; the cost of right-of-use asset includes:

- (1) Initial measured amount of lease liabilities;
- (2) Any lease payment made on or before the commencement date, less any lease incentive received;
- (3) Any direct cost incurred by the lessee at initiation; and
- (4) Estimated cost for the lessee to dismantle, remove the underlying asset, and restore its original location, or to restore the underlying asset to the state specified in the terms and conditions of the lease agreement.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment loss; in other words, the cost method is used to measure right-of-use assets.

If ownership of the underlying asset is due to be transferred to the Company at the end of the lease tenor, or if the cost of right-of-use asset already reflects the Company's intent to exercise the option to purchase, the Company shall begin recognizing depreciation on right-of-use assets from the commencement date until the end of useful life. Otherwise, the Company is required to recognize depreciation from the commencement date until the end of useful life of the right-of-use asset or until the end of the lease tenor, whichever the earlier.

The Company adopts IAS 36 - "Asset impairment" to determine whether right-of-use assets exhibit signs of impairment and account for any impairment losses identified.

Except for leases that meet the criteria for and are accounted as short-term lease or lease of low-value asset, the Company recognizes both right-of-use assets and lease liabilities on the balance sheet, and lease-related depreciation and interest expenses on the statement of comprehensive income.

The Company accounts lease payments associated with short-term lease and lease of low-value asset as expense over the lease tenor on a straight-line basis or using an alternative systematic approach.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

Where the Company is the lessor

The Company classifies each lease arrangement into an operating lease or financing lease on the contract establishment date. A lease is classified as financial lease if virtually all risks and returns associated with ownership of the underlying asset are transferred; otherwise, the lease is classified as an operating lease. On the commencement date, the Company recognizes assets held under financial lease arrangement on balance sheet, and presents financial lease receivable at the amount of net lease investments.

For contracts that contain both lease component and non-lease component, the Company adopts IFRS 15 and allocates considerations of contracts accordingly.

The Company recognizes lease payments received from operating leases as rental income on a straight-line basis or using alternative systematic basis. In an operating lease, variable lease payments that are not derived from any particular index or rate are recognized as rental income at the time occurred.

13. Intangible asset

Intangible assets that are acquired separately are measured at cost at initiation. For intangible assets acquired through business combination, cost is determined as fair value as of the acquisition date. After initial recognition, book value of intangible assets is subsequently presented at cost less accumulated amortization and accumulated impairment loss. Intangible assets generated internally that do not meet the recognition criteria are not capitalized, but recognized in profit or loss at the time occurred.

Intangible assets are distinguished into those with finite useful lives and those with indefinite useful lives.

Finite useful life intangible assets are amortized over the number of useful years, and subjected to impairment tests if there are signs of impairment. Useful life and method of amortization for finite useful life intangible assets are reviewed at the end of each financial year. If an asset's expected useful life differs from the previous estimate or if there is a change to how future economic benefits are realized, the Company will adjust the period and method of amortization and treat the adjustment as a change in accounting estimate.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

Indefinite useful life intangible assets are not amortized, but are subjected to impairment tests as a standalone asset or as part of the cash-generating unit yearly. Indefinite useful life intangible assets are evaluated each year to determine whether there are events or circumstances that continue to support the assets' useful life are indefinite. If changing from indefinite useful life to finite useful life that apply will be postponed.

Gains or losses arising from the derecognition of intangible assets are recognized in profit or loss.

Computer software

Cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 5 years).

	<u>Computer software</u>
Useful life	Finite
Amortization method	Amortized on a straight-line basis over the estimated useful life
Internally generated or externally acquired	Externally acquired

14. Impairment on non-financial assets

All assets subject to IAS 36 - "Asset impairment" are evaluated whether there is a sign of impairment at the end of each reporting period. If there is a sign of impairment or a yearly impairment tests on particular asset is needed, the Company will conduct the impairment tests as a standalone asset or as part of the cash-generating unit. Impairment losses are recognized if the impairment test shows book value of the asset or cash-generating unit exceeds its recoverable amount. Recoverable amount is the higher between the net fair value and the utilization value.

For assets except for goodwill, the Company conducts regular assessments at the end of each reporting period to determine whether impairment losses recognized in previous periods have reduced or no longer exist. If so, the Company immediately estimates the recoverable amount of the asset or cash-generating unit. Impairment losses are reversed if the recoverable amount increases due to a change in estimated service potential of the underlying asset. However, the asset's book value after reversal of impairment losses cannot exceed the amount of book value less depreciation or amortization before the impairment took place.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

Impairment losses and reversal gains from continuing operations are recognized in profit or loss.

15. Provisions

Provisions are recognized on current obligations (legally or constructive) given rise by a past event, for which the Company is very likely to incur an outflow of economic benefit or resource to settle such an obligation, and that the amount of obligation can be estimated reliably. When the Company expects some or all of its provisions to be reimbursed, the Company will recognize assets separately only when the reimbursement is almost confirmed. In circumstances where time value of money has a significant impact, the provision is discounted using the pre-tax interest rate that appropriately reflects the specific risk characteristics of the liability. When discounting, any increase in the amount of liability due to passage of time is recognized as borrowing cost.

Provisions for warranty

Provisions for warranty are estimated base on the terms of product sale contracts, and the management's best estimate of future economic benefit outflows of warranty obligations (based on historical warranty experience).

16. Revenue recognition

Revenue from contracts with customers mainly involves sale of merchandise and rendering of service. Accounting treatments are as explained below:

Sales of merchandise

The Company recognizes revenue on sale of merchandise when the promised merchandise has been delivered to the customer and that the customer has control of the merchandise (i.e. the customer is able to make use of the merchandise and access virtually all remaining benefits on the merchandise). Most of the merchandises sold are electronic equipment of high unit price, for which revenues are recognized based on prices stated in individual contracts. Other merchandises are often sold with discount (based on sales volume accumulated within a defined period), therefore revenue is recognized at prices stated in individual contracts less estimated discounts. The Company estimates how volume-based discounts affect variable consideration using previous experience and expected value.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

However, variable consideration is only taken into account if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. Meanwhile, expected volume discount is recognized as refund liabilities in period of agreement.

Warranty represents the Company's assurance that the merchandise supplied will function within customers' expectations, and is recognized according to IAS 37.

The Company sells merchandises with a credit term of 30-120 days. For most contracts, accounts receivable is recognized when the Company transfers control of merchandise and obtains an unconditional entitlement to receive consideration. Such accounts receivable is usually short in duration and there is no significant financial component. For some contracts that merchandise is transferred to customer but does not obtain unconditional entitlement to receive consideration yet, the Company would recognize contract assets instead. According to IFRS9, loss provisions on contract assets should be measured based on Lifetime Expected Credit Losses.

Rendering of service

The services provided by the Company are mainly maintenance, warranty, and design. Such services are priced individually or through negotiation, and provided during the contract period. Service income is recognized over time, considering that the Company renders services in a period of time specified in contract and customers generate benefits from product throughout contract duration, thereby the performance obligation is fulfilled progressively over time, and service income is recognized over time.

For the majority of the Company's contracts, consideration is collected over equal installments after services are rendered. Contractual assets are recognized when services are rendered to customers without unconditional entitlement to collect consideration. However, in certain contracts where partial consideration is collected from customers in advance at the time of signing, the Company bears the obligation to provide subsequent services and therefore recognizes contractual liabilities.

In the above situation, the reclassification of contractual liabilities into income generally do not exceed one year, and hence has not given rise to significant financing component.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

17. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of qualifying assets are capitalized into part of the cost of the respective assets. All other borrowing costs are expensed in the period incurred. Borrowing cost includes interest and other costs incurred in relation to the borrowing of capital.

18. Post-employment benefit plans

The Company's retirement policy applies to all permanent employees. All pension contributions are placed entirely under the management of the Labor Pension Supervisory Committee and deposited into a dedicated pension fund account. Since the above pension fund is being held under the name of the Labor Pension Supervisory Committee, it is completely separate from the Company's assets and hence excluded from the parent company only financial statements presented above.

For employees under the Post-employment benefit plans of defined contribution plan, the Company makes monthly pension contributions totaling no less than 6% of employees' salary. The amounts contributed are recognized as current period expense.

For employees that are subject to Post-employment benefit plans of defined benefit plan, provisions are made at the end of the reporting period based on actuarial report using the Projected Unit Credit method. Remeasurement of net defined benefit liabilities (assets) includes return on plan asset and any change in the effect of asset cap, less the amount of net interest on the net defined benefit liabilities (assets) and actuarial gains/losses. Remeasurement of net defined benefit liabilities (assets) is recognized in other comprehensive income in the periods they occur, and recognized immediately into retained earnings. Service costs for the previous period represent changes in the present value of defined benefit obligations due to plan amendment or curtailment, and are recognized as expense on the earlier of the two dates below:

- (1) When the plan is amended or curtailed; and
- (2) When the Company recognizes related restructuring costs or termination benefits.

Net interest on net defined benefit liabilities (assets) is determined by multiplying net defined benefit liabilities (assets) with the discount rate. Both variables are determined at the beginning of annual reporting period, and changes in net defined benefit liabilities (assets) due to contributions and benefit payments during the period are evaluated thereafter.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

19. Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax.

Current income tax

Current income tax liabilities (assets) for the current and previous periods are measured using statutory or substantively enacted tax rates and tax laws at the end of the reporting period. Current income taxes that arise in relation to accounts recognized in other comprehensive income or directly in equity are also recognized in other comprehensive income or in equity respectively instead of profit or loss.

Additional income tax for undistributed earnings is recognized as income tax expense on the date when the distribution proposal is approved in the shareholder's meeting.

Deferred income tax

Deferred income tax is recognized on temporary differences between the tax basis of assets and liabilities and book value shown in the balance sheet as of the end of the reporting period.

All taxable temporary differences are recognized as deferred income tax liabilities, except for the two circumstances below:

- (1) Initial recognition of goodwill; or of an asset or liability that do not arise from transactions of the corporate entity, and at the time of transaction, affects neither accounting profit nor taxable profit (loss) nor gives rise to equal taxable and deductible temporary differences.
- (2) Taxable temporary difference that arises from investment in subsidiaries, provided that the timing of reversal can be controlled and the difference is very unlikely to reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences, unused tax losses, and carry forward of unused tax credit to the extent that the Company is likely to earn taxable income to offset them in the future, except for the two circumstances below:

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

- (1) Deductible temporary difference arising from initial recognition of an asset or liability that is unrelated to transactions of the corporate entity, and at the time of transaction, affects neither accounting profit nor taxable profit (loss) nor gives rise to equal taxable and deductible temporary differences.
- (2) Deductible temporary difference arising from investment in subsidiaries, which is recognized only to the extent that the difference is very likely to be reversed in the foreseeable future and that sufficient taxable income can be earned to realize the temporary difference.

Deferred income tax assets and liabilities are measured using tax rate that is expected to apply in the year when the asset is realized or the liability is settled. This tax rate is determined based on the tax rate and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred income tax liabilities and assets represent tax impacts of the method by which the entity expects to recover/settle the book value of its assets and liabilities at the end of the reporting period. Deferred income taxes unrelated to any profit or loss account are not recognized in profit or loss, but are instead recognized in other comprehensive income or directly in equity depending on the nature of the transaction. Deferred income tax asset is re-examined and recognized at the end of each reporting period.

Current portions of deferred income tax assets and liabilities can be offset against each other only if the entity is legally entitled to do so, and that the deferred income taxes are attributed to the same taxpayer and the same tax authority.

(V) Sources of Uncertainty to Significant Accounting Judgments, Estimates, and Assumptions

When preparing parent company only financial statements, the management is required to make judgments, estimates, and assumptions as at the end of the reporting period, which will affect the amounts of income, expenses, assets, and liabilities reported and disclosure of contingent liabilities. Uncertainties associated with these significant assumptions and estimates may cause the entity to make significant adjustments to the book value of assets or liabilities in the future.

1. Judgment

When applying accounting policies for the preparation of financial statements, the management is required to make several significant judgments.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

These include:

Operating lease commitments - where the Company is the lessor

Lease arrangements in which the Company retains significant risk and return associated with property ownership, according to the assessments on the terms of the lease agreement, are accounted as operating leases.

2. Estimates and assumptions

Estimates and assumptions made about the future at the end of the reporting period for significant but uncertain sources of information may result in significant risks for material adjustments to the book value of assets and liabilities in the next financial year. Explanation is as follows:

(1) Fair value of financial instruments

When fair value of a financial asset and financial liability shown on balance sheet cannot be obtained through active market, the fair value will be determined using valuation technique, such as the income approach (e.g. discounted cash flow model) or market approach. Changes in the assumptions used in these models will affect the fair value of financial instruments reported. Please see Note XII for more details.

(2) Inventories valuation

Due to the fact that inventory is valued at the lower of cost or net realizable value item by item, the Company is required to exercise judgment and estimates to determine the net realizable value of inventory at the end of the reporting period.

Due to rapidly changing technologies, the Company estimates the net realizable value of inventory for normal waste, obsolescence and market value at the end of reporting period and then writes down the cost of inventories to net realizable value. Inventory valuation is estimated primarily based on inventory characteristics, utilization value, historical experience, and market price, and therefore may give rise to significant changes. See Note VI for more details.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

(3) Post-employment benefit plans

Pension cost and present value of defined benefit obligations of Post-employment benefit plans are determined using actuarial valuations. The actuarial valuation involves several different assumptions, including: discount rate and expected salary changes. Please see Note VI for details on the assumptions used to measure pension cost and defined benefit obligations.

(4) Revenue recognition - sales return and discount

The Company estimates sales return and discount based on historical experience and other known factors, and accounts them as contra items to operating revenues when merchandise is sold. The aforementioned estimates of sales return and discounts are based on the amount of the accumulated revenue recognized in major reversals is highly unlikely to happen based on the premise. See Note VI for more details.

(5) Receivables - estimation of impairment losses

The Company estimates impairment loss of receivables by measuring the lifetime expected credit losses. Credit loss is determined as the present value of differences between contractual cash flow that is due to the Company under contracts (book value) and cash flow the Company expects to receive (after evaluating forward-looking information), but considering that the effect of discounting is insignificant for short-term receivables, credit loss is measured using the undiscounted differences. Significant impairment losses may arise if actual cash flow is less than expectation in the future. See Note VI for details.

(6) Income tax

Uncertainty of income tax lies in the interpretation of complex tax laws and the amount and timing of future taxable income. Due to the wide range of international business relationships and the long-term nature and complexity of contracts, differences between the actual outcome and the assumptions made previously or future changes to such assumption may necessitate future adjustments to income tax benefits and expenses already recognized. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of provision is recognized after taking into account different factors such as: past tax audit experience and the different interpretations of tax law between the subject of tax and the applicable tax authority.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

Differences in interpretation may give rise to various issues depending on where the Company is located.

Unused tax losses and tax credits carried into subsequent periods and deductible temporary differences are recognized as deferred income tax assets to the extent that the entity is very likely to earn taxable income to offset against. The amount of deferred income tax assets recognizable is determined based on the timing and level of future taxable income and taxable temporary differences, as well as future tax plans and strategies. See Note VI for details of deferred income tax assets that the Company had not recognized as at December 31, 2023.

(VI) Notes to Major Accounts

1. Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash	\$155	\$155
Demand and check deposit	1,195,277	849,991
Total	<u>\$1,195,432</u>	<u>\$850,146</u>

2. Financial assets at fair value through other comprehensive income

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investment in equity instruments at fair value through other comprehensive income - non-current:		
TWSE/TPEX listed shares	\$30,768	\$26,341
Unlisted shares	29,200	27,950
Total	<u>\$59,968</u>	<u>\$54,291</u>

- (1) The Company acquired 2,000 thousand shares of Ausenior Information Co., Ltd., an unlisted company, in the first quarter of 2022, at a cost of NT\$26,000 thousand.
- (2) The Company recognized NT\$3,088 thousand and NT\$3,014 thousand of dividend income for the years ended December 31, 2023 and 2022, respectively from investment in equity instruments at fair value through other comprehensive income held in possession. This income was related to investments that remained in possession as at the balance sheet date.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

(3) None of the Company's financial assets at fair value through other comprehensive income was placed as collateral.

3. Notes receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable - arising from operating activities	\$11,368	\$10,342
Less: loss provisions	-	-
Total	<u>\$11,368</u>	<u>\$10,342</u>

None of the Company's notes receivables was placed as collateral.

The Company assesses impairment according to IFRS 9. Please see Note VI.16 for information on loss provisions and Note XII for credit risk-related information.

4. Accounts receivable and installment accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	\$448,764	\$369,602
Installment accounts receivable	69,991	120,677
Less: unrealized interest income - installment accounts receivable	(3,796)	(5,144)
Accounts receivable - related parties	2,665	452
Subtotal (total book value)	<u>517,624</u>	<u>485,587</u>
Less: loss provisions	(5,327)	(3,911)
Total	<u>\$512,297</u>	<u>\$481,676</u>

Expected recovery of installment accounts receivable is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
No more than 1 year	\$49,713	\$81,740
1 to 2 years	10,668	30,165
2 years and above	9,610	8,772
Total	<u>\$69,991</u>	<u>\$120,677</u>

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

None of the Company's accounts receivable was placed as collateral. Credit terms granted to customers are generally 30 days to 120 days after the end of the month of acceptance inspection.

The Company had accounts receivable and installment accounts receivable balance outstanding at NT\$517,624 thousand on December 31, 2023 and NT\$485,587 thousand on December 31, 2022. See Note VI.16 for information on loss provisions and Note XII for credit risk-related information.

5. Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Net inventory - merchandise	\$2,087,674	\$2,198,171

Cost of inventory, consultation, and maintenance recognized as expenses for the years ended December 31, 2023 and 2022 were NT\$4,313,908 thousand and NT\$4,289,958 thousand respectively. These amounts included NT\$448 thousand of gain on reversal of inventory devaluation and obsolescence for the year ended December 31, 2023, and NT\$1,481 thousand of loss on inventory devaluation and obsolescence for the year ended December 31, 2022, respectively.

Provisions for inventory devaluation and obsolescence as at December 31, 2023 and 2022 were reported at NT\$4,308 thousand and NT\$4,756 thousand, respectively.

None of the above inventory was pledged as collateral.

6. Prepayments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepaid purchases	\$607,180	\$527,572
Other prepaid expenses	69,145	57,713
Total	<u>\$676,325</u>	<u>\$585,285</u>

7. Investments accounted for using the equity method

Details of the Company's investments accounted for using the equity method:

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

Name of investee	December 31, 2023		December 31, 2022	
	Amount	Percentage of shareholding	Amount	Percentage of shareholding
Stark Technology Inc. (USA)	\$11,095	100%	\$11,574	100%
Pacific Ace Holding International Ltd.	254,640	100%	368,730	100%
Stark Information (Hong Kong) Limited (Note)	-	-	2,011	100%
SRAIN Investment Co., Ltd.	603,718	100%	569,365	100%
Total	<u>\$869,453</u>		<u>\$951,680</u>	

Note: The board of directors passed the resolution on July 28, 2023 to initiate the dissolution and liquidation process of Stark Information (Hong Kong) Limited. As of December 31, 2023, the dissolution and liquidation had not been completed yet.

Investments in subsidiaries are presented as "Investments accounted for using the equity method" in the parent company only financial statements, with valuation adjustments made as necessary.

8. Property, plant and equipment

	December 31, 2023	December 31, 2022
Owner-occupied property, plant and equipment	<u>\$495,417</u>	<u>\$440,059</u>

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

	Land	Buildings	Transportation equipment	Office equipment	Lease improvements	Other equipment	Construction in progress and equipment awaiting inspection	Total
<u>Cost:</u>								
January 1, 2023	\$291,892	\$203,110	\$4,727	\$35,447	\$8,059	\$578	\$-	\$543,813
Additions	-	3,353	79	1,696	3,114	-	57,200	65,442
Disposals	-	(6,152)	(1,981)	(5,406)	-	(209)	-	(13,748)
Reclassification	-	-	-	8,237	-	-	-	8,237
December 31, 2023	<u>\$291,892</u>	<u>\$200,311</u>	<u>\$2,825</u>	<u>\$39,974</u>	<u>\$11,173</u>	<u>\$369</u>	<u>\$57,200</u>	<u>\$603,744</u>
January 1, 2022	\$291,892	\$202,009	\$4,645	\$42,353	\$5,830	\$578	\$-	\$547,307
Additions	-	1,287	82	5,393	2,229	-	-	8,991
Disposals	-	(186)	-	(13,823)	-	-	-	(14,009)
Reclassification	-	-	-	1,524	-	-	-	1,524
December 31, 2022	<u>\$291,892</u>	<u>\$203,110</u>	<u>\$4,727</u>	<u>\$35,447</u>	<u>\$8,059</u>	<u>\$578</u>	<u>\$-</u>	<u>\$543,813</u>
<u>Depreciation and impairment:</u>								
January 1, 2023	\$-	\$78,977	\$1,852	\$18,160	\$4,316	\$449	\$-	\$103,754
Depreciation	-	5,525	575	8,991	1,667	105	-	16,863
Disposals	-	(6,152)	(523)	(5,406)	-	(209)	-	(12,290)
December 31, 2023	<u>\$-</u>	<u>\$78,350</u>	<u>\$1,904</u>	<u>\$21,745</u>	<u>\$5,983</u>	<u>\$345</u>	<u>\$-</u>	<u>\$108,327</u>
January 1, 2022	\$-	\$73,763	\$1,072	\$23,104	\$3,135	\$310	\$-	\$101,384
Depreciation	-	5,400	780	8,879	1,181	139	-	16,379
Disposals	-	(186)	-	(13,823)	-	-	-	(14,009)
December 31, 2022	<u>\$-</u>	<u>\$78,977</u>	<u>\$1,852</u>	<u>\$18,160</u>	<u>\$4,316</u>	<u>\$449</u>	<u>\$-</u>	<u>\$103,754</u>
<u>Net book value:</u>								
December 31, 2023	<u>\$291,892</u>	<u>\$121,961</u>	<u>\$921</u>	<u>\$18,229</u>	<u>\$5,190</u>	<u>\$24</u>	<u>\$57,200</u>	<u>\$495,417</u>
December 31, 2022	<u>\$291,892</u>	<u>\$124,133</u>	<u>\$2,875</u>	<u>\$17,287</u>	<u>\$3,743</u>	<u>\$129</u>	<u>\$-</u>	<u>\$440,059</u>

The Company did not capitalize any interest for the years ended December 31, 2023 and 2022.

Major components of buildings include: main structure, air conditioning, and renovation, which are depreciated over useful lives of 51-56 years, 6 years, and 6 years, respectively.

None of the above property, plant and equipment was pledged as collateral.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

9. Intangible asset

	<u>Computer software</u>
Cost:	
January 1, 2023	\$8,726
Addition - acquisition by separate purchase	1,341
Reduction - removal in the current period	(4,431)
Reclassification in the current period	-
December 31, 2023	<u>\$5,636</u>
January 1, 2022	\$16,860
Addition - acquisition by separate purchase	1,845
Reduction - removal in the current period	(9,979)
Reclassification in the current period	-
December 31, 2022	<u>\$8,726</u>
Amortization and impairment:	
January 1, 2023	\$5,821
Amortization	2,822
Reduction - removal in the current period	(4,431)
December 31, 2023	<u>\$4,212</u>
January 1, 2022	\$8,872
Amortization	6,928
Reduction - removal in the current period	(9,979)
December 31, 2022	<u>\$5,821</u>
Net book value:	
December 31, 2023	<u>\$1,424</u>
December 31, 2022	<u>\$2,905</u>

Amortization amount of intangible assets:

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Administrative expenses	<u>\$2,822</u>	<u>\$6,927</u>
Research and development expenses	<u>\$-</u>	<u>\$1</u>

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

10. Other non-current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other non-current assets - others	\$3,399	\$1,661

11. Short-term loans

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank loans	\$-	\$150,000
Interest rate range	-%	1.65%~1.875%

The Company had undrawn short-term credit facilities of NT\$2,179,818 thousand and NT\$1,771,948 thousand as at December 31, 2023 and December 31, 2022, respectively.

12. Provisions

	<u>Warranty</u>	
	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Beginning of period	\$5,108	\$11,917
Additions in the current period	14,380	13,949
Utilization in the current period	(6,321)	(8,697)
Reversals in the current period	(4,635)	(12,061)
End of the period	<u>\$8,532</u>	<u>\$5,108</u>

Warranty

This provision was made by estimating future product warranty claims, which involved use of historical experience, the management's judgment and other known factors.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

13. Post-employment benefit plans

Defined Contribution Plans

The retirement policy that the Company has established in accordance with the "Labor Pension Act" introduces a defined contribution plan. According to the Labor Pension Act, the Company is required to make monthly pension fund contributions at an amount no less than 6% of employee's monthly salary. The Company has established a set of employee retirement policy according to the Labor Pension Act, and has been making monthly contributions to employees' pension fund accounts held with the Bureau of Labor Insurance at 6% of salary.

The amounts of recognized pension expenses related defined to contribution plan for the years ended December 31, 2023 and 2022 were NT\$26,189 thousand and NT\$24,328 thousand respectively.

Defined Benefit Plans

The pension policy that the Company has established in accordance with the "Labor Standards Act" introduces a defined benefit plan. Employees' pension benefits were paid based on their years of service and their average salaries during the one month when retirement is approved. Employees are awarded 2 pension basis points for every year of service under (including) 15 years, and 1 pension basis point for every year of service above 15 years, subject to a maximum of 45 pension basis points. The Company makes monthly pension contributions equivalent to 2% of employees' monthly gross salaries in accordance with the Labor Standards Act. These contributions are deposited into the dedicated account held with the Bank of Taiwan in the name of Labor Pension Fund Supervisory Committee. The Company also evaluates the balance of the above-mentioned labor pension fund account before the end of each year. In the event that the account is estimated to be short of balance to pay the amount of estimated pension benefits to workers who are expected to meet their retirement criteria in the following year, the Company is required to reimburse the shortfall in one contribution before the end of March the following year.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

Assets are allocated according to Ministry of Labor's Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. Fund assets are managed through a combination of self-management and mandate, using both active and passive medium-to-longer term investment strategies. The Ministry of Labor has imposed risk limits and control measures on market, credit, and liquidity risks, so that fund assets are not exposed to excessive risk while being given the flexibility to achieve target returns. Plan assets can only be allocated to investments that offer annual yields higher than the 2-year time deposit rate quoted by local banks. Shortfalls may be reimbursed by the public treasury subject to approval of the authority. Since the Company is not involved in the operation and management of the fund, it is unable to disclose the fair value of plan assets according to IAS 19 Section 142.

As at December 31, 2023, the Company expected to make contributions totaling NT\$3,170 thousand to the defined benefit plan in the next year.

As at December 31, 2023 and 2022, weighted average duration of the Company's defined benefit obligations was 4 years and 5 years, respectively.

A breakdown of defined benefit plan costs recognized through profit or loss is explained in the chart below:

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Service costs for the current period	\$3,192	\$2,884
Net interest on net defined benefit liabilities (assets)	309	232
Total	<u>\$3,501</u>	<u>\$3,116</u>

Reconciliation between present value of defined benefit obligations and fair value of plan assets:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Present value of defined benefit obligations	\$161,153	\$155,339	\$159,873
Fair value of plan assets	(136,593)	(128,891)	(125,636)
Net defined benefit liabilities - non-current	<u>\$24,560</u>	<u>\$26,448</u>	<u>\$34,237</u>

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

Reconciliation of net defined benefit liabilities (assets):

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
January 1, 2022	\$159,873	\$(125,636)	\$34,237
Service costs for the current period	2,884	-	2,884
Interest expense (income)	1,087	(855)	232
Subtotal	163,844	(126,491)	37,353
Remeasurement of defined benefit liabilities (assets):			
Actuarial gains/losses due to change of financial assumption	(4,079)	-	(4,079)
Adjustment based on past experience	5,309	(5,826)	(517)
Subtotal	1,230	(5,826)	(4,596)
Benefits paid	(9,735)	9,735	-
Employer's contribution	-	(6,309)	(6,309)
December 31, 2022	155,339	(128,891)	26,448
Service costs for the current period	3,192	-	3,192
Interest expense (income)	1,817	(1,508)	309
Subtotal	160,348	(130,399)	29,949
Remeasurement of defined benefit liabilities (assets):			
Actuarial gains/losses due to change of financial assumption	399	-	399
Adjustment based on past experience	406	(217)	189
Subtotal	805	(217)	588
Employer's contribution	-	(5,977)	(5,977)
December 31, 2023	\$161,153	\$(136,593)	\$24,560

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

Below are the main assumptions used for the Company's defined benefit plan:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.14%	1.17%
Expected rate of salary increase	1.00%	1.00%

Sensitivity analysis per major actuarial assumption:

	<u>2023</u>		<u>2022</u>	
	Increase in defined benefit obligations	Decrease in defined benefit obligations	Increase in defined benefit obligations	Decrease in defined benefit obligations
0.5% increase in the discount rate	\$-	\$3,264	\$-	\$3,777
0.5% decrease in the discount rate	3,691	-	4,197	-
0.5% rise in the expected salary increase rate	3,671	-	4,177	-
0.5% fall in the expected salary increase rate	-	3,283	-	3,801

The above-mentioned sensitivity analysis shows how reasonable changes in a single actuarial estimate (e.g.: discount rate or expected salary) may affect defined benefit obligations while other assumptions remain unchanged. However, there are limitations to this approach, as some actuarial assumptions are intercorrelated and it is rare to see only one actuarial assumption change in practice.

Methodology and assumption for sensitivity analysis of current period is consistent with those of the previous period.

14. Equity

(1) Ordinary share

The Company had authorized capital of NT\$3,400,000 thousand (20,000 thousand shares of which were reserved for the exercise of employee warrants) as at December 31, 2023 and December 31, 2022. Each share carries a face value of NT\$10 and can be issued in multiple offerings. Paid-up capital amounted to NT\$1,063,603 thousand and outstanding shares totaled 106,360 thousand on all two dates. Each share is entitled to one voting right and the right to receive dividends.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

(2) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Premium on consolidation	\$148,259	\$148,259
Premium on conversion of convertible bonds	18,255	18,255
Total	<u>\$166,514</u>	<u>\$166,514</u>

According to regulations, capital surplus cannot be used for any purpose other than reimbursing previous losses. If the Company has no cumulative losses, capital surpluses that arise from shares issued at premium and gifts received may be capitalized into share capital, up to a certain percentage of paid-in capital per year; these capital surpluses may also be distributed in cash among shareholders at the current ownership percentage.

(3) Earnings appropriation and dividend policy

According to the Articles of Incorporation, annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for legal reserve (unless legal reserves have accumulated to an amount equal to share capital). Any surpluses remaining shall then be subject to provision or reversal of special reserve, as the laws may require. The residual balance can then be added to unappropriated earnings carried from previous years and retained or distributed to shareholders as a form of profit sharing, subject to resolution in a shareholder meeting.

Shareholders' profit sharing can be paid in cash or shares; however, the cash portion shall be no less than 10% of total dividends.

The Company operates in the high-tech industry and is susceptible to the industry's enterprise life cycle. Dividends shall be allocated after taking into consideration several factors including: current and future investment environment, capital requirement, domestic/foreign competition, capital budget, shareholders' expectations, balanced dividends, and the Company's long-term financial plan. Dividend distribution plans are to be proposed by the board of directors and presented for final resolution in shareholder meeting on a yearly basis.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

The Company will be required to provide additional special reserves to make up for the shortfall between the balance of special reserves provided during the first-time adoption of IFRS and the net balance of other contra equity items in years it decides to distribute available earnings. If there is any subsequent reversal of the net decrease in other equity, the reversed part of the net decrease in other equity may be reversed to the special reserve, and be distributed to investors.

In accordance with the order via a letter issued by the FSC on March 31, 2021 referenced Jin-Guan-Zheng-Fa No. 1090150022, if the International Financial Reporting Standards is adopted for the first time, for the unrealized revaluation value addition and cumulative translation adjustment (benefit) in the account which are transferred to retained earnings due to the adoption of the exemption item of IFRS 1 "First Adoption of IFRS" on the conversion date, a special reserve shall be allocated. Subsequently, when the company uses, disposes of, or reclassifies the relevant assets, it may reverse the proportion of the original special reserve for distribution of earnings.

As at December 31, 2023, the Company had NT\$144 thousand of special reserve that were provided due to first-time adoption of IFRS.

The Company's 2023 and 2022 earnings appropriation proposal and dividends per share were proposed and resolved during the board of directors meeting held on February 29, 2024 and annual general meeting held on May 29, 2023, respectively. Details are as presented below:

	Earnings appropriation plan		Dividends per share (NTD)	
	2023	2022	2023	2022
Legal reserve	\$78,395	\$73,885		
Cash dividends on ordinary shares	706,232	665,815	\$6.64	\$6.26

Please refer to Note VI.18 for the amount of employee remuneration and director remuneration recognized and the basis of estimation.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

15. Operating revenue

	For the year ended December 31, 2023	For the year ended December 31, 2022
Revenues from sale of merchandise	\$3,770,985	\$3,942,074
Revenues from rendering of service	2,127,550	1,845,431
Other operating revenues	7,280	7,355
Total	<u>\$5,905,815</u>	<u>\$5,794,860</u>

Information relating to revenue from contracts with customers for the years ended December 31, 2023 and 2022:

(1) Breakdown of revenue

	Operating segment	
	For the year ended December 31, 2023	For the year ended December 31, 2022
Sales of merchandise	\$3,770,985	\$3,942,074
Rendering of service	2,127,550	1,845,431
Others	7,280	7,355
Total	<u>\$5,905,815</u>	<u>\$5,794,860</u>

Timing of revenue recognition:

At a point in time	\$3,778,265	\$3,949,429
Over time	2,127,550	1,845,431
Total	<u>\$5,905,815</u>	<u>\$5,794,860</u>

(2) Contract balance

A. Contract assets - current

	December 31, 2023	December 31, 2022	January 1, 2022
Sales of merchandise and rendering of service	\$209,562	\$244,763	\$187,000
Less: loss provisions	(1,624)	(3,794)	(11,027)
Total	<u>\$207,938</u>	<u>\$240,969</u>	<u>\$175,973</u>

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

Major changes in the balance of contract assets for the years ended December 31, 2023 and 2022 are explained below:

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Amount of beginning balance reclassified into accounts receivable in the current period	\$(235,391)	\$(168,563)
Changes were measured based on level of completion	\$200,190	\$226,326

The Company assesses impairment according to IFRS 9. Please see Note VI.16 for information on loss provisions and Note XII for credit risk-related information.

B. Contract liabilities - current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Sales of merchandise and rendering of service	\$1,533,332	\$1,307,406	\$972,764

Major changes in the balance of contract liabilities for the years ended December 31, 2023 and 2022 are explained below:

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Amount of beginning balance reclassified into revenue in the current period	\$(1,058,607)	\$(784,588)
Current increase in advanced receipt (less amounts incurred and reclassified into revenue in the current period)	\$1,284,533	\$1,119,230

(3) Allocation of transaction price into unfulfilled contractual obligations

As at December 31, 2023, the Company had allocated NT\$5,013,589 thousand of transaction price into unfulfilled (including partially unfulfilled) contractual obligations; 86.78% of which are expected to be recognized as revenue in 2024, whereas the remainder will be recognized as revenue on and after 2025.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

(4) Assets recognized from costs of acquiring and fulfilling customer contracts

None.

16. Expected credit impairment reversal gain

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Operating expenses - expected credit impairment (loss) reversal gain		
Contract assets	\$(61)	\$(51)
Accounts receivable	815	657
Installment accounts receivable	-	1,045
Total	<u>\$754</u>	<u>\$1,651</u>

Please see Note XII for credit risk-related information.

All of the Company's contract assets and receivable (including notes receivable, accounts receivable, and installment accounts receivable) have loss provisions measured based on Lifetime Expected Credit Losses. Credit loss is recognized as the difference between the book value of contract assets/accounts receivable and the present value of expected cash flow (prospective information). For short-term receivables, however, credit loss is not measured using present value difference as the effect of discounting is insignificant. Loss provisions as at December 31, 2023 and 2022 are explained below:

Contract assets and accounts receivables are divided into groups based on counterparties' credit rating, location, and industry, and a provision matrix is used to measure loss provisions. Relevant details are presented below:

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

December 31, 2023

Group 1	Not past due (Note 1)	Past due					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	
Total book value	\$632,441	\$52,982	\$27,195	\$9,569	\$3,259	\$11,720	\$737,166
Loss ratio	0.8%	0.6%	0.6%	0.6%	0.6%	1.2%	
Lifetime expected credit losses	(4,879)	(302)	(157)	(59)	(20)	(146)	(5,563)
Net amount	\$627,562	\$52,680	\$27,038	\$9,510	\$3,239	\$11,574	\$731,603

Group 2

(Note 2)	Not past due (Note 1)	Past due					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	
Total book value	\$-	\$-	\$-	\$-	\$-	\$1,388	\$1,388
Loss ratio	-	-	-	-	-	100%	
Lifetime expected credit losses	-	-	-	-	-	(1,388)	(1,388)
Net amount	\$-	\$-	\$-	\$-	\$-	\$-	\$-

December 31, 2022

Group 1	Not past due (Note 1)	Past due					Total
		Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	
Total book value	\$667,271	\$51,368	\$11,225	\$1,186	\$122	\$8,132	\$739,304
Loss ratio	0.9%	0.6%	0.5%	0.7%	0.8%	1.8%	
Lifetime expected credit losses	(5,799)	(305)	(57)	(8)	(1)	(147)	(6,317)
Net amount	\$661,472	\$51,063	\$11,168	\$1,178	\$121	\$7,985	\$732,987

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

Group 2 (Note 2)	Not past due		Past due				Total
	(Note 1)	Within 30 days	31-60 days	61-90 days	91-120 days	121 days and above	
Total book value	\$-	\$-	\$-	\$-	\$-	\$1,388	\$1,388
Loss ratio	-	-	-	-	-	100%	
Lifetime expected credit losses	-	-	-	-	-	(1,388)	(1,388)
Net amount	\$-	\$-	\$-	\$-	\$-	\$-	\$-

Note 1: All notes receivable and contract assets are not past due; loss provisions are measured based on Lifetime expected credit losses.

Note 2: The Company measures loss provision for individual counterparties based on Lifetime Expected Credit Losses. Credit loss is recognized as the difference between the book value of contract assets/accounts receivable and the present value of expected cash flow.

Changes in loss provisions on contractual assets, notes receivable, and accounts receivable for the years ended December 31, 2023 and 2022 are explained below:

	Contract assets	Accounts receivable	Installment accounts receivable
January 1, 2023	\$3,794	\$3,911	\$-
Net recognitions (reversals) for the current period	61	(815)	-
Reclassification	(2,231)	2,231	-
December 31, 2023	\$1,624	\$5,327	\$-
January 1, 2022	\$11,027	\$5,820	\$8,094
Net recognitions for the current period	51	(657)	(1,045)
Actual write-offs	(7,152)	(1,384)	(7,049)
Reclassification	(132)	132	-
December 31, 2022	\$3,794	\$3,911	\$-

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

17. Lease

(1) Where the Company is the lessee

The Company leases several types of asset, including buildings, transportation equipment, and office equipment. Lease tenor of each contract is from 1 to 10 years.

Effects of leases on the Company's financial position, financial performance, and cash flow are explained below:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

Book value of right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	\$9,768	\$11,824
Transportation equipment	16,567	12,435
Office equipment	1,180	1,135
Total	<u>\$27,515</u>	<u>\$25,394</u>

Right-of-use assets increased by NT\$20,132 thousand and NT\$16,734 thousand for the years ended December 31, 2023 and 2022, respectively.

(b) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Lease liabilities	<u>\$27,838</u>	<u>\$25,729</u>
Current	\$13,309	\$9,815
Non - current	14,529	15,914
Total	<u>\$27,838</u>	<u>\$25,729</u>

Please see Note VI.19(4) - Financial cost for interest expenses on lease liabilities for the year ended December 31, 2023, and Note XII.5 - Liquidity risk management for maturity analysis of lease liabilities as at December 31, 2023.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

B. Amount recognized in statement of comprehensive income

Depreciation of right-of-use assets

	For the year ended December 31, 2023	For the year ended December 31, 2022
Buildings	\$9,968	\$8,850
Transportation equipment	7,302	4,041
Office equipment	741	751
Total	<u>\$18,011</u>	<u>\$13,642</u>

C. Income, expenses, and losses relating to lease activities as a lessee

	For the year ended December 31, 2023	For the year ended December 31, 2022
Short-term lease expense	<u>\$2,599</u>	<u>\$2,805</u>

D. Cash outflow relating to lease activities as a lessee

The Company incurred NT\$21,213 thousand and NT\$17,216 thousand of lease-related cash outflow for the years ended December 31, 2023 and 2022.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

18. Summary of employee benefit, depreciation, and amortization expenses by function:

By function By nature	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses	\$88,002	\$669,060	\$757,062	\$85,719	\$681,046	\$766,765
Wages and salaries	74,913	569,245	644,158	73,781	596,407	670,188
Labor and national health insurance expenses	6,933	47,388	54,321	6,280	43,957	50,237
Pension expenses	3,870	25,820	29,690	3,767	23,677	27,444
Directors' remuneration	-	5,710	5,710	-	3,786	3,786
Other employee benefit expenses	2,286	20,897	23,183	1,891	13,219	15,110
Depreciation expenses	-	34,874	34,874	-	30,021	30,021
Amortization expenses	-	2,822	2,822	-	6,928	6,928

Note:

1. As of December 31, 2023 and 2022, the company had 615 and 577 employees respectively; the number of directors without concurrent role as employee was 6 in 2023 and 6 in 2022.
2. Average employee benefit expenses recognized for the years ended December 31, 2023 and 2022 totaled NT\$1,234 thousand and NT\$1,336 thousand, respectively.
3. Average employee salary expenses recognized for the years ended December 31, 2023 and 2022 totaled NT\$1,058 thousand and NT\$1,174 thousand, respectively.
4. Change in average employee salary expenses was calculated at -10%.
5. The Company's salary and remuneration policy is as follows:
 - (1) Employees:
 The Company has developed competitive overall remuneration policies after taking into account the company's overall remuneration positioning in the market, with the reference to the results of industry remuneration surveys, comprehensively

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
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consideration of the internal fairness and external competitiveness of the organization, to secure the Company's competitive advantage with respect to human resource.

A. Industry survey on salary policy

The purpose of industry survey on salary policy is to understand changes in the external labor market to ensure the Company can maintain its salary level at a certain degree of external competitiveness. Based on the survey outcome, the Company evaluates differences between its current salary payment level and the market level, as basis for the adjustments of salary level and salary combination form and structure.

B. Internal fairness of salary policy

Based on employees' job category, professional knowledge and technology, job scope and relative contribution to the Company's value, the Company flexibly designs an overall reward policy that offers a combination of financial and non-financial rewards. This policy uses bonus incentives as a means to raise the company's operation, teams, and individual performance.

(2) Directors:

According to the Company's Articles of Incorporation: when the Company makes a profit for the year, the remuneration to directors shall not be higher than 5% of the balance. The board of directors is authorized to determine the level of remuneration to directors based on individual participation and contribution to the Company's operations, and in reference to the usual level of industry peers. In addition, there is regular travel allowance for directors.

Independent directors are compensated primarily based on operating result and their individual contributions to the company's performance, which are positively related to the individual responsibilities for operation of the Company and overall performance. The Company has maintained operating and profit performance above a certain level, and exhibits relatively low risk. Independent directors are paid fixed amount of service fee for every meeting attended. Compensation policies are examined whenever deemed appropriate to conform with actual operating conditions and relevant regulations, and to seek the balance between the Company's sustainable operation and risk control.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

(3) Managers:

According to the Company's Articles of Incorporation, when the Company makes a profit for the year, the remuneration to employee shall not be higher than 3% of the balance. Managers' remuneration includes salary and bonus. The amount of remuneration paid to each manager is determined by the Remuneration Committee after taking into consideration their education and career background, authority and responsibilities of the position, individual performance, overall contribution to corporate operations, overall performance of the Company, and peer levels. The compensation procedures shall proceed according to Article 29 of the Company Act.

Pursuant to the Articles of Incorporation, profits concluded from a financial year are subject to employee remuneration of no less than 3% and director remuneration of no more than 5%. However, profits must first be taken to offset against cumulative losses if any. Distribution of employee remuneration mentioned above can be made in cash or in shares. This decision must be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of all attending directors, and subsequently reported in shareholder meeting. Please visit the "Market Observation Post System" for more information regarding employee/director remuneration resolved in board of director meetings.

Employee remuneration and director remuneration for the year ended December 31, 2023 were estimated at NT\$67,000 thousand and NT\$5,500 thousand, respectively, based on the Company's profitability and the percentages stated in the Articles of Incorporation. Employee remuneration and director/supervisor remuneration for the year ended December 31, 2022 were estimated at NT\$67,000 thousand and NT\$3,300 thousand, respectively, based on profitability of that particular year. The abovementioned amounts were presented under salary expense at the time of estimation, and if the actual amount resolved by the board of directors differs from the estimate, the difference will be recognized as gain or loss for the next year.

The board of directors passed a resolution on February 29, 2024 to pay the 2023 employee remuneration and director remuneration at NT\$67,000 thousand and NT\$5,500 thousand, respectively, in cash; these amounts were indifferent from the expenses previously recognized in the 2023 financial statements.

The board of directors passed a resolution on February 23, 2023 to pay the 2022 employee remuneration and director/supervisor remuneration at NT\$67,000 thousand and NT\$3,300 thousand, respectively, in cash; these amounts were indifferent from the expenses previously recognized in the 2022 financial statements.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

19. Non-operating income and expenses

(1) Interest income

	For the year ended December 31, 2023	For the year ended December 31, 2022
Financial assets at amortized costs	\$8,850	\$6,957

(2) Other income

	For the year ended December 31, 2023	For the year ended December 31, 2022
Rental income	\$1,088	\$1,346
Dividend income	3,088	3,014
Other income - others	75,525	46,789
Total	\$79,701	\$51,149

(3) Other gains and losses

	For the year ended December 31, 2023	For the year ended December 31, 2022
Gain on disposal of property, plant, and equipment	\$18	\$-
Net gains (losses) on currency exchange	(2,047)	27,444
Others	1,200	1,200
Total	\$(829)	\$28,644

(4) Finance costs

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest expenses on bank loans	\$1,879	\$1,195
Interest expenses on lease liabilities	591	463
Total	\$2,470	\$1,658

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

20. Composition of other comprehensive income

Composition of other comprehensive income for the year ended December 31, 2023 is explained below:

	Arising in the current period	Reclassifications in the current period	Other comprehensive income	Income tax benefits (expenses)	Amount after tax
Items not reclassified into profit or loss:					
Remeasurement of defined benefit plan	\$(586)	\$-	\$(586)	\$117	\$(469)
Unrealized gain/loss on investments in equity instruments at fair value through other comprehensive income	4,427	-	4,427	-	4,427
Share of other comprehensive income on subsidiaries, associates and joint ventures using equity method	30,331	-	30,331	-	30,331
Items likely to be reclassified into profit or loss:					
Exchange differences on translation of foreign operations	(7,091)	-	(7,091)	-	(7,091)
Total other comprehensive income (loss) for the current period	<u>\$27,081</u>	<u>\$-</u>	<u>\$27,081</u>	<u>\$117</u>	<u>\$27,198</u>

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

Composition of other comprehensive income for the year ended December 31, 2022 is explained below:

	Arising in the current period	Reclassifications in the current period	Other comprehensive income	Income tax benefits (expenses)	Amount after tax
Items not reclassified into profit or loss:					
Remeasurement of defined benefit plan	\$4,596	\$-	\$4,596	\$(919)	\$3,677
Unrealized gain/loss on investments in equity instruments at fair value through other comprehensive income	(25,180)	-	(25,180)	-	(25,180)
Share of other comprehensive income on subsidiaries, associates and joint ventures using equity method	(16,756)	-	(16,756)	-	(16,756)
Items likely to be reclassified into profit or loss:					
Exchange differences on translation of foreign operations	6,287	-	6,287	-	6,287
Total other comprehensive income (loss) for the current period	<u>\$ (31,053)</u>	<u>\$-</u>	<u>\$ (31,053)</u>	<u>\$ (919)</u>	<u>\$ (31,972)</u>

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

21. Income tax

Main components of income tax expense for the years ended December 31, 2023 and 2022 are explained below:

Income tax recognized in profit or loss

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Current income tax expense:		
Current income tax payable	\$194,705	\$148,749
Adjustment of current income tax of previous years	(22,462)	(11,623)
Deferred income tax (benefits) expenses:		
Deferred income tax (benefits) expenses relating to the origination and reversal of temporary differences	(19,250)	9,075
Income tax expenses	<u>\$152,993</u>	<u>\$146,201</u>

Income tax recognized under other comprehensive income

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Deferred income tax expense:		
Current income tax payable	<u>\$117</u>	<u>\$(919)</u>

Reconciliation of income tax expense and the amount of accounting profit multiplied with applicable income tax rate:

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

	For the year ended December 31, 2023	For the year ended December 31, 2022
Income before income tax from continuing operations	\$936,234	\$881,372
Tax amount calculated by applying the domestic statutory tax rate of related countries	\$187,247	\$176,274
Tax effects of non-deductible expenses	(14,999)	(18,922)
Tax effects of deferred income tax assets/liabilities	3,207	472
Adjustment of current income tax of previous years	(22,462)	(11,623)
Total income tax expense recognized in profit or loss	\$152,993	\$146,201

Balance of deferred income tax assets (liabilities) relating to the items below:

For the year ended December 31, 2023

	Beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	End of period
Temporary difference				
Investments accounted for using the equity method	\$(60,098)	\$24,008	\$-	\$(36,090)
Employee benefits payable	4,362	244	-	4,606
Net defined benefit liabilities - non-current	5,290	(495)	117	4,912
Unrealized losses (gains) on currency exchange	1,775	(1,837)	-	(62)
Excess allowance for doubtful accounts	3,355	(3,355)	-	-
Provisions	1,022	685	-	1,707
Deferred income tax (expense) benefit		\$19,250	\$117	
Net deferred income tax assets (liabilities)	\$(44,294)			\$(24,927)
Information presented under the balance sheet:				
Deferred income tax assets	\$15,804			\$11,225
Deferred income tax liabilities	\$(60,098)			\$(36,152)

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

For the year ended December 31, 2022

	Beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	End of period
Temporary difference				
Investments accounted for using the equity method	\$(51,797)	\$(8,301)	\$-	\$(60,098)
Employee benefits payable	4,279	83	-	4,362
Net defined benefit liabilities - non-current	6,847	(638)	(919)	5,290
Unrealized losses on currency exchange	127	1,648	-	1,775
Excess allowance for doubtful accounts	3,860	(505)	-	3,355
Provisions	2,384	(1,362)	-	1,022
Deferred income tax (expense) benefit		<u>\$(9,075)</u>	<u>\$(919)</u>	
Net deferred income tax assets (liabilities)	<u>\$(34,300)</u>			<u>\$(44,294)</u>
Information presented under the balance sheet:				
Deferred income tax assets	<u>\$17,497</u>			<u>\$15,804</u>
Deferred income tax liabilities	<u>\$(51,797)</u>			<u>\$(60,098)</u>

Items not recognized as deferred income tax asset

As at December 31, 2023 and 2022, the entity had NT\$867 thousand and NT\$956 thousand, respectively, that were not recognized as deferred income tax assets.

Assessment of income tax return

As at December 31, 2023, the Company's income tax returns had been certified up to 2021.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

22. Earnings per share (EPS)

Amount of basic earnings per share is calculated by dividing current net income attributable to parent company's ordinary shareholders by weighted average outstanding ordinary shares for the current period.

Amount of diluted earnings per share is calculated by dividing current net income attributable to parent company's ordinary shareholders by weighted average outstanding ordinary shares for the current period, including all potential dilutive ordinary shares assuming total conversion.

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
(1) Basic earnings per share		
Current net income (NTD thousands)	<u>\$783,241</u>	<u>\$735,171</u>
Weighted average outstanding ordinary shares for basic earnings per share (shares)	<u>106,360,291</u>	<u>106,360,291</u>
Basic earnings per share (NTD)	<u>\$7.36</u>	<u>\$6.91</u>
(2) Diluted earnings per share		
Current net income (NTD thousands)	<u>\$783,241</u>	<u>\$735,171</u>
Weighted average outstanding ordinary shares for basic earnings per share (shares)	106,360,291	106,360,291
Dilutive effect:		
Employee remuneration (shares)	<u>673,742</u>	<u>851,211</u>
Weighted average outstanding ordinary shares after adjustment for dilutive effect (shares)	<u>107,034,033</u>	<u>107,211,502</u>
Diluted earnings per share (NTD)	<u>\$7.32</u>	<u>\$6.86</u>

There had been no other transaction that significantly changed the number of closing outstanding ordinary shares or potential ordinary shares after the reporting date up until the publication date of financial statements.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

23. Elimination of Subsidiary

The board of directors passed the resolution on July 28, 2023 to initiate the dissolution and liquidation process of Stark Information (Hong Kong) Limited. The Company received a refund of capital contributions in the year of 2023 and derecognized the related assets and liabilities.

- (1) The amounts of assets and liabilities related to the loss of control over Stark Information (Hong Kong) Limited are as follows:

	<u>December 31, 2023</u>
Assets	
Cash and cash equivalents	\$2,005
Other receivables	6
Net assets after exclusion	<u><u>\$2,011</u></u>

- (2) The consideration received from the transaction and the recognition of profit or loss are as follows:

	<u>For the year ended December 31, 2023</u>
Cash received	\$2,011
Net assets after exclusion	(2,011)
Profit or loss after exclusion for the period	(74)
Loss on disposal	<u><u>\$(74)</u></u>

The gain on disposal is recognized in the other gains and losses section of the comprehensive income statement for the year ended December 31, 2023.

- (3) Analysis of cash flow from the elimination of subsidiary

	<u>For the year ended December 31, 2023</u>
Cash received	\$2,011
Effects of exchange rate changes	(260)
Net cash flow after exclusion	<u><u>\$1,751</u></u>

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

(VII) Related party transactions

Transactions with related parties during the financial reporting period:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Stark Technology Inc. (U.S.A.)	The Company's associated company
SRAIN Investment Co., Ltd.	The Company's associated company
Stark Inforcom Inc.	The Company's associated company
Shanghai Stark Technology Inc.	The Company's associated company
STARK (NINGBO) Technology Inc.	The Company's associated company

1. Sales

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
The Company's associated company	<u>\$19,152</u>	<u>\$27,929</u>

Sales to related parties are priced by adding a 3%~20% markup to cost, through negotiation, or at 90%~99% of normal retail price. Sales to related parties are collected 30~120 days after inspection; sales to non-related parties are collected 30~90 days after inspection.

2. Purchase

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
The Company's associated company	<u>\$4,523</u>	<u>\$3,620</u>

Purchases from related parties are priced by adding a 3%~30% markup to cost or through negotiation. Purchases from related parties are paid 7~30 days after delivery or 30~120 days after inspection; purchases from non-related parties are paid 30~60 days after month-end of the following month.

3. Accounts receivable - related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The Company's associated company	\$2,665	\$452
Less: loss provisions	-	-
Net amount	<u>\$2,665</u>	<u>\$452</u>

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

4. Accounts payable - related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The Company's associated company	\$2,009	\$573

5. Rental income

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
The Company's associated company	\$1,076	\$1,334

6. Other expense

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
The Company's associated company	\$9	\$98

7. Compensation for key management of the Company

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Short-term employee benefits	\$115,982	\$92,144
Post-employment benefits - pension	2,848	8,233
Total	<u>\$118,830</u>	<u>\$100,377</u>

(VIII) Pledged assets

The Company had placed the following assets as collaterals:

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>Details of debts secured</u>
Other financial assets - current	\$2,597	\$7,651	Performance guarantee
Other financial assets - non-current	8,507	4,796	Performance guarantee
Total	<u>\$11,104</u>	<u>\$12,447</u>	

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

(IX) Significant contingent liabilities and unrecognized contract commitments

Unrecognized contract commitments

1. The Company had engaged financial institutions to provide NT\$40,182 thousand of performance and customs guarantee for various projects.
2. The Company had issued NT\$14,535 thousand of guaranteed notes to customers and banks to secure sales and borrowing limits.

Contingency

1. The company received a criminal incidental civil lawsuit complaint related to the criminal case of the company's employees violating the Securities and Exchange Act, filed by the Taiwan Taipei District Court. FUJIFILM Business Innovation Taiwan Co., Ltd. (hereinafter referred to as Fujifilm) filed a criminal incidental civil lawsuit against other companies, individuals, the Company and the Company's vice president surnamed Gao, a total of 15 defendants, requesting if one of the 15 defendants pays all or part of the damages, the other defendants are exempted from the obligation to pay within the scope of the payment.

For the above-mentioned criminal incidental civil lawsuit filed by Fujifilm against the Company, this is a civil lawsuit incidental to a criminal case. Typically, it will be transferred to the civil court after the first-instance criminal judgment, and there will be no civil procedure for the time being.

2. The Company received a complaint of civil lawsuit filed by the Taiwan Taipei District Court. Fujifilm filed a civil lawsuit against other companies, individuals, the Company and the Company's vice president surnamed Gao, a total of 18 defendants, requesting if one of the 18 defendants pays all or part of the damages, the other defendants are exempted from the obligation to pay within the scope of the payment. On November 27, 2023, both parties agreed in court to suspend the litigation proceedings. From the agreed suspension date, if no further legal action is taken within four months, it will be considered as withdrawal of the lawsuit or appeal.

For the above-mentioned civil lawsuit filed by Fujifilm against the Company, the Company had appointed a lawyer to handle it.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

As at December 31, 2023, the Company has assessed that the aforementioned events will not have a significant impact on the Company's current operations.

(X) Losses from Major Disasters

None.

(XI) Significant Subsequent Events

None.

(XII) Others

1. Types of financial instrument

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income	\$59,968	\$54,291
Financial assets at amortized costs		
Cash and cash equivalents (excluding cash on hand)	1,195,277	849,991
Receivables	513,930	459,545
Long-term receivables	18,690	37,080
Other financial assets	11,104	12,447
Refundable deposits	169,843	157,466
Subtotal	<u>1,908,844</u>	<u>1,516,529</u>
Total	<u>\$1,968,812</u>	<u>\$1,570,820</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized costs:		
Short-term loans	\$-	\$150,000
Payables	1,208,189	1,097,652
Lease liabilities	27,838	25,729
Guarantee deposits	7,098	5,606
Total	<u>\$1,243,125</u>	<u>\$1,278,987</u>

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

2. Purpose and policy of financial risk management

The Company has set its financial risk management goals to primarily manage market risks, credit risks, and liquidity risks relating to operating activities. The abovementioned risks are identified, measured, and managed according to the Company's policies and risk preference.

The Company has implemented appropriate policies, procedures, and internal controls for the management of financial risks mentioned above. All important financial activities are subject to review by the board of directors and Audit Committee in accordance with rules and the internal control system. The Company is required to duly comply with its financial risk management rules when carrying out financial management activities.

3. Market risk

Changes in the market price of financial instruments is the type of market risk that the Company is most concerned with. Market risk may cause fluctuation in the fair value or cash flow of financial instruments, and mainly includes exchange rate risk, interest rate risk, and other price risk.

In practice, however, it is extremely rare to see only one risk variable changing at one time. Although risk variables tend to be correlated to some degree, the sensitivity analysis below has not taken into consideration the inter-correlation of risk variables.

Exchange rate risk

The Company's exchange rate risk exposure is mainly associated with operating activities (when the currency of income or expense is different from the Company's functional currency) and net investments in foreign operations.

Some of the Company's foreign currency receivables and foreign currency payables are denominated in the same currencies, which create natural hedge to some extent. However, the Company did not adopt hedge accounting as natural hedge does not conform with the requirements for hedge accounting. Meanwhile, net investments in foreign operations represent strategic investments, therefore the Company did not hedge this exposure.

Sensitivity analysis for exchange rate risk is conducted on monetary items denominated in key foreign currencies as at the balance sheet date, and the analysis evaluates how a strengthening/weakening of foreign currency affects the Company's profits and equity. Exchange rate risks of the Company are mainly attributed to the volatility of USD currency. Sensitivity analysis for the currency is provided below:

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

If NTD strengthened/weakened against USD by 1%, profits for the years ended December 31, 2023 and 2022 would have decreased/increased by NT\$248 thousand and NT\$24 thousand, whereas equity would have decreased/increased NT\$113 thousand and NT\$137 thousand, respectively.

Interest rate risk

Interest rate risk refers to fluctuations in the fair value or future cash flow of a financial instrument due to changes in market interest rate. The Company's exposure to interest rate risk arises mainly from loans borrowed at floating rate. However, given that the Company currently has no such loan outstanding, it is not exposed to any material interest rate risk.

Equity price risk

The Company holds TWSE/TPEX listed as well as unlisted equity securities; the fair value of investments may be affected by uncertainties associated with the future value. All TWSE/TPEX listed and unlisted equity securities held by the Company are classified as equity instruments at fair value through other comprehensive income. The Company manages equity price risk of equity securities through diversified investment and by setting investment limits on single and a portfolio of instruments. Information on portfolio of equity securities has to be provided to the Company's management on a regular basis; the board of directors is required to verify and approve all decisions concerning investment of equity securities.

A 10% rise/fall in the price of TWSE/TPEX listed shares held as investments in equity instruments at fair value through other comprehensive income would have affected the Company's equity by NT\$3,077 thousand and NT\$2,634 thousand for the years ended December 31, 2023 and 2022, respectively.

4. Credit risk management

Credit risk refers to the possibility of financial losses suffered due to counterparties becoming unable to fulfill contractual obligations. The Company's credit risk exposure mainly arises from operating activities (primarily accounts receivable and notes receivable) and financing activities (primarily bank deposits and financial instruments).

All departments of the Company manage credit risks according to prevailing policies, procedures, and controls. Counterparty credit risk is evaluated after taking into consideration each counterparty's financial position, external credit rating, historical transactions, the

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

current economic environment, and the Company's internal rating standards, etc. The Company uses credit enhancement tools (such as advanced receipt and insurance) at appropriate times to minimize credit risk of specific counterparties.

The Company's top 10 customers accounted for 17% and 16% of total contract assets and accounts receivable balance as at December 31, 2023, and 2022, respectively. Judging by the above, there was no concentration of credit risk in the Company's contract assets and accounts receivable.

The Finance Department manages credit risk of bank deposits and other financial instruments according to Company policies. All counterparties of the Company are approved according to internal control procedures, and consist entirely of reputable banks, investment-grade financial institutions, companies, and government agencies, hence no major credit risk exists.

The Company assesses expected credit losses according to IFRS 9. Information relating to credit risk assessment is presented below:

Credit risk grade	Indicator	Method of measuring expected credit loss	Total book value	
			December 31, 2023	December 31, 2022
Simplified approach (Note)	(Note)	Lifetime expected credit losses	\$738,554	\$740,692

Note: The Company adopts the simplified approach (loss provision is measured based on Lifetime expected credit losses); the assessment covers contract assets, notes receivable, accounts receivable, and installment accounts receivable.

5. Liquidity risk management

The Company uses cash and cash equivalents, marketable securities, bank loans, leases, and contracts to maintain financial flexibility.

The following table shows maturity of financial liabilities as stated in contract terms and conditions. The dates represent the earliest times at which the Company may be required to make repayments, whereas the amounts are undiscounted and include agreed interests. Undiscounted amounts of floating interest cash flow are estimated using yield curve as at the balance sheet date.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
December 31, 2023					
Payables	\$1,208,189	\$-	\$-	\$-	\$1,208,189
Lease liabilities	13,729	13,164	1,641	-	28,534
December 31, 2022					
Short-term loans	\$150,708	\$-	\$-	\$-	\$150,708
Payables	1,097,652	-	-	-	1,097,652
Lease liabilities	10,237	13,440	2,844	-	26,521

Derivative instruments

The Company held no derivative instrument as at December 31, 2023 and 2022.

6. Reconciliation of liabilities relating to financing activities

Reconciliation of liabilities for the year ended December 31, 2023:

	<u>Short-term loans</u>	<u>Guarantee deposits</u>	<u>Lease liabilities</u>	<u>Total</u>
January 1, 2023	\$150,000	\$5,606	\$25,729	\$181,335
Non - cash movement	-	-	20,723	20,723
Cash flow	(150,000)	1,492	(18,614)	(167,122)
December 31, 2023	\$-	\$7,098	\$27,838	\$34,936

Reconciliation of liabilities for the year ended December 31, 2022:

	<u>Short-term loans</u>	<u>Guarantee deposits</u>	<u>Lease liabilities</u>	<u>Total</u>
January 1, 2022	\$70,000	\$2,696	\$22,943	\$95,639
Non - cash movement	-	-	17,197	17,197
Cash flow	80,000	2,910	(14,411)	68,499
December 31, 2022	\$150,000	\$5,606	\$25,729	\$181,335

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

7. Fair value of financial instruments

(1) Fair value assessment techniques and assumptions

Fair value refers to the price that market participants are able to receive for selling an asset, or the price that has to be paid to transfer a liability, in an orderly transaction on the measurement date. The Company has adopted the following techniques and assumptions when measuring and disclosing fair values of financial assets and liabilities:

- A. Book value of cash and cash equivalents, receivables, payables, and other current liabilities closely resemble their fair value due to their short maturity.
- B. Financial assets and liabilities that are traded on active markets at standard terms and conditions shall have fair value determined by market quotation (e.g. TWSE/TPEX listed shares, beneficiary certificates, and bonds).
- C. Equity instruments without active market (e.g. privately placed shares of TWSE/TPEX listed companies, shares of unlisted public and private companies without active market) shall have fair value estimated using the market approach, which infers fair values from transaction price or other relevant information (such as discount for lack of liquidity, P/E and P/B ratios of similar companies etc.) of same or comparable equity instruments.
- D. For debt instruments without quotation in active market, Short-term loans, and other non-current liabilities, fair value is determined by counterparty's quotation or through the use of valuation technique. The valuation technique takes a discounted cash flow approach, and assumptions such as interest rate and discount rate are established in reference to instruments of similar nature.

(2) Fair value of financial instruments carried at cost after amortization

Book value of financial assets and liabilities carried at amortized costs closely resemble their fair value.

(3) Fair value hierarchy for financial instruments

See Note XII.8 for information relating to fair value hierarchy for financial instruments.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

8. Fair value hierarchy

(1) Definition of fair value hierarchy

For all assets and liabilities measured or disclosed at fair value, fair value measurement is categorized in their entirety in the level of the lowest level input that is significant to the entire measurement. The different levels of inputs used are explained below:

Level 1 input: Quotations that can be obtained from an active market (unadjusted) on the measurement date for asset or liability of equivalent nature.

Level 2 input: Inputs that can be observed directly or indirectly on an asset or liability, except for quotations covered in level 1 input.

Level 3 input: Inputs that cannot be observed for an asset or liability.

Assets and liabilities that are recognized on financial statements on a recurring basis shall have classification reassessed on each balance sheet date to determine if transfer of fair value hierarchy has taken place.

(2) Information on fair value hierarchy

The Company did not have any asset that is measured at fair value on a non-recurring basis. Hierarchy of assets and liabilities with recurring fair value measurement is explained below:

December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value:				
Equity instruments measured at fair value through other comprehensive income				
Stock	\$30,768	\$-	\$29,200	\$59,968

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value:				
Equity instruments measured at fair value through other comprehensive income				
Stock	\$26,341	\$-	\$27,950	\$54,291

Transfer of fair value hierarchy between level 1 and level 2

There had been no transfer of fair value hierarchy between level 1 and level 2 for the years ended December 31, 2023 and 2022 that involved assets or liabilities with fair value measured on a recurring basis.

Transfer of level 3 input for recurring fair value measurements

There had been no transfer of level 3 input that involved assets or liabilities with recurring fair value measurement.

Information on the use of significant unobservable inputs in level 3 fair value measurement

The following significant unobservable inputs were used for level 3 measurement of assets with recurring fair value measurement:

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

December 31, 2023:

	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input and fair value	Sensitivity analysis on relationship between input and fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stock	Asset Approach	Discount for lack of liquidity	20%	The higher the lack of liquidity, the lower the fair value estimate	If P/E ratio of a similar share rises (falls) by 10%, the Company's profits would increase (decrease) by NT\$2,920 thousand.

December 31, 2022:

	Valuation technique	Significant unobservable input	Quantitative information	Relationship between input and fair value	Sensitivity analysis on relationship between input and fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stock	Asset Approach	Discount for lack of liquidity	20%	The higher the lack of liquidity, the lower the fair value estimate	If P/E ratio of a similar share rises (falls) by 10%, the Company's profits would increase (decrease) by NT\$2,795 thousand.

(3) Mandatory disclosure of fair value hierarchy for items not measured at fair value: None.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
 (All amounts in NTD thousands unless otherwise specified)

9. Significant foreign currency-denominated financial assets and liabilities

The Company had the following significant foreign currency-denominated financial assets and liabilities:

	Unit: thousand		
	December 31, 2023		
	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$1,296	30.63	\$39,683
SGD	62	23.18	1,444
<u>Investments accounted for using the equity method</u>			
USD	370	30.63	11,335
<u>Financial liabilities</u>			
Monetary items:			
USD	1,121	30.63	34,331
	December 31, 2022		
	Foreign currency	Exchange rate	NTD
	<u>Financial assets</u>		
Monetary items:			
USD	\$13,179	30.67	\$404,198
SGD	51	22.75	1,164
<u>Investments accounted for using the equity method</u>			
USD	446	30.67	13,665
<u>Financial liabilities</u>			
Monetary items:			
USD	232	30.67	7,110

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

Due to the broad diversity of functional currencies used, the Company was unable to disclose exchange gains/losses on monetary financial assets and liabilities separately for each significant foreign currency. The Company incurred NT\$(2,047) thousand and NT\$27,444 thousand of (losses) gains on currency exchange for the years ended December 31, 2023 and 2022, respectively.

10. Capital management

The primary goals of the Company's capital management are to maintain robust credit rating and sound capital ratios in ways that support business operation and maximization of shareholders' equity. The Company manages and adjusts capital structure based on changes in economic circumstances. The Company maintains and adjusts capital structure through: adjustment of dividend payment, refund of share capital, or issuance of new shares.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

(XIII) Other Disclosures

1. Information related to significant transactions:

(1) Loans to external parties: None.

(2) Endorsements/guarantees provided for others:

Serial No. (Note 1)	Name of the company providing an endorsement/guarantee	The endorsed/guaranteed		Limits on endorsement/guarantee amount provided to a single entity (Note 3)	Maximum balance for the period (Note 4)	Outstanding endorsement/guarantee amount at the end of the period (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsement/guarantee secured with collateral	Cumulative amount of endorsement / guarantee as a percentage of net equity stated in the latest financial statements	Maximum endorsement/guarantee amount allowed (Note 3)	Provision of endorsement/guarantee by parent company to subsidiary (Note 7)	Subsidiary's guarantee/endorsement to parent company (Note 7)	Provision of endorsement/guarantee to the party in Mainland China (Note 7)
		Name of the company	Relationship (Note 2)										
1	Stark Inforcom Inc.	The Company	4	\$240,444	\$214	\$214	\$ 214	-	0.01%	\$480,889	-	Y	-

Note 1: Explanation to the serial number column:

1. 0 for the Company.
2. Investees are numbered in sequential order starting from 1; serial number should be consistent for the same company.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

Note 2: The relationship between endorsement/guarantee providers and guaranteed parties are classified as follows:

1. Business that the Company has business dealing with.
2. Business in which the Company holds more than 50% direct or indirect voting interest.
3. Business that holds more than 50% direct or indirect voting interest in the Company.
4. Business in which the Company holds more than 90% direct or indirect voting rights.
5. Peer or partner of a construction contract that the Company is in need to provide cross guarantees for.
6. Investee of a joint investment arrangement for which the Company and other shareholders have issued endorsements/guarantees proportionate to ownership interest.
7. Peer of a property pre-sale contract for which the Company has issued performance guarantee in accordance with the Consumer Protection Act.

Note 3: According to subsidiaries' endorsement and guarantee procedures, endorsements/guarantees to a single business shall not exceed 50% of current net equity; total endorsements/guarantees to external parties shall not exceed 100% of current net equity. According to parent company's endorsement and guarantee procedures, endorsements/guarantees to any single subsidiary in which the Company holds more than 90% ownership interest shall not exceed 50% of net equity shown in the Company's latest financial statements, whereas endorsements/guarantees to other external parties shall not exceed 10% of the Company's net equity per entity or 50% of the Company's net equity on an aggregate basis, as shown in the latest financial statements.

Note 4: Represents the maximum balance of endorsement/guarantee during the year.

Note 5: Represents board of directors approved amount. If the Chairman has been authorized by the board of directors to make decisions according to Subparagraph 8, Article 12 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the column shall represent Chairman-approved amount.

Note 6: Represents the actual amount utilized by the guaranteed/endorsed within the endorsement/guarantee limit.

Note 7: Specify "Y" only for: endorsement/guarantee from a TWSE/TPEX listed parent to a subsidiary, endorsement/guarantee from a subsidiary to a TWSE/TPEX listed parent, or endorsement/guarantee to the Mainland China area.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

(3) Holding of marketable securities at the end of the period (not including investment in subsidiaries, associates and joint ventures):

Name of the investor	Type of marketable security	Name of marketable security	Relationship between the securities issuer and the Company	Financial statement account	End of the period			
					Shares / units	Book value	Percentage of shareholding	Fair value
Stark Technology Inc.	TWSE-listed stock	ITEQ Corporation	-	Financial assets at fair value through other comprehensive income - non-current	362,829	\$30,768	0.10%	\$30,768
	Stock	DWINS Digital Service Corp.	-	Financial assets at fair value through other comprehensive income - non-current	1,151	-	0.04%	-
	Stock	Cloud Intelligent Operation Technology Co., Inc	Stark Technology Inc. is the director of Cloud Intelligent Operation Technology Co., Inc	Financial assets at fair value through other comprehensive income - non-current	320,000	3,200	16.00%	3,200
	Stock	Ausenior Information Co., Ltd.	Stark Technology Inc. is the director of Ausenior Information Co., Ltd.	Financial assets at fair value through other comprehensive income - non-current	2,000,000	26,000	13.33%	26,000
SRAIN Investment Co., Ltd.	TWSE-listed stock	ITEQ Corporation	-	Financial assets at fair value through other comprehensive income - non-current	187,614	15,910	0.05%	15,910
	TWSE-listed stock	Zero One Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,054,422	68,959	0.68%	68,959
	TPEX-listed stock	Genesis Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	38,629	2,526	0.04%	2,526
	TPEX-listed stock	Dimerco Data System Corporation	-	Financial assets at fair value through other comprehensive income - non-current	340	39	-%	39
	Stock	Hua Chih Venture Capital Corp.	SRAIN Investment Co., Ltd. is the director of Hua Chih Venture Capital Corp.	Financial assets at fair value through other comprehensive income - non-current	16,304	163	3.26%	163
	Stock	Incomm Technologies Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	90	-	0.01%	-
	Stock	LOLA Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	788,901	7,389	15.78%	7,389
	Stock	Azalea Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	800,000	8,000	13.68%	8,000

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

- (4) Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of paid-in capital: None.
- (5) Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- (6) Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- (7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- (8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- (9) Trading of derivatives: None.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

(10)Others: Major business dealings between the parent company and subsidiaries, and transactions between subsidiaries:

For the year ended December 31, 2023:

Serial No. (Note 1)	Name of transacting party	Counterparty	Relationship with the transacting party (Note 2)	Transaction summary				
				Account	Amount	Transaction terms	As a percentage of total revenues or total assets (Note 3)	
0	Stark Technology Inc.	Stark Technology Inc. (USA)	1	Purchase	\$3,429	Purchase price is determined by applying a 5%-30% markup on cost or through negotiation. Payment term is 7-30 days after delivery.	0.06%	
				Accounts payable	2,009		0.03%	
0	Stark Technology Inc.	Stark Inforcom Inc.	1	Sales revenue	4,366	Selling price is determined at 90%-99% of general selling price or through negotiation. Collection term is 30-120 days after acceptance inspection.	0.07%	
				Accounts receivable	520		0.01%	
				Purchase	1,094	Purchase price is determined by applying a 3%-20% markup on cost or through negotiation. Payment term is 30-120 days after acceptance inspection.	0.02%	
				Rental income	962		-	0.02%
				Other expense	9		-	-%
0	Stark Technology Inc.	STARK (NINGBO) Technology Inc.	1	Sales revenue	14,786	Selling price is determined by applying a 3%-20% markup on cost or through negotiation. Collection term is 30-120 days after acceptance inspection.	0.25%	
				Accounts receivable	2,145		0.03%	
0	Stark Technology Inc.	SRAIN Investment Co., Ltd.	1	Rental income	114	-	-%	
1	Stark Inforcom Inc.	Stark Technology Inc. (USA)	3	Purchase	845	Purchase price is determined by applying a 5%-30% markup on cost or through negotiation. Payment term is 7-30 days after delivery.	0.01%	

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

Note 1: Business dealings between the parent company and subsidiaries are indicated in the serial number column. The numbering rule is explained below:

1. 0 for parent company.
2. Each subsidiary is numbered in sequential order starting from 1.

Note 2: Related party transactions are distinguished into one of three categories, as shown below:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Subsidiary to subsidiary.

Note 3: Calculation for business dealings as a percentage of total consolidated revenues or total assets is explained as follows: for balance sheet items, percentage of period-end balance is calculated relative to consolidated total assets; for profit or loss items, percentage of end-of-period cumulative amount is calculated relative to consolidated total revenues.

Note 4: Key transactions presented in this chart are determined by the Company based on principles of materiality.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

2. Information on business investments:

Supplementary disclosure of investees in which the Company has significant influence or control for year ended December 31, 2023 (excluding Mainland China investees)

Unit: NTD thousand/USD

Name of the investor	Name of investee	Location of the investee	Main business activities	Initial investment (Note 9)		Shares held as at end of the period			Current profit (loss) of the investee (Note 1)	Investment gains (losses) recognized in the current period (Note 1)	Remarks
				End of the current period	End of the previous year	Number of shares	Percentage	Book value			
Stark Technology Inc.	Stark Technology Inc. (USA)	Note 2	Trading of computer-related products	\$1,532 (USD50,000)	\$1,532 (USD50,000)	500,000	100.00%	\$11,095	\$(308)	\$(469)	-
Stark Technology Inc.	SRAIN Investment Co., Ltd.	Note 3	General investment	410,967	410,967	-	100.00%	603,718	71,499	71,499	-
Stark Technology Inc.	Pacific Ace Holding International Ltd.	Note 4	General investment	91,890 (USD3,000,000)	92,890 (USD3,000,000)	3,000,000	100.00%	254,640	11,901	11,901	-
Stark Technology Inc.	Stark Information (Hong Kong) Limited	Note 5	Trading of computer equipment and software	-	2,144 (USD70,000)	-	-	-	-	-	-
SRAIN Investment Co., Ltd.	S-Rain Investment Ltd.	Note 6	General investment	24,504 (USD800,000)	24,504 (USD800,000)	800,000	100.00%	8,443	(3,652)	-	-
SRAIN Investment Co., Ltd.	Stark Inforcom Inc.	Note 7	Trading of computer-related products	370,000	370,000	37,000,000	100.00%	480,889	69,051	-	-
Pacific Ace Holding International Ltd.	Profit Reap International Limited	Note 4	General investment	91,890 (USD3,000,000) (Note 8)	91,890 (USD3,000,000) (Note 8)	3,000,000	100.00%	254,963	11,901	-	-

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

Note 1: Investment gains/losses of each company is recognized as part of investment gains/losses of subsidiaries or 2nd-tier subsidiaries, and have been eliminated in the consolidated financial statements.

Note 2: 1209 Mayberry Lane San Jose, CA95131, U.S.A.

Note 3: 13F, No. 83, Section 2, Dongda Road, Hsinchu City.

Note 4: Beaufor House, P. O. Box 438, Road Town, Tortola, British Virgin Islands

Note 5: Unit 2104, No. 16, Argyle Street (Mongkok Commercial Centre), Kowloon, Hong Kong.

Note 6: Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Islands

Note 7: 11F-2, No. 83, Section 2, Dongda Road, Hsinchu City.

Note 8: Includes technology in lieu of capital - USD906,243.

Note 9: Amount of initial investment at the ends of the current and previous periods were converted using exchange rate as at December 31, 2023.

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

3. Information relating to investments in the Mainland China

(1) Breakdown of investments:

Unit: NTD thousand/USD

Name of the investee in Mainland China	Main business activities	Paid-in-capital amount	Investment method	Accumulated outflow of investment from Taiwan as beginning of current period	Investment flows of the period		Accumulated outflow of investment from Taiwan as end of current period	Net profit (loss) of the investee of current period	Percentage of shareholding (direct or indirect)	Investment gains (losses) recognized in the current period (Note 3)	Book value of investments in Mainland China at the end of the period (Note 3)	Investment gains recovered back to Taiwan to date (Note 3)
					Outflow	Inflow						
STARK (NINGBO) Technology Inc.	International trade, technical service and consultation, system integration, software development, and sale of computer-related equipment.	USD 3,000,000	Invested indirectly through an investee in a third location (Pacific Ace Holding International Ltd)	\$91,890 (USD3,000,000)	-	-	\$91,890 (USD3,000,000) (Note 1)	\$21,353 (Note 4. (II), 2)	100.00%	\$21,353 (Note 4. (II), 2)	\$255,113	\$113,151 (USD3,694,113.75)
Shanghai Stark Technology Inc.	Wholesale and import/export trade of computers and peripherals, software, office equipment, and electrical/electronic equipment, computer system design, data processing service, and supply of network information.	USD 1,160,000	Invested indirectly through an investee in a third location (S-Rain Investment Ltd)	35,531 (USD1,160,000)	-	-	35,531 (USD1,160,000)	(3,652) (Note 4. (II), 2)	100.00%	(3,652) (Note 4. (II), 2)	8,432	-
Jiangxi Solar PV Corporation	Research, development, production, and sale of solar cells and components	- (Note 2)	Invested indirectly through an investee in a third location (Solar PV Corporation)	91,890 (USD3,000,000)	-	-	91,890 (USD3,000,000)	- (Note 2)	- (Note 2)	- (Note 2)	- (Note 2)	-

Accumulated outflows of investment from Taiwan to Mainland China as end of current period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
\$219,311 (USD7,160,000) (Note 3)	\$219,311 (USD7,160,000) (Note 3)	\$1,961,971 (Note 5)

Notes to Parent Company Only Financial Statements of Stark Technology Inc. (continued)
(All amounts in NTD thousands unless otherwise specified)

Note 1: As at December 31, 2023, the Company had invested USD 906,243 into STARK (Ningbo) Technology Inc. including technology in lieu of capital.

Note 2: The entity was declared bankrupt by the local court, and had completed liquidation on May 22, 2020.

Note 3: Converting the original foreign currency amount using exchange rate as at December 31, 2023.

Note 4: With regards to investment gains/losses recognized in the current period:

- (I). It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit or loss during this period.
- (II). Indicate the basis for investment income (loss) recognition in the number of one of the following three categories.
 - 1. The financial statements were audited and attested by an international accounting firm which has a cooperative relationship with an accounting firm in R.O.C.
 - 2. The financial statements were audited and attested by R.O.C. parent company's CPA
 - 3. Others

Note 5: Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA.

(2) Significant transactions with Mainland China investees:

A. Amount and percentage of purchases and balance and percentage of corresponding payables at the end of period: Please see Note XIII.1.(10) of the financial statements.

B. Amount and percentage of sales and balance and percentage of corresponding receivables at the end of period: Please see Note XIII.1.(10) of the financial statements.

C. Property transactions and the resulting gains or losses: None.

D. Ending balances and purposes of endorsed notes, guarantees, or pledged collaterals: Please see Note XIII.1.(2) of the financial statements.

E. Maximum balance, ending balance, interest rate range, and total interests amount of loans in the current period: None.

F. Other transactions with material impact to the current profit or loss or financial position: None.

4. Information on major shareholders: Disclosure requirements not met.

Stark Technology Inc.

1. Statement of cash and cash equivalents

December 31, 2023

Unit: NTD thousands

Item	Summary	Amount	Remarks
Petty cash		\$ 155	1. None of the bank deposits shown on the left was pledged as collateral.
Check and current deposits	USD 984 thousand JPY 2 thousand SGD 62 thousand RMB 2 thousand	1,195,277	2. Exchange rate as at December 31, 2023: 1. USD1 = NT\$30.63 2. JPY1 = NT\$0.2153 3. SGD1 = NT\$23.18 4. RMB1 = NT\$4.296
Total		<hr/> \$ 1,195,432	

Stark Technology Inc.
2. Statement of net notes receivable
December 31, 2023

Unit: NTD thousands

Name of customer	Summary	Amount	Remarks
Notes receivable			Notes receivable shown on the left had arisen from business activities.
Exentric Technology Corp.		\$ 5,957	
Globe Industries Corporation		2,520	
Chiefyang Tech Co., Ltd.		599	
Others	No single account represented more than 5% of total outstanding balance	2,292	
Total		<u>11,368</u>	
Less: loss provisions		<u>-</u>	
Net amount		<u>\$ 11,368</u>	

Stark Technology Inc.

3. Statement of net accounts receivable (including related parties) and contractual assets

December 31, 2023

Unit: NTD thousands

Name of customer	Summary	Amount	Remarks
Accounts receivable			Accounts receivable
ERICSSON Taiwan Ltd		\$ 53,720	shown on the left had
Others		604,646	arisen from business
	No single account		activities.
	represented more than 5%		
	of total outstanding balance		
Subtotal		658,326	
Less: loss provisions		(6,951)	
Net amount		651,375	
Accounts receivable - related parties			
Stark Inforcom Inc.		520	
STARK(NINGBO)			
Technology Inc.		2,145	
Subtotal		2,665	
Total		\$ 654,040	

Stark Technology Inc.

4. Statement of net installments receivable

December 31, 2023

Unit: NTD thousands

Name of customer	Summary	Amount	Remarks
Installment accounts receivable			Installments receivable shown on the left had arisen from business activities.
Taiwan Blood Services Foundation		\$ 26,221	
China Motor Corporation			
Yangmei Factory		7,140	
Chip Won Technology Co., Ltd.		5,628	
Continental Engineering Corporation		4,950	
DINTAIFUNG Restaurant Co., Ltd.		3,980	
Fooyin University		3,721	
Others	No single account represented more than 5% of total outstanding balance	18,351	
Total		69,991	
Less: Unrealized interest income		(3,796)	
Less: Loss provisions		-	
Net installments receivable		66,195	
Less: Installments receivable maturing within one year		(47,505)	
Installments receivable maturing after one year		\$ 18,690	

Stark Technology Inc.
 5. Statement of other receivables
 December 31, 2023

Unit: NTD thousands

Item	Summary	Amount	Remarks
Other receivables		\$ 8,877	
Interest receivable		78	
Total		<u>\$ 8,955</u>	

Stark Technology Inc.
6. Statement of net inventories
December 31, 2023

Unit: NTD thousands

Item	Summary	Amount		Remarks
		Cost	Net realizable value	
Merchandise inventories		\$ 2,091,982	<u>\$ 2,255,595</u>	1. None of the inventories shown on the left were pledged as collateral. 2. Inventory is measured at the lower of cost or net realizable value; allowance for obsolescence is made on obsolete inventory.
Less: Allowance for inventory devaluation and obsolescence		<u>(4,308)</u>		
Net amount		<u>\$ 2,087,674</u>		

Stark Technology Inc.

7. Statement of other financial assets - current and non-current

December 31, 2023

Unit: NTD thousands

Item	Summary	Amount	Remarks
Pledged time deposit - current	Tenor: 2015/9/8 ~ 2024/2/9 Interest rate: 1.40%~1.52%	\$ 2,597	See Note VIII of the financial statements for details on time deposits pledged as collateral.
Pledged time deposit - non-current	Tenor: 2022/1/3 ~ 2027/5/31 Interest rate range: 1.40%~1.52%	8,507	
Total		<hr/> \$ 11,104 <hr/>	

Stark Technology Inc.

8. Statement of prepayments, other current assets, and refundable deposits

December 31, 2023

Unit: NTD thousands

Item	Summary	Amount	Remarks
Prepayments			
Prepaid purchases		\$ 607,180	
Prepaid expenses		3,423	
Tax credit		<u>65,722</u>	
Total		<u>\$ 676,325</u>	
Other current assets			
Employee loans		\$ 1,708	
Payments on behalf of others		<u>1</u>	
		<u>\$ 1,709</u>	
Refundable deposits - current	(Tender bond, warranty bond, performance bond etc.)	<u>\$ 75,670</u>	

Stark Technology Inc.
9. Statement of changes in investments accounted for using the equity method
January 1 to December 31, 2023

Unit: NTD thousands

Name	Beginning of period		Current period increase		Current period decrease		End of period			Net equity		Collateralized or pledged	Remarks
	Number (lot) of shares	Amount	Number (lot) of shares	Amount	Number (lot) of shares	Amount	Number (lot) of shares	Percentage of shareholding	Amount	Unit price (NTD)	Total		
Long-term equity investments accounted for using the equity method													
<u>Ordinary share</u>													
Stark Technology Inc. (U.S.A)	500,000	\$ 11,574	-	\$ -	-	\$ (479)	500,000	100.00%	\$ 11,095	\$ 22.19	\$ 11,095	None	Note 1
Pacific Ace Holding International Ltd.	3,000,000	368,730	-	11,901	-	(125,991)	3,000,000	100.00%	254,640	84.88	254,640	None	Note 2
SRAIN Investment Co., Ltd.	-	569,365	-	101,831	-	(67,478)	-	100.00%	603,718	-	603,718	None	Note 3
STARK INFORMATION (HONG KONG) LIMITED	70,000	2,011	-	-	70,000	(2,011)	-	-	-	-	-	-	Note 4
Total		<u>\$ 951,680</u>		<u>\$ 113,732</u>		<u>\$ (195,959)</u>			<u>\$ 869,453</u>				

Note 1: Decrease in the current period is explained by NT\$469 thousand of loss on investment accounted for using the equity method, and NT\$10 thousand of exchange differences on translation of foreign operations.

Note 2: Increase in the current period is explained by NT\$11,901 thousand of gain on investment accounted for using the equity method.

Decrease in the current period is explained by dividends totaling NT\$119,246 thousand, and NT\$6,745 thousand of exchange differences on translation of foreign operations.

Note 3: Increase in the current period is explained by NT\$71,499 thousand of gain on investment accounted for using the equity method, and NT\$29,149 thousand (unrealized) and NT\$1,183 thousand (realized) of gain on revaluation of financial assets at fair value through other comprehensive income.

Decrease in the current period is explained by dividends totaling NT\$67,328 thousand, and NT\$150 thousand of exchange differences on translation of foreign operations.

Note 4: Decrease in the current period is explained by NT\$2,011 thousand of net assets in dissolution and liquidation.

Stark Technology Inc.

10. Statement of financial assets at fair value through other comprehensive income variation
January 1 to December 31, 2023

Unit: NTD thousands

Name	Beginning of period		Current period increase		Current period decrease		Unrealized gains (losses) on valuation of financial assets at fair value through other comprehensive income	End of period		Collateralized or pledged	Remarks
	Number (lot) of shares	Amount	Number (lot) of shares	Amount	Number (lot) of shares	Amount		Number (lot) of shares	Amount		
<u>Shares of listed companies</u>											
ITEQ Corporation	362,829	\$ 26,341	-	\$ -	-	\$ -	\$ 4,427	362,829	\$ 30,768	None	
<u>Ordinary shares</u>											
DWINS Digital Service Corp.	1,151	-	-	-	-	-	-	1,151	-	None	
Cloud Intelligent Operation Technology Co., Inc	195,000	1,950	125,000	1,250	-	-	-	320,000	3,200	None	
Ausenior Information Co., Ltd.	2,000,000	26,000	-	-	-	-	-	2,000,000	26,000	None	
Total		<u>\$ 54,291</u>		<u>\$ 1,250</u>		<u>\$ -</u>	<u>\$ 4,427</u>		<u>\$ 59,968</u>		

11. Property, plant, and equipment variation account:
See Note VI.8 for more details.
12. Property, plant, and equipment accumulated depreciation variation account:
See Note VI.8 for more details.
13. Intangible asset variation account:
See Note VI.9 for more details.

Stark Technology Inc.

14. Statement of right-of-use asset and accumulated depreciation of right-of-use asset variation
January 1 to December 31, 2023

Unit: NTD thousands

Item	Beginning of period	Current period increase	Current period decrease	End of period	Remarks
<u>Cost:</u>					
Buildings	\$ 41,207	\$ 7,912	\$ (159)	\$ 48,960	
Transportation equipment	16,507	11,434	(2,186)	25,755	
Office equipment	3,280	786	(908)	3,158	
Subtotal	60,994	20,132	(3,253)	77,873	
<u>Depreciation:</u>					
Buildings	29,383	9,968	(159)	39,192	
Transportation equipment	4,072	7,302	(2,186)	9,188	
Office equipment	2,145	741	(908)	1,978	
Subtotal	35,600	18,011	(3,253)	50,358	
Net book value	\$ 25,394	\$ 2,121	\$ -	\$ 27,515	

Stark Technology Inc.
15. Statement of other assets
December 31, 2023

Unit: NTD thousands

Item	Summary	Subtotal	Amount	Remarks
Refundable deposits - non-current	Tender bonds and performance bonds recoverable more than one year later		\$ 94,173	
Net long-term installments receivable			18,690	Please see Note VI.4 of the financial statements
Total			\$ 112,863	

Stark Technology Inc.
16. Statement of notes payable
December 31, 2023

Unit: NTD thousands

Name of supplier	Summary	Amount	Remarks
Globalsoft Corporation		\$ 1,050	Notes payable shown on the left had arisen from business activities.
CHANGING Information Technology		368	
Industen International Co., Ltd.		255	
Chiefyang Tech Co., Ltd		204	
AXIOMTEK Co., Ltd.		165	
Others	No single account represented more than 5% of total outstanding balance	1,032	
Total		\$ 3,074	

Stark Technology Inc.
17. Statement of accounts payable
December 31, 2023

Unit: NTD thousands

Name of supplier	Summary	Amount	Remarks
BestCom Infotech Corp.		\$ 221,845	Accounts payable shown on the left had arisen from business activities.
Zero One Technology Co., Ltd.		115,467	
Metaage Corporation		105,131	
Unicomp Information Co., Ltd.		60,573	
Others	No single account represented more than 5% of total outstanding balance	423,663	
Total		\$ 926,679	

Stark Technology Inc.
 18. Statement of accounts payable - related parties
 December 31, 2023

Unit: NTD thousands

Name of supplier	Summary	Amount	Remarks
Accounts payable - related parties			Related party payables shown on the left had arisen from business activities.
Stark Technology Inc. (USA)		\$ 2,009	

Stark Technology Inc.
 19. Statement of other payables
 December 31, 2023

Unit: NTD thousands

Item	Summary	Amount	Remarks
Salary and bonus payable		\$ 145,216	
Employee remuneration payable		67,000	
Others	No single account represented more than 5% of total outstanding balance	64,211	
Total		\$ 276,427	

Stark Technology Inc.

20. Statement of contract liabilities - current and other current liabilities

December 31, 2023

Unit: NTD thousands

Item	Summary	Amount	Remarks
Contract liabilities - current		\$ 1,533,332	
Other current liabilities			
Temporary receipt		\$ 2,053	
Receipts under custody		41,420	
Total		\$ 43,473	

Stark Technology Inc.
21. Statement of lease liabilities
December 31, 2023

Unit: NTD thousands

Item	Lease tenor	Discount rate	End of period	Remarks
Buildings	2014/07/01~2027/12/31	2%	\$ 9,998	
Transportation equipment	2021/04/01~2026/07/19	2%	16,671	
Office equipment	2020/06/01~2027/07/31	2%	1,169	
Total			\$ 27,838	

Stark Technology Inc.
 22. Statement of other liabilities
 December 31, 2023

Unit: NTD thousands

Item	Summary	Subtotal	Amount	Remarks
Net defined benefit liabilities			\$ 24,560	
Guarantee deposits	Construction warranty bond and rental deposit etc.		7,098	
Total			\$ 31,658	

Stark Technology Inc.
 23. Statement of operating revenues
 For the year ended December 31, 2023

Unit: NTD thousands

Item	Quantity	Amount	Summary
Total sales revenues			
Revenues from sale of merchandise		\$ 3,771,803	
Revenues from rendering of service		2,127,737	
Other operating revenues		7,280	
Total		5,906,820	
Less: sales return and discount		(1,005)	
Net amount		\$ 5,905,815	

Stark Technology Inc.
24. Statement of operating costs
For the year ended December 31, 2023

Unit: NTD thousands

Item	Summary	Amount	Remarks
Cost of merchandise sold			
Opening inventory		\$ 2,202,927	
Plus: Purchases for the current period		4,109,211	
Less: Closing inventory		(2,091,982)	
Reclassified to property, plant and equipment		(8,293)	
Merchandise cost		4,211,863	
Technical service cost		89,185	
Other operating costs		9,435	
Warranty cost		9,746	
Provisions		(6,321)	
Total operating costs		<u>\$ 4,313,908</u>	

Stark Technology Inc.
 25. Statement of administrative expenses
 For the year ended December 31, 2023

Unit: NTD thousands

Item	Summary	Amount	Remarks
Wages and salaries		\$ 432,308	
Employee remuneration		67,000	
Labor and national health insurance expenses		41,187	
Other expenses	No single account represented more than 5% of total outstanding balance	193,736	
Total		\$ 734,231	

Stark Technology Inc.

26. Statement of research and development expenses

For the year ended December 31, 2023

Unit: NTD thousands

Item	Summary	Amount	Remarks
Wages and salaries		\$ 69,937	
Labor and national health insurance expenses		6,201	
Other expenses	No single account represented more than 5% of total outstanding balance	14,167	
Total		<u>\$ 90,305</u>	

28. Summary of current employee welfare, depreciation, and amortization expenses by function: Please see Note VI.18.