

**UNITED FIBER OPTIC COMMUNICATION INC.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2024 and 2023**

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

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## Independent Auditors' Review Report

To the Board of Directors  
UNITED FIBER OPTIC COMMUNICATION INC.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of UNITED FIBER OPTIC COMMUNICATION INC. and its subsidiaries as of June 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2024 and 2023, as well as the changes in equity and cash flows for the six months ended June 30, 2024 and 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of UNITED FIBER OPTIC COMMUNICATION INC. and its subsidiaries as of June 30, 2024 and 2023, and of its consolidated financial performance for the three months and six months ended June 30, 2024 and 2023, as well as its consolidated cash flows for the six months ended June 30, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



The engagement partners on the reviews resulting in this independent auditors' review report are Hsieh, Chiu-Hua and Chou, Pao-Lian.

KPMG

Taipei, Taiwan (Republic of China)

August 5, 2024

#### **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**June 30, 2024, December 31, 2023, and June 30, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

Assets		June 30, 2024		December 31, 2023		June 30, 2023		Liabilities and Equity		June 30, 2024		December 31, 2023		June 30, 2023			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
Current assets:									Current liabilities:								
1100	Cash and cash equivalents (note 6(a))	\$	447,603	35	429,296	35	573,886	49	2100	Short-term borrowings (note 6(m))	\$	-	-	50,000	4	50,000	4
1136	Current financial assets at amortised cost, net (notes 6(d) and 8)		29,661	3	65,881	5	50,207	4	2130	Current contract liabilities (note 6(u))		23,118	2	29,861	2	38,064	3
1140	Current contract assets (note 6(u))		191,156	15	124,737	10	80,474	7	2170	Accounts payable		77,605	6	47,288	4	39,588	3
1150	Notes receivable, net (note 6(e))		-	-	-	-	94	-	2200	Other payables (note 6(n))		43,159	3	34,000	3	36,555	4
1170	Accounts receivable, net (note 6(e))		67,951	5	141,794	11	54,153	5	2220	Other payables to related parties (notes 6(n) and 7)		926	-	176	-	-	-
1180	Accounts receivable due from related parties, net (notes 6(e) and 7)		28,031	2	-	-	-	-	2250	Current provisions (note 6(p))		6,595	1	3,771	-	14,817	1
1200	Other receivables (note 6(f))		500	-	16,809	1	7	-	2280	Lease liabilities-current (notes 6(o) and 7)		11,040	1	12,823	1	6,135	1
1220	Current tax assets		845	-	695	-	677	-	2300	Other current liabilities		<u>1,061</u>	-	<u>873</u>	-	<u>1,373</u>	-
130X	Inventories (note 6(g))		71,707	6	85,774	7	85,291	7				<u>163,504</u>	13	<u>178,792</u>	14	<u>186,532</u>	16
1478	Construction deposits paid		29,404	2	122,108	10	163,706	14		Non-Current liabilities:							
1479	Other current assets		<u>31,565</u>	<u>2</u>	<u>7,996</u>	<u>1</u>	<u>9,651</u>	<u>1</u>	2550	Non-current provisions (note 6(p))		6,093	-	6,841	1	-	-
			<u>898,423</u>	<u>70</u>	<u>995,090</u>	<u>80</u>	<u>1,018,146</u>	<u>87</u>	2570	Deferred tax liabilities		16	-	16	-	16	-
	Non-current assets:								2580	Lease liabilities non-current (notes 6(o) and 7)		26,689	2	15,981	1	12,001	1
1510	Non-current financial assets at fair value through profit or loss (note 6(b))		232,150	18	127,050	10	-	-	2645	Guarantee deposits received		<u>292</u>	-	<u>292</u>	-	<u>176</u>	-
1535	Non-current financial assets at amortised cost, net (notes 6(d) and 8)		3,028	-	7,084	1	41,116	4				<u>33,090</u>	<u>2</u>	<u>23,130</u>	<u>2</u>	<u>12,193</u>	<u>1</u>
1550	Investments accounted for using equity method, net (note 6(h))		-	-	-	-	-	-		Total liabilities		<u>196,594</u>	<u>15</u>	<u>201,922</u>	<u>16</u>	<u>198,725</u>	<u>17</u>
1600	Property, plant and equipment (notes 6(j) and 8)		74,812	6	67,218	6	73,682	6		Equity attributable to owners of parent (note 6(s)):							
1755	Right of use assets (notes 6(k) and 7)		37,223	3	28,305	2	17,746	2	3110	Ordinary shares		1,040,515	81	1,040,515	84	1,040,515	89
1780	Intangible assets (note 6(l))		3,757	-	4,508	-	5,259	-	3200	Capital surplus		24,850	2	24,850	2	24,850	2
1920	Guarantee deposits paid		7,451	1	6,248	1	16,529	1	3350	Accumulated deficit		<u>(24,416)</u>	<u>(2)</u>	<u>(77,579)</u>	<u>(6)</u>	<u>(118,515)</u>	<u>(10)</u>
1960	Non-current prepayments for investments (note 7)		23,480	2	-	-	-	-				<u>1,040,949</u>	<u>81</u>	<u>987,786</u>	<u>80</u>	<u>946,850</u>	<u>81</u>
1975	Net defined benefit asset, non-current (note 6(q))		-	-	-	-	1,714	-	3400	Other equity interest		-	-	-	-	(19,664)	(2)
			<u>381,901</u>	<u>30</u>	<u>240,413</u>	<u>20</u>	<u>156,046</u>	<u>13</u>	36XX	Non-controlling interests (notes 6(i) and (s))		<u>42,781</u>	<u>4</u>	<u>45,795</u>	<u>4</u>	<u>48,281</u>	<u>4</u>
	Total assets	\$	<u>1,280,324</u>	<u>100</u>	<u>1,235,503</u>	<u>100</u>	<u>1,174,192</u>	<u>100</u>		Total equity		<u>1,083,730</u>	<u>85</u>	<u>1,033,581</u>	<u>84</u>	<u>975,467</u>	<u>83</u>
										Total liabilities and equity	\$	<u>1,280,324</u>	<u>100</u>	<u>1,235,503</u>	<u>100</u>	<u>1,174,192</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

## UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2024 and 2023

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

		For the three months ended June 30				For the six months ended June 30			
		2024		2023		2024		2023	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (notes 6(u) and 7)	\$ 231,532	100	107,272	100	377,554	100	280,095	100
5000	Operating costs (notes 6(g) and 7)	207,934	90	97,111	91	348,172	92	252,438	90
5900	<b>Gross profit from operations</b>	<u>23,598</u>	<u>10</u>	<u>10,161</u>	<u>9</u>	<u>29,382</u>	<u>8</u>	<u>27,657</u>	<u>10</u>
	<b>Operating expenses (notes 6(e), (j), (k), (l), (o), (q), (v) and 7):</b>								
6100	Selling expenses	13,300	6	11,669	11	30,163	8	26,346	9
6200	Administrative expenses	21,098	9	18,506	17	37,580	10	34,084	12
6300	Research and development expenses	483	-	631	-	971	-	1,235	1
6450	Expected credit loss (note 6(e))	16,805	7	-	-	16,805	5	-	-
		<u>51,686</u>	<u>22</u>	<u>30,806</u>	<u>28</u>	<u>85,519</u>	<u>23</u>	<u>61,665</u>	<u>22</u>
	<b>Net operating loss</b>	<u>(28,088)</u>	<u>(12)</u>	<u>(20,645)</u>	<u>(19)</u>	<u>(56,137)</u>	<u>(15)</u>	<u>(34,008)</u>	<u>(12)</u>
	<b>Non-operating income and expenses:</b>								
7100	Interest income (note 6(w))	1,648	1	1,055	1	1,734	-	1,105	-
7010	Other income (note 6(w))	346	-	1,142	1	1,737	-	1,561	1
7020	Other gains and losses, net (note 6(w))	103,781	44	(1,636)	(1)	103,747	28	(2,465)	(1)
7050	Finance costs, net (notes 6(w) and 7)	(252)	-	(716)	(1)	(732)	-	(1,210)	(1)
7070	Share of profit (loss) of associates accounted for using equity method, net (note 6(h))	-	-	-	-	-	-	-	-
		<u>105,523</u>	<u>45</u>	<u>(155)</u>	<u>-</u>	<u>106,486</u>	<u>28</u>	<u>(1,009)</u>	<u>(1)</u>
	<b>Income (loss) before tax</b>	<u>77,435</u>	<u>33</u>	<u>(20,800)</u>	<u>(19)</u>	<u>50,349</u>	<u>13</u>	<u>(35,017)</u>	<u>(13)</u>
7950	Less: Income tax expenses (note 6(r))	200	-	-	-	200	-	-	-
	<b>Net income (loss)</b>	<u>77,235</u>	<u>33</u>	<u>(20,800)</u>	<u>(19)</u>	<u>50,149</u>	<u>13</u>	<u>(35,017)</u>	<u>(13)</u>
8300	<b>Other comprehensive income</b>	-	-	-	-	-	-	-	-
	<b>Total comprehensive income (loss)</b>	<u>\$ 77,235</u>	<u>33</u>	<u>(20,800)</u>	<u>(19)</u>	<u>50,149</u>	<u>13</u>	<u>(35,017)</u>	<u>(13)</u>
	<b>Net income (loss), attributable to:</b>								
8610	Owners of parent	\$ 78,488	34	(19,727)	(18)	53,163	14	(32,912)	(12)
8620	Non-controlling interests	(1,253)	(1)	(1,073)	(1)	(3,014)	(1)	(2,105)	(1)
		<u>\$ 77,235</u>	<u>33</u>	<u>(20,800)</u>	<u>(19)</u>	<u>50,149</u>	<u>13</u>	<u>(35,017)</u>	<u>(13)</u>
	<b>Comprehensive income (loss) attributable to:</b>								
8710	Owners of parent	\$ 78,488	34	(19,727)	(18)	53,163	14	(32,912)	(12)
8720	Non-controlling interests	(1,253)	(1)	(1,073)	(1)	(3,014)	(1)	(2,105)	(1)
		<u>\$ 77,235</u>	<u>33</u>	<u>(20,800)</u>	<u>(19)</u>	<u>50,149</u>	<u>13</u>	<u>(35,017)</u>	<u>(13)</u>
	<b>Basic earnings (loss) per share (New Taiwan dollars) (note 6(t))</b>	<u>\$ 0.75</u>		<u>(0.19)</u>		<u>0.51</u>		<u>(0.36)</u>	
	<b>Diluted earnings (loss) per share (New Taiwan dollars) (note 6(t))</b>	<u>\$ 0.75</u>		<u>(0.19)</u>		<u>0.51</u>		<u>(0.36)</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the six months ended June 30, 2024 and 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent					
	Share capital		Retained earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Accumulated deficit			
Balance at January 1, 2023	\$ 690,515	-	(85,603)	(19,664)	50,386	635,634
Net loss	-	-	(32,912)	-	(2,105)	(35,017)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	(32,912)	-	(2,105)	(35,017)
Cash capital increase	350,000	24,850	-	-	-	374,850
Balance at June 30, 2023	\$ 1,040,515	24,850	(118,515)	(19,664)	48,281	975,467
Balance at January 1,2024	\$ 1,040,515	24,850	(77,579)	-	45,795	1,033,581
Net income (loss)	-	-	53,163	-	(3,014)	50,149
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	53,163	-	(3,014)	50,149
Balance at June 30, 2024	\$ 1,040,515	24,850	(24,416)	-	42,781	1,083,730

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the three months and six months ended June 30, 2024 and 2023**

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

	<b>For the six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows (used in) from operating activities:</b>		
Income (loss) before tax	\$ 50,349	(35,017)
Adjustments:		
Adjustments to reconcile loss:		
Depreciation expense	14,193	12,897
Amortization expense	751	856
Expected credit loss	16,805	-
Net gain on financial assets at fair value through profit or loss	(105,100)	-
Interest expense	732	1,210
Interest income	(1,734)	(1,105)
Loss on disposal of property, plant and equipment	630	8
Loss (gain) on inventory write downs	1,593	(939)
Profit from lease modification	(146)	(1)
Others	64	-
<b>Total adjustments to reconcile loss</b>	<b>(72,212)</b>	<b>12,926</b>
<b>Changes in operating assets and liabilities:</b>		
Contract assets	(66,419)	400,221
Notes receivable	-	82
Accounts receivable	45,812	(18,634)
Other receivable	(496)	-
Inventories	12,474	(5,372)
Other current assets	(23,569)	10,181
Other non-current assets	-	(18)
Contract liabilities	(6,743)	23,107
Accounts payable	30,317	(309,449)
Other payable	8,959	4,407
Other payable to related parties	750	-
Provisions	2,076	(3,184)
Other current liabilities	188	(343)
<b>Total adjustments</b>	<b>(68,863)</b>	<b>113,924</b>
Cash flows (used in) from operations	(18,514)	78,907
Interest received	1,734	1,105
Interest paid	(732)	(1,210)
Income taxes paid	(150)	(142)
<b>Net cash flows (used in) from operating activities</b>	<b>(17,662)</b>	<b>78,660</b>
<b>Cash flows from investing activities:</b>		
Decrease in financial assets at amortised cost	40,276	15,835
Increase in prepayments for investments	(23,480)	-
Acquisition of property, plant and equipment	(15,247)	-
Proceeds from disposal of property, plant and equipment	-	42
Decrease (increase) in refundable deposits	91,501	(965)
<b>Net cash flows from investing activities</b>	<b>93,050</b>	<b>14,912</b>
<b>Cash flows (used in) from financing activities:</b>		
Decrease in short-term borrowings	(50,000)	-
Decrease in other short-term loans	-	(15,549)
Decrease in guarantee deposits received	-	(397)
Payment of lease liabilities	(7,081)	(5,606)
Cash capital increase	-	374,850
<b>Net cash flows (used in) from financing activities</b>	<b>(57,081)</b>	<b>353,298</b>
<b>Net increase in cash and cash equivalents</b>	<b>18,307</b>	<b>446,870</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>429,296</b>	<b>127,016</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 447,603</b>	<b>573,886</b>

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**June 30, 2024 and 2023**

**(Expressed in Thousands of New Taiwan Dollar, except for Earnings per Share Information  
and Unless Otherwise Specified)**

**(1) Company history**

United Fiber Optic Communication Inc. (the “Company”) was incorporated on June 15, 1984, as a company limited by shares under the Company Act of the Republic of China (ROC). The Company registered in the Hsinchu Science Park on July 25, 1986 and commenced production in March 1987.

The main operating activities of the Company and its subsidiaries (collectively referred as the “Consolidated Company”) engages in exporting and importing products as well as providing services regarding fiber optic cables, related materials and accessories, transmission equipment, dense wavelength division multiplex (DWDM), repeaters, panels and boxes, and preforms, related communications equipment and network workstation systems, FDDI network equipment, optical Cable TV transmitters and receivers, FM PSK multi-band video transmission series, broadband data transmission and network management systems (including software, test equipment, control equipment, high-speed cables, etc.), e-commerce cross-platform software development, and telephone computer integration system with digital spread-spectrum walkie talkies for cars and digital relay walkie talkies.

The Company’s ordinary shares were listed on the Taipei Exchange on May 14, 2001.

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

The accompanying consolidated financial statements were approved and authorized for release by the Board of Directors on August 5, 2024.

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

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

The Consolidated Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2024:

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

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

The Consolidated Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
IFRS 18 "Presentation and Disclosure in Financial Statements"	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> <li>• A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company's main business activities.</li> <li>• Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.</li> <li>• Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.</li> </ul>	January 1, 2027

(Continued)

## UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11

#### **(4) Summary of material accounting policies:**

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

##### **(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the “ Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as “the Regulations” ) and guidelines of IAS 34 “ Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

(Continued)

## UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(b) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Consolidated Company. The Consolidated Company ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Consolidated Company attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Consolidated Company prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

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

(ii) List of subsidiaries in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name investor	Name of investee	Scope of business	Percentage of ownership			Description
			June 30, 2024	December 31, 2023	June 30, 2023	
The Company	Advanced Communication Technology & Corporation (ACTS)	Manufacture and wholesale of communications equipment	85.05 %	85.05 %	85.05 %	
The Company	TSG Mechatronic Corp.(TSG Mechatronic)	Comprehensive construction of mechanical and electrical engineering	100.00 %	- %	- %	Note 2
ACTS	Ottimo Connectech Inc. (Ottimo Connectech)	Wholesale and retail of communications equipment as well as installation and repair of cable	100.00 %	100.00 %	100.00 %	Note 1

Note 1: The ACTS’ management assessed the operating conditions of Ottimo Connectech, which resulted in a Board resolution on December 15, 2020 to suspend its business for 1 year. As approved by the Taipei City Government, Ottimo Connectech suspended its business from February 1, 2021 to January 31, 2022. Thereafter, suspension was extended for 1 year to January 31, 2023. On February 6, 2023, it completed the procedures to resume its business as the suspension period had expired. And on July 25, 2023, Ottimo Connectech applied for ceased operation of one year, and has been approved by the competent authority to be closed from August 1, 2023 to July 31, 2024.

Note 2: In May 2024, the Company resolved by the Board of Directors to invest \$30,000 thousand to establish TSG Mechatronic, a 100% owned subsidiary.

(iii) Subsidiaries excluded from the consolidated financial statement: None.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B 12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are measured by multiplying together the pre-tax income for the interim reporting period and the management's best estimate of effective annual tax rate. This should be recognized fully as tax expense for the current period.

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2023. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2023.

**(6) Explanation of significant accounts:**

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2023 consolidated financial statements. Please refer to note 6 to the 2023 annual consolidated financial statements.

(a) Cash and Cash Equivalents

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Petty cash	\$ 330	370	360
Checking and demand deposits	447,273	428,926	573,526
	<b><u>\$ 447,603</u></b>	<b><u>429,296</u></b>	<b><u>573,886</u></b>

Please refer to note 6(x) for the currency risk and the fair value sensitivity analysis of the Consolidated Company's financial assets and liabilities. A time deposit is qualified as a cash equivalent when it has a maturity of three months or less from the date of acquisition and it is held for the purpose of short-term cash commitments. Otherwise, they are classified as financial assets measured at amortized cost-current.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Financial assets measured at fair value through profit or loss

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>June 30,</u> <u>2023</u>
Financial assets mandatorily measured at fair value through profit or loss - non-current :			
King House Co., Ltd.(King House)/Ensure Global Corp., Ltd.(Ensure)	\$ <u>232,150</u>	<u>127,050</u>	<u>-</u>

- (i) In November 2023, the Consolidated Company participated in 5,000 thousand shares of common stock of King House (Ensure was renamed King House since May, 2024.) through a private placement, at an investment cost of \$36,000 thousand (NT\$7.2 per share). The common stock of this private placement shall not be sold within three years from the delivery date of January 19, 2024, to the expiration date of January 18, 2027, in accordance with the Securities and Exchange Act, except Conditions for Further Transfer of Privately Placed Securities in accordance with Article 43-8 of the Securities and Exchange Act. For the six months ended June 30, 2024, and in 2023, the valuation gains on financial assets at fair value through profit or loss were \$105,100 thousand and \$91,050 thousand, respectively.
- (ii) The Consolidated Company had disclosed exposure to credit, exchange rate, and interest rate that were associated with financial instruments in note 6(y).
- (iii) As of June 30, 2024, December 31 and June 30, 2023, none of the Consolidated Company's financial assets were pledged as security.

(c) Financial assets measured at fair value through other comprehensive income -Non current

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>June 30,</u> <u>2023</u>
Financial assets measured at fair value through other comprehensive income :			
Unlisted entity–AquaOptics Corp. (AquaOptics)	\$ <u>-</u>	<u>-</u>	<u>-</u>

The Consolidated Company has invested in AquaOptics for medium and long-term strategic purposes and expects to profit from long-term investments. In management's opinion, the inclusion of these investments' short-term fair value fluctuations in profit or loss is inconsistent with the aforementioned long-term investment plan; therefore, management has elected to designate such investments as measured at FVOCI.

The Consolidated Company recognized \$19,664 thousand as the cost of investment in the ordinary shares issued by AquaOptics. At the end of 2019, the Consolidated Company assessed that the investment had no market value and therefore decreased its fair value to \$0.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

AquaOptics was dissolved by the resolution through shareholders' meeting on August 7, 2023. The Consolidated Company assessed its fair value at the time of dissolution at \$0 thousand. Thus, the accumulated loss of \$19,664 thousand was transferred from other equity interest to retained earnings. The liquidation of AquaOptics was completed by the Court in June 2024; therefore, the cost of the investment in the ordinary shares of AquaOptics and its accumulated valuation accounts have been derecognized in the current period.

(d) Financial assets measured at amortized cost

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Time deposits with more than 3 months	\$ -	4,095	-
Time deposits pledged as collateral	17,713	17,581	44,927
Restricted bank deposits	14,976	51,289	46,396
	<u><b>\$ 32,689</b></u>	<u><b>72,965</b></u>	<u><b>91,323</b></u>
	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Current	\$ 29,661	65,881	50,207
Non Current	3,028	7,084	41,116
	<u><b>\$ 32,689</b></u>	<u><b>72,965</b></u>	<u><b>91,323</b></u>

(i) Please refer to note 6(x) for credit risk information.

(ii) As of June 30, 2024, December 31 and June 30, 2023, the financial assets measured at amortized costs of the Consolidated Company had been pledged as collateral for its long-term borrowings. Please refer to note 8.

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

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Notes receivable for operating activities	\$ 3,000	3,000	3,094
Accounts receivable - measured at amortized cost	81,650	155,493	67,852
Accounts receivable - related parties	28,031	-	-
Less: Loss allowance	(16,699)	(16,699)	(16,699)
	<u><b>\$ 95,982</b></u>	<u><b>141,794</b></u>	<u><b>54,247</b></u>

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<b>June 30, 2024</b>		
	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 94,039	-	-
30 days or less past due	1,943	-	-
31 to 60 days past due	-	-	-
61 to 90 days past due	-	-	-
91 to 364 days past due	-	-	-
More than 365 days past due	16,699	100.00%	16,699
	<b>\$ 112,681</b>		<b>16,699</b>
	<b>December 31, 2023</b>		
	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 140,978	-	-
30 days or less past due	816	-	-
31 to 60 days past due	-	-	-
61 to 90 days past due	-	-	-
91 to 364 days past due	-	-	-
More than 365 days past due	16,699	100.00%	16,699
	<b>\$ 158,493</b>		<b>16,699</b>

(Continued)



**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>June 30, 2023</b>		
	<b>Carrying amount of notes and accounts receivable</b>	<b>Weighted average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 38,083	-	-
30 days or less past due	3,711	-	-
31 to 60 days past due	-	-	-
61 to 90 days past due	-	-	-
91 to 364 days past due	-	-	-
More than 365 days past due	29,152	57.28%	16,699
	<u><u>\$ 70,946</u></u>		<u><u>16,699</u></u>

The movements in the allowances for notes and accounts receivable were as follows:

	<b>For the six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>
Closing balance (equivalent to opening balance)	<u><u>\$ 16,699</u></u>	<u><u>16,699</u></u>

(f) Other receivables

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Other receivables	\$ 119,133	118,637	101,835
Less: Loss allowance	(118,633)	(101,828)	(101,828)
	<u><u>\$ 500</u></u>	<u><u>16,809</u></u>	<u><u>7</u></u>

The changes in the Consolidated Company's loss allowances for other receivables were as follows:

	<b>For the six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>
Opening balance	\$ 101,828	101,828
Impairment losses recognized	16,805	-
Closing balance	<u><u>\$ 118,633</u></u>	<u><u>101,828</u></u>

Due to the fog lamps case contracted by the Central Region Branch Office of Freeway Bureau, MOTC, the Consolidated Company has filed a lawsuit against the equipment vendor. Since it is assessed that the amount will probably not be recovered, the Consolidated Company recognized the expected credit loss of \$16,805 thousand in full. For details of the related litigation, please refer to note 12.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(g) Inventory

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Finished goods and merchandise	\$ 24,277	20,560	22,304
Work in progress and semi-finished goods	7,112	8,082	7,772
Raw materials	40,318	57,132	55,215
	<b>\$ 71,707</b>	<b>85,774</b>	<b>85,291</b>

The Consolidated Company's operating costs comprised of costs of goods sold, write-down loss of inventories and other gains and losses that recognized as operating costs directly. For the three months and six months ended June 30, 2024 and 2023, the Consolidated Company's costs of goods sold amounted to \$49,563 thousand, \$20,546 thousand, \$75,927 thousand and \$102,668 thousand, respectively; write-down loss (gain) of inventories amounted to \$1,424 thousand, \$(1,921) thousand, \$1,593 thousand and \$(939) thousand, respectively.

As of June 30, 2024, December 31 and June 30, 2023, none of the Consolidated Company's inventories was pledged as security.

(h) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Synox Tech Co Ltd. (Synox)	\$ -	-	-
World Way Shipping Agency & Chartering (World Way Shipping Agency)	-	-	-
	<b>\$ -</b>	<b>-</b>	<b>-</b>

(i) Associates

The fair value of the shares of listed company based on the closing price was as follow:

Name of Associate	Name of relationship with the Company	Principal place of business/ Registered Country	Ownership interest/ Voting rights held		
			June 30, 2024	December 31, 2023	June 30, 2023
Synox	Manufacture, wholesale and resale of electronic and telecommunications devices	Taipei city	49.36 %	49.36 %	49.36 %
World Way Shipping Agency	Shipping agent and container leasing	Taipei city	30.61 %	30.61 %	30.61 %

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated Company's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Carrying amount of individually insignificant associates' equity	\$ <u>-</u>	<u>-</u>	<u>-</u>
	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>
	<b>2024</b>	<b>2023</b>	<b>2024</b>
Consolidated Company's share of profit and total comprehensive income:			
Other comprehensive (loss) income	\$ <u>-</u>	<u>-</u>	<u>-</u>
Comprehensive income	\$ <u>-</u>	<u>-</u>	<u>-</u>

In 2018, the Consolidated Company assessed that no future economic value would be produced by Synox and therefore recognized its carrying amount of \$19,505 thousand as impairment losses. On August 23, 2019, Ottimo Connectech, a subsidiary of ACTS, was established. On September 26, 2019, Ottimo Connectech invested in World Way Shipping Agency. As of June 30, 2024, Ottimo Connectech's shareholding in World Way Shipping Agency was 30.61%. The Consolidated Company assessed that World Way Shipping Agency had no future economic value, and accordingly, its carrying amount of \$30,277 thousand was fully included in impairment losses by the Consolidated Company's management during the 1st quarter of 2020.

(ii) Pledged

As of June 30, 2024, December 31 and June 30, 2023, none of the investments accounted for using the equity method was pledged as security.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Subsidiaries have material non-controlling interests

Non-controlling interests of subsidiary that were material to the Consolidated Company were as follows:

<u>Name of subsidiary</u>	<u>Main operating location/ Registered country of the Company</u>	<u>Ownership interests/voting rights held by NCI</u>		
		<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
ACTS	Taipei city	14.95 %	14.95 %	14.95 %

The following information on the aforementioned subsidiaries has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustments made during the acquisition and relevant difference in accounting principles between the Consolidated Company as at the acquisition date. Intragroup transactions were not eliminated in this information.

(i) Summary of ACTS' Financial Information

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Current assets	\$ 385,030	475,744	406,014
Non-current assets	9,846	9,211	4,113
Current liabilities	102,501	168,878	85,895
Non- current liabilities	6,307	9,858	1,388
Net assets	<u>\$ 286,068</u>	<u>306,219</u>	<u>322,844</u>
Non-controlling interests	<u>\$ 42,781</u>	<u>45,795</u>	<u>48,281</u>

  

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Sales revenue	<u>\$ 66,253</u>	<u>45,759</u>	<u>125,360</u>	<u>94,139</u>
Net loss	\$ (8,379)	(7,176)	(20,151)	(14,075)
Other comprehensive loss	-	-	-	-
Comprehensive loss	<u>\$ (8,379)</u>	<u>(7,176)</u>	<u>(20,151)</u>	<u>(14,075)</u>
Loss, attributable to non-controlling interests	<u>\$ (1,253)</u>	<u>(1,073)</u>	<u>(3,014)</u>	<u>(2,105)</u>
Comprehensive loss, attributable to non-controlling interests	<u>\$ (1,253)</u>	<u>(1,073)</u>	<u>(3,014)</u>	<u>(2,105)</u>

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Property, plant and equipment

The movements in the cost and accumulated depreciation of property, plant and equipment are detailed as follows:

	<u>Buildings and structures</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Construction in progress and Equipment awaiting examination</u>	<u>Total</u>
Cost:						
Balance at January 1, 2024	\$ 105,228	227,206	2,070	20,713	-	355,217
Increase	-	330	-	-	14,917	15,247
Disposal and scrapping	-	(460)	-	(3,815)	-	(4,275)
Reclassification	-	2,548	-	2,852	(5,400)	-
Balance at June 30, 2024	<u>\$ 105,228</u>	<u>229,624</u>	<u>2,070</u>	<u>19,750</u>	<u>9,517</u>	<u>366,189</u>
Balance at January 1, 2023	\$ 105,410	230,700	3,080	19,828	-	359,018
Disposal and scrapping	-	(3,494)	(441)	(152)	-	(4,087)
Balance at June 30, 2023	<u>\$ 105,410</u>	<u>227,206</u>	<u>2,639</u>	<u>19,676</u>	<u>-</u>	<u>354,931</u>
Depreciation:						
Balance at January 1, 2024	\$ 82,534	184,318	2,070	19,077	-	287,999
Depreciation	1,221	5,166	-	572	-	6,959
Disposal and scrapping	-	(396)	-	(3,185)	-	(3,581)
Balance at June 30, 2024	<u>\$ 83,755</u>	<u>189,088</u>	<u>2,070</u>	<u>16,464</u>	<u>-</u>	<u>291,377</u>
Balance at January 1, 2023	\$ 80,205	177,415	2,558	17,745	-	277,923
Depreciation	1,274	5,245	56	788	-	7,363
Disposal and scrapping	-	(3,494)	(441)	(102)	-	(4,037)
Balance at June 30, 2023	<u>\$ 81,479</u>	<u>179,166</u>	<u>2,173</u>	<u>18,431</u>	<u>-</u>	<u>281,249</u>
Carrying amount:						
June 30, 2024	<u>\$ 21,473</u>	<u>40,536</u>	<u>-</u>	<u>3,286</u>	<u>9,517</u>	<u>74,812</u>
June 30, 2023	<u>\$ 23,931</u>	<u>48,040</u>	<u>466</u>	<u>1,245</u>	<u>-</u>	<u>73,682</u>

Please refer to note 8 for the Consolidated Company's property, plant and equipment pledged as security as of June 30, 2024, December 31 and June 30, 2023.

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**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Right-of-use assets

The Consolidated Company leases many assets, including buildings, structures, and transportation equipment. Changes in the costs and depreciations are detailed as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Transportation equipment</u>	<u>Total</u>
Costs of right-of-use assets:				
Balance at January 1, 2024	\$ 23,659	15,399	9,719	48,777
Increase	-	24,396	-	24,396
Decrease	-	(12,242)	(3,126)	(15,368)
Balance at June 30, 2024	<u>\$ 23,659</u>	<u>27,553</u>	<u>6,593</u>	<u>57,805</u>
Balance at January 1, 2023	\$ 23,659	30,552	5,727	59,938
Increase	-	-	979	979
Decrease	-	-	(447)	(447)
Balance at June 30, 2023	<u>\$ 23,659</u>	<u>30,552</u>	<u>6,259</u>	<u>60,470</u>
Depreciation of right-of-use assets:				
Balance at January 1, 2024	\$ 12,876	2,520	5,076	20,472
Increase	1,348	4,594	1,292	7,234
Decrease	-	(3,998)	(3,126)	(7,124)
Balance at June 30, 2024	<u>\$ 14,224</u>	<u>3,116</u>	<u>3,242</u>	<u>20,582</u>
Balance at January 1, 2023	\$ 10,180	23,451	3,968	37,599
Increase	1,348	3,493	693	5,534
Decrease	-	-	(409)	(409)
Balance at June 30, 2023	<u>\$ 11,528</u>	<u>26,944</u>	<u>4,252</u>	<u>42,724</u>
Carrying amount:				
June 30, 2024	<u>\$ 9,435</u>	<u>24,437</u>	<u>3,351</u>	<u>37,223</u>
June 30, 2023	<u>\$ 12,131</u>	<u>3,608</u>	<u>2,007</u>	<u>17,746</u>

(l) Intangible assets

(i) Costs and amortization of the Consolidated Company's intangible assets changed as follows:

	<u>Computer software cost</u>	<u>Technical compensation</u>	<u>Total</u>
Cost or deemed cost:			
Balance at June 30, 2024 (equivalent to opening balance)	<u>\$ 7,996</u>	<u>10,142</u>	<u>18,138</u>
Balance at June 30, 2023 (equivalent to opening balance)	<u>\$ 7,996</u>	<u>12,020</u>	<u>20,016</u>

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>Computer software cost</b>	<b>Technical compensation</b>	<b>Total</b>
Amortization:			
Balance at January 1, 2024	\$ 7,996	5,634	13,630
Amortization	<u>-</u>	<u>751</u>	<u>751</u>
Balance at June 30, 2024	<u><b>\$ 7,996</b></u>	<u><b>6,385</b></u>	<u><b>14,381</b></u>
Balance at January 1, 2023	\$ 7,891	6,010	13,901
Amortization	<u>105</u>	<u>751</u>	<u>856</u>
Balance at June 30, 2023	<u><b>\$ 7,996</b></u>	<u><b>6,761</b></u>	<u><b>14,757</b></u>
Carrying amount:			
June 30, 2024	<u><b>\$ -</b></u>	<u><b>3,757</b></u>	<u><b>3,757</b></u>
June 30, 2023	<u><b>\$ -</b></u>	<u><b>5,259</b></u>	<u><b>5,259</b></u>

(ii) Pledge

As of June 30, 2024, December 31 and June 30, 2023, none of the Consolidated Company's intangible assets were pledged as security.

(m) Short-term borrowings

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Secured bank loans	<u><b>\$ -</b></u>	<u><b>50,000</b></u>	<u><b>50,000</b></u>
Unused short-term credit lines	<u><b>\$ 50,000</b></u>	<u>-</u>	<u>-</u>
Range of interest rates	<u>-</u>	<u><b>2.8%</b></u>	<u><b>2.85%~2.95%</b></u>

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

(n) Other payable (including related parties)

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Salaries and bonuses payable	\$ 21,164	17,294	15,658
Leave payments payable	3,585	3,585	3,585
Business taxes payable	4,361	-	8,775
Related parties payable	926	176	-
Others	<u>14,049</u>	<u>13,121</u>	<u>8,537</u>
	<u><b>\$ 44,085</b></u>	<u><b>34,176</b></u>	<u><b>36,555</b></u>

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Lease liabilities

The carrying amounts of the Consolidated Company's lease liabilities were as follows:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Current	\$ <u>11,040</u>	<u>12,823</u>	<u>6,135</u>
Non-current	\$ <u>26,689</u>	<u>15,981</u>	<u>12,001</u>

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Interests on lease liabilities	\$ <u>252</u>	<u>138</u>	<u>494</u>	<u>297</u>
Expenses relating to short-term leases	\$ <u>628</u>	<u>745</u>	<u>1,245</u>	<u>1,510</u>

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

	<b>For the six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>
Total cash outflow for leases	\$ <u>8,820</u>	<u>7,413</u>

(i) Leases of buildings and structures

The Consolidated Company leased land, houses and buildings for its office space with lease terms of two to six years. Some leases included an option to renew the lease for an additional period of the same duration at the end of the lease terms.

(ii) Other leases

The Consolidated Company leases vehicles and equipment, with lease terms of two to three years. In some cases, the Consolidated Company has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

(Continued)



**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(p) Current provisions

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
<u>Current</u>			
Provisions for compensation	\$ -	-	12,940
Provisions for warranty	1,865	1,891	498
Onerous engineering contracts	<u>4,730</u>	<u>1,880</u>	<u>1,379</u>
	<u>6,595</u>	<u>3,771</u>	<u>14,817</u>
<u>Non-current</u>			
Provisions for warranty	<u>6,093</u>	<u>6,841</u>	-
	<u>6,093</u>	<u>6,841</u>	-
	<u><b>\$ 12,688</b></u>	<u><b>10,612</b></u>	<u><b>14,817</b></u>

Taking into account the risks and uncertainties associated with the obligations, the indemnity reserve is the best estimate of expenses required to settle the obligations on the balance sheet date.

Warranty provisions for warranty liabilities is based on the present value of the best estimate made by the Consolidated Company's management for future economic benefit outflow arising from warranty obligations as agreed in product sales contracts and engineering project contracts. The estimate is based on historical warranty experience and is adjusted for the use of new materials, changes in production process, or other events that would impact the product quality.

Provision for onerous contract refers to the present value of existing future payment of contractual obligations less the present value of revenue expected to be earned by performing the contractual obligations, less the expected revenue derived from the non-cancellable contract. The estimate may change along with changes in inputs.

The provisions for compensation set aside for Taipei Rapid Transit Corporation project by the Consolidated Company was successfully mediated by the High Court in July, 2023, please refer to note 9 for details. As for the associated pledged assets, please refer to note 8 for details.

(q) Employee benefits

(i) Defined contribution plans

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

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated Company's pension expenses under the defined contribution plan were as follows:

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Operating costs	<u>\$ 555</u>	<u>571</u>	<u>1,046</u>	<u>1,120</u>
Operating expenses	<u>\$ 1,016</u>	<u>1,022</u>	<u>2,053</u>	<u>2,053</u>

(r) Income taxes

Income tax expenses are measured by the profit before tax in the interim consolidated financial statements multiplied by the effective tax rate for the whole year the management's best estimation.

Income tax expenses for the Consolidated Company were summarized as follows:

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Income tax expense	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>

None of the amounts of income tax expenses have been recognized in equity and other comprehensive income.

The Company, ACTS and Ottimo Connectechs' tax return had been examined and approved by the R.O.C. tax authorities through 2021, 2022 and 2022, respectively.

(s) Share capital and other equity

(i) Issue of ordinary shares

As of June 30, 2024, December 31 and June 30, 2023, the Company's authorized capital amounting to \$2,000,000 thousand, paid-in capital amounting to \$1,040,515 thousand with par value of \$10 per shares. 104,052 thousand shares have been issued.

On February 23, 2023, the Board of Directors resolute to issue 35,000 thousand ordinary shares with the par price of \$10.71 per share through private placement, which amounting to \$374,850 thousand in total. Since the shares were issued at premium, there is an increase of \$24,850 thousand to capital surplus. The base date for capital increase was March 9, 2023. The relevant statutory registration procedures have been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) under the Securities and Exchange Act. The application of these shares to be traded on the Taipei Exchange is in accordance with the said section where the shares should be elapsed after a 3-year period from the delivery date of the private placement securities before applying for a public offering with the Financial Supervisory Commission.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Capital surplus

According to the R.O.C. Company Act, realized capital surplus can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned realized capital surplus includes share premium and donation gains. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be reclassified under share capital should not exceed 10% of the paid-in capital each year.

(iii) Retained earnings

1) Legal reserve

As stipulated by the Company Act No.237, 10 percent of the net profit after tax shall be set aside as legal reserve until the accumulated legal reserve equals the total capital.

In accordance with Rule No. 10802432410 issued by the Ministry of Economic Affairs on January 9, 2020, the amount of retained earnings allotted to legal reserve shall be calculated based on "net earnings after income taxes, plus any other amount recognized in undistributed retained earnings" since the earnings distribution in 2019.

When the legal reserve has exceeded 25% of the Company's paid in capital, the excess may be distributed as dividends in cash or stocks based on the resolution of the shareholders' meeting if there is no accumulated deficit.

2) Earnings distribution

In accordance with the Company's articles of incorporation, if there are earnings at yearend, 10 percent should be set aside as legal reserve and special earnings reserve or reversal in accordance with the Securities and Exchange Act after the payment of income tax and offsetting accumulated losses from prior years. The remaining portion will be combined with earnings from prior years, and the Board of Directors can propose methods of distribution to be approved by the shareholders' meeting.

During 2023 and 2022, the Company incurred accumulated losses, hence there were no distributable earnings.

3) Dividends

As stipulated by the Company's Articles of Incorporation, the policies on dividend shall be formulated based on future development schemes, investment environment, capital requirements, international and domestic competition, stockholders' interests, etc. Earnings appropriation shall be proposed by the Board of Directors and be passed in a shareholders' meeting. When appropriating shareholders' dividends, it can be paid in stocks or cash, cash dividend shall take up at least 10% of the total dividends.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Other equity(net after tax)

	<b>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</b>
Balance on June 30, 2024 (equivalent to opening balance)	\$ <u><u>-</u></u>
Balance on June 30, 2023 (equivalent to opening balance)	\$ <u><u>(19,664)</u></u>

On August 23, 2023, the Consolidated Company was dissolved by the investor, AquaOptics on August 7, 2023 by a resolution of the shareholders' meeting, and the losses under other equity interests were reclassified to a retained earnings of \$19,664 thousand.

(v) Non-controlling interests

	<b>For the six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>
Opening balance	\$ 45,795	50,386
Attributed to Non-controlling interest:		
Net loss	<u>(3,014)</u>	<u>(2,105)</u>
Ending balance	\$ <u><u>42,781</u></u>	<u><u>48,281</u></u>

(t) Earnings per share

The Company's basic and diluted earnings per share were calculated as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Net profit (loss) attributable to owners of parent	\$ <u><u>78,488</u></u>	<u><u>(19,727)</u></u>	<u><u>53,163</u></u>	<u><u>(32,912)</u></u>
Ordinary shares outstanding (thousand shares)	<u><u>104,052</u></u>	<u><u>104,052</u></u>	<u><u>104,052</u></u>	<u><u>90,902</u></u>
Basic earnings (loss) per share (dollar)	\$ <u><u>0.75</u></u>	<u><u>(0.19)</u></u>	<u><u>0.51</u></u>	<u><u>(0.36)</u></u>
Diluted earnings (loss) per share (dollar)	\$ <u><u>0.75</u></u>	<u><u>(0.19)</u></u>	<u><u>0.51</u></u>	<u><u>(0.36)</u></u>

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the six months ended June 30, 2024 and 2023, the Consolidated Company did not have dilutive potential ordinary shares.

(u) Revenue from contracts with customers

(i) The Consolidated Company's revenues from contracts with customers were as follows:

<b>Major product / service lines</b>	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Engineering revenue	\$ 136,759	76,667	234,911	134,652
Sale of goods	82,209	26,944	124,009	130,331
Other operating revenues	12,564	3,661	18,634	15,112
	<b>\$ 231,532</b>	<b>107,272</b>	<b>377,554</b>	<b>280,095</b>

(ii) Contract balances

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Total amount of notes receivable	<b>\$ 3,000</b>	<b>3,000</b>	<b>3,094</b>
Total amount of accounts receivable	<b>\$ 109,681</b>	<b>155,493</b>	<b>67,852</b>
Current contract assets	<b>\$ 191,156</b>	<b>124,737</b>	<b>80,474</b>
	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Current contract liabilities			
Construction project	\$ 22,489	29,307	37,350
Sales of goods	629	554	714
	<b>\$ 23,118</b>	<b>29,861</b>	<b>38,064</b>

Movements in contract assets and liabilities mainly arose from time difference between satisfaction of obligations and payment by customers. During the periods from three months and six months ended June 30, 2024 and 2023, the opening contract liabilities that arose from sales and were recognized as revenues amounted to \$91 thousand, \$75 thousand, \$91 thousand and \$575 thousand, respectively.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Employee and Director Remunerations

In accordance with the Articles of incorporation, the Company shall set aside 1% to 15% of annual profits as employee remuneration, and a maximum of 3% as director remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the three months and six months ended June 30, 2024 and 2023, the Company recognized \$0 thousand as employee and director remuneration. The recognized amounts mentioned above are calculated based on pre-tax profit (before excluding employee and director remunerations of each period), multiplied by the percentages of remunerations of employees, directors as specified in the Company's Articles of Incorporation. These remunerations were expensed under operating costs or operating expenses for each period. But for the six months ended June 30, 2024 and 2023, the Company incurred accumulated losses, and thus, the Company was not required to accrue employee and director remunerations. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in the following year.

During 2023 and 2022, the Company incurred accumulated losses, and thus, the Company was not required to accrue employee and director remunerations. Related information would be available at the Market Observation Post System website.

(w) Non-operating income and expenses

(i) Interest income

	For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023
Bank deposits	\$ 1,648	1,055	1,734	1,105

(ii) Other income

	For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023
Rental income	\$ 53	186	106	195
Others	293	956	1,631	1,366
	\$ 346	1,142	1,737	1,561

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Other gains and losses

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Loss on disposals of property, plant and equipment	\$ (630)	(8)	(630)	(8)
Gain from lease modification	146	-	146	1
Foreign exchange gain (loss)	77	(77)	70	(118)
Gain on financial assets at fair value through profit or loss	105,100	-	105,100	-
Compensation losses	(880)	(1,525)	(880)	(1,535)
Others	(32)	(26)	(59)	(805)
	<b>\$ 103,781</b>	<b>(1,636)</b>	<b>103,747</b>	<b>(2,465)</b>

(iv) Financial costs

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Lease liability interests	\$ (252)	(138)	(494)	(297)
Interest expense on bank loans	-	(578)	(238)	(913)
	<b>\$ (252)</b>	<b>(716)</b>	<b>(732)</b>	<b>(1,210)</b>

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(x) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Financial assets measured at fair value through profit or loss:			
Financial assets mandatorily measured at fair value through profit or loss - non-current	\$ 232,150	127,050	-
Financial assets measured at amortized cost:			
Cash and cash equivalents	447,603	429,296	573,886
Notes and accounts receivable, net (including related parties)	95,982	141,794	54,247
Other receivables	500	16,809	7
Current/non-current financial assets measured at amortized cost	32,689	72,965	91,323
Current/non-current guarantee deposits paid	36,855	128,356	180,235
	<b><u>\$ 845,779</u></b>	<b><u>916,270</u></b>	<b><u>899,698</u></b>

2) Financial liabilities

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Financial liabilities measured at amortized cost:			
Short-term borrowings	\$ -	50,000	50,000
Accounts payable	77,605	47,288	39,588
Other payables (including related parties)	44,085	34,176	36,555
Guarantee deposits received	292	292	176
Lease liabilities (current and non-current)	37,729	28,804	18,136
	<b><u>\$ 159,711</u></b>	<b><u>160,560</u></b>	<b><u>144,455</u></b>

(Continued)



**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of June 30, 2024, December 31 and June 30, 2023 the maximum exposure to credit risk amounted to \$845,779 thousand, \$916,270 thousand and \$899,698 thousand, respectively.

(iii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1~5years</u>	<u>5~10years</u>	<u>10~15years</u>
<b>June 30, 2024</b>						
Non-derivative financial liabilities						
Accounts payable	\$ 77,605	77,605	77,605	-	-	-
Other payables (including related parties)	44,085	44,085	44,085	-	-	-
Lease liabilities	37,729	39,735	11,922	27,813	-	-
Guarantee deposits received	292	292	292	-	-	-
	<u>\$ 159,711</u>	<u>161,717</u>	<u>133,904</u>	<u>27,813</u>	<u>-</u>	<u>-</u>
<b>December 31, 2023</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 50,000	50,233	50,233	-	-	-
Accounts payable	47,288	47,288	47,288	-	-	-
Other payables (including related parties)	34,176	34,176	34,176	-	-	-
Lease liabilities	28,804	29,869	13,440	16,429	-	-
Guarantee deposits received	292	292	292	-	-	-
	<u>\$ 160,560</u>	<u>161,858</u>	<u>145,429</u>	<u>16,429</u>	<u>-</u>	<u>-</u>
<b>June 30, 2023</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 50,000	50,246	50,246	-	-	-
Accounts payable	39,588	39,588	39,588	-	-	-
Other payables	36,555	36,555	36,555	-	-	-
Lease liabilities	18,136	19,084	6,553	12,531	-	-
Guarantee deposits received	176	176	176	-	-	-
	<u>\$ 144,455</u>	<u>145,649</u>	<u>133,118</u>	<u>12,531</u>	<u>-</u>	<u>-</u>

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

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Market risk

Financial assets and liabilities that arose from foreign currencies and had significant influence were as follows:

	June 30, 2024			December 31, 2023			June 30, 2023		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets (note):									
Monetary items:									
USD	\$	168	32.45			<u>5,452</u>	133	30.71	<u>4,084</u>
							180	31.14	<u>5,605</u>
Financial liabilities (note):									
Monetary items:									
USD		306	32.45		36	30.71		92	31.14
JPY	-	-	-		1,934	0.22		-	-
			<u>\$ 9,930</u>			<u>1,531</u>			<u>2,865</u>

Note: Disclosure in the consolidated financial statements of the financial assets and liabilities in foreign currency is limited to information on subsidiaries directly held by the Consolidated Company.

As the Consolidated Company has various functional currencies, its foreign exchange gains or losses arising from monetary items were disclosed on an aggregate basis. For the three months and six months ended June 30, 2024 and 2023, foreign exchange gains and losses (including realized and unrealized) amounted to gains of \$77 thousand, losses of \$77 thousand, gains of \$70 thousand and losses of \$118 thousand.

The Consolidated Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, account receivables, and account payables that are denominated in foreign currency. A 5% appreciation (depreciation) of NTD against USD and JPY as of June 30, 2024 and 2023, with all other variables remaining constant, would have increased or decreased the loss after tax for the six months ended June 30, 2024 and 2023 by \$(179) thousand and \$110 thousand, respectively.

1) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. The rate of change is expressed as the interest rate increases or decreases by 0.1% when reporting to management internally, which also represents management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.1% with all other variables remaining constant, the loss after tax for the six months ended June 30, 2024 and 2023 would have increased or decreased by \$383 thousand and \$491 thousand, respectively. This is mainly due to the Consolidated Company's demand deposits and borrowings.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Fair value information

1) Categories and fair values of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The level of fair values was as follows:

		June 30, 2024			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss	\$ 232,150	-	-	232,150	232,150
December 31, 2023					
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss	\$ 127,050	-	-	127,050	127,050
June 30, 2023					
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income	\$ -	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

Fair values of financial instruments were measured based on quoted market prices if these prices were available in active markets. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a base to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Otherwise, the market is deemed to be inactive. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Except for the financial instruments with active markets mentioned above, for other financial instruments, like private placement of stocks of listed (OTC) companies, the fair value is determined by the market quotations and evaluation techniques, and is also determined by considering the liquidity discount.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated Company measures the fair value of financial instruments that are traded in inactive markets by category and by attribute as follows:

Unquoted equity instruments: The fair value is estimated using the option pricing model (Black-Scholes model) and the liquidity discount model (Finnerty model), with the main assumption being based on the market price of the investees. The estimate has been adjusted for the discount impact of the lack of market liquidity in the equity securities.

3) Transfer from Level 1 to Level 2

For the three months and six months ended June 30, 2024 and 2023, there were no significant transfers between level 1 and level 2 of the fair value hierarchy.

4) Reconciliation of Level 3 fair values

	<b>Non derivative mandatorily financial assets measured at fair value through profit or loss</b>	<b>Financial assets measured at fair value through other comprehensive income</b>
Balance on January 1, 2024	\$ 127,050	-
In profit or loss	105,100	-
Balance on June 30, 2024	<u><u>\$ 232,150</u></u>	<u><u>-</u></u>
Balance on June 30, 2023 (Equivalent to opening balance)	<u><u>\$ -</u></u>	<u><u>-</u></u>

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

The Consolidated Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – private placement of shares of Publicly quoted entity".

The Consolidated Company's financial assets with fair value classified as Level 3 have only a single significant unobservable input, and only equity instrument investments without active markets have multiple significant unobservable inputs.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Quantified information of significant unobservable inputs was as follows:

<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
Financial assets mandatorily measured at fair value through profit or loss — private placement of shares of publicly quoted entity	On June 30, 2024, the market approach was used and the liquidity discount model (Finnerty model) was taken into account.  On December 31, 2023, the option pricing model (Black-Scholes model) and the liquidity discount model (Finnerty model) were used.	Lack of market liquidity discount (22.61% and 24.82% on June 30, 2024 and December 31, 2023)	The higher the lack of market liquidity discount, the lower the fair value

- 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The fair value measurement of financial instruments by the Consolidated Company is reasonable, but the use of different evaluation models or parameters may result in different evaluation results. For financial instruments classified as Level 3, if the evaluation parameters change, the impact on the current period's profit or loss is as follows:

	<b>Inputs</b>	<b>upward or downward movement</b>	<b>Changes in fair value through the current period's profit or loss</b>	
			<b>Favorable</b>	<b>Unfavorable</b>
<b>June 30, 2024</b>				
Financial assets mandatorily measured at fair value through profit or loss	Lack of market liquidity discount	10%	\$ <u>15,000</u>	<u>(15,000)</u>
<b>December 31, 2023</b>				
Financial assets mandatorily measured at fair value through profit or loss	Lack of market liquidity discount	10%	\$ <u>8,450</u>	<u>(8,450)</u>

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(y) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

The Board of Directors has overall responsibility for the operation and implement of risk management. In addition, each department's supervisor is responsible for developing and controlling risk management regulations, so as to ensure that risk management has been effectively operated. The personnel change in department directors should be reported to the Board of Directors.

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

The Board of Directors and Audit Committee oversees how management monitors compliance with the Consolidated Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Company. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors and Audit Committee.

(iii) Credit risk

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

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Accounts receivable and other receivables

The Consolidated Company established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Consolidated Company will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Consolidated Company will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Consolidated Company continuously monitors the exposure to credit risk and counterparty credit ratings, and establish sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed quarterly by the Finance Department.

The Consolidated Company did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Guarantees

Pursuant to the Consolidated Company's policies, it is only permissible to provide financial guarantees to subsidiaries. As of June 30, 2024, December 31 and June 30, 2023, the Consolidated Company had only provided endorsements/guarantees to subsidiaries.

(iv) Liquidity risk

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

The Consolidated Company aims to maintain the level of its cash and short term bank facilities at an amount in excess of expected cash flows on financial liabilities over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Additionally, the unused credit lines as of June 30, 2024, December 31 and June 30, 2023, amounted to \$69,500 thousand, \$0 thousand and \$0 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as changes in foreign exchange rates, interest rates or equity prices that affects the Consolidated Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters to minimize the influence on change in market price or control within expectable scope.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Currency risk

The Consolidated Company is exposed to currency risks associated with sales, purchases and loans that are denominated in a currency other than the Consolidated Company's functional currency. The primary functional currency of the Consolidated Company entities is NTD. The currencies used in these transactions are denominated in NTD and USD.

2) Interest rate risk

The Consolidated Company's bank loans are at variable rates. The Consolidated Company assessed that, however, the changes in market interest rates would not affect the cash flows arising from future interest charge, hence no significant interest rate risks.

(z) Capital management

The Consolidated Company's fundamental management objective is to maintain a strong capital base. Capital consists of ordinary shares, capital surplus, retained earnings and other equities. The Board of Directors monitors the capital structure regularly and selects the optimal capital structure by considering the capital scale, overall operating environment, operating characteristics of the industry in order to support future development of the business. At present, the Consolidated Company aims to achieve a debt-to-equity ratio of less than 100%. On each reporting date, the debt-to-equity ratio indicates that the capital structure is still sound.

Debt-to-equity ratio:

	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
Total liabilities	\$ 196,594	201,922	198,725
Less: cash and cash equivalents	(447,603)	(429,296)	(573,886)
Net debt	<u>\$ (251,009)</u>	<u>(227,374)</u>	<u>(375,161)</u>
Total equity	<u>\$ 1,083,730</u>	<u>1,033,581</u>	<u>975,467</u>
Debt-to-equity ratio	<u>- %</u>	<u>- %</u>	<u>- %</u>

As of June 30, 2024, the Consolidated Company had not changed its capital management method.

(Continued)



**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

The Consolidated Company's non-cash investing and financing activities were as follows:

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

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2024	Cash flows	Non-cash changes	June 30, 2024
Short-term borrowings	\$ 50,000	(50,000)	-	-
Guarantee deposits received	292	-	-	292
Lease liabilities (including current and non-current)	28,804	(7,081)	16,006	37,729
Total liabilities from financing activities	<u>\$ 79,096</u>	<u>(57,081)</u>	<u>16,006</u>	<u>38,021</u>

	January 1, 2023	Cash flows	Non-cash changes	June 30, 2023
Short-term borrowings	\$ 50,000	-	-	50,000
Long-term borrowings (including current portion)	15,549	(15,549)	-	-
Guarantee deposits received	573	(397)	-	176
Lease liabilities (including current and non-current)	22,802	(5,606)	940	18,136
Total liabilities from financing activities	<u>\$ 88,924</u>	<u>(21,552)</u>	<u>940</u>	<u>68,312</u>

**(7) Related-party transactions**

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Company
Yu-Chang, Lin	The Consolidated Company's chairperson
TSG Hawks Baseball Co., Ltd.	Other related party
TSG Star Travel Corp.	Other related party
NewSoft Technology Corporation	Other related party
Jia Jie Biomedical Co., Ltd.	Other related party
D-Link Corporation (D-Link)	Other related party
Chun Yu Works & Co., Ltd.	Other related party
Yung Fu Co., Ltd.	Other related party
E-Top Metal Co., Ltd. (E-Top Metal)	Other related party

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Company</u>
TMP Steel Co., Ltd. (TMP Steel)	Other related party
S-TECH Corp.	Other related party
TSG Power Corp.	Other related party
TSG Sports Marketing Corp.	Other related party
OFCO Industrial Corporation	Other related party

(b) Significant transactions with related parties

(i) Sales

The amounts of sales to related parties were as follows:

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Engineering revenue:				
Other related parties	\$ -	-	-	-
TMP Steel	39,776	-	39,776	-
Others	43,808	-	43,808	-
Sale of goods:				
Other related parties	<u>100</u>	<u>-</u>	<u>677</u>	<u>-</u>
	<u>\$ 83,684</u>	<u>-</u>	<u>84,261</u>	<u>-</u>

- 1) The construction price for related parties was negotiated and decided according to the estimated cost and profit of the construction, and the payment was made in accordance with the terms of the contract.
- 2) The credit terms were 30 days and there was no significant difference between the term of transaction of the Consolidated Company for other related parties and for third parties.

(ii) Engineering cost

The amounts of engineering cost transaction by the Consolidated Company from related parties were as follows:

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Other related parties	<u>\$ 348</u>	<u>-</u>	<u>348</u>	<u>-</u>

The engineering costs incurred by the Consolidated Company to above-mentioned companies are expenses incurred for the project, and their prices are not significantly different from the prices paid by the Consolidated Company to other suppliers. The payment terms ranged within one month, which were no different from the payment terms given by other vendors.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iii) As of June 30, 2024, contract price and priced contract of unfinished construction contracts are as follows:

	<b>June 30, 2024</b>	
	<b>Total contract price (VAT excluded)</b>	<b>Amount billed</b>
Other related parties		
E-Top Metal	\$ 75,000	-
TMP Steel	61,650	39,113
Others	70,000	21,000
	<b>\$ 206,650</b>	<b>60,113</b>

- (iv) Prepayments

The details of the Consolidated Company contract assets were as follows:

<b>Account</b>	<b>Realationship</b>	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
	Other related parties:			
Contract assets	E-Top Metal	\$ 22,808	-	-
	Others	663	-	-
		<b>\$ 23,471</b>	<b>-</b>	<b>-</b>

- (v) Receivables from related parties

The details of the Consolidated Company receivables from related parties were as follows:

<b>Account</b>	<b>Realationship</b>	<b>June 30, 2024</b>	<b>December 31, 2023</b>	<b>June 30, 2023</b>
	Other related parties:			
Accounts receivable	TMP Steel	\$ 27,981	-	-
Accounts receivable	Others	50	-	-
		<b>\$ 28,031</b>	<b>-</b>	<b>-</b>

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(vi) Payables to related parties

The details of the Consolidated Company payables to related parties were as follows:

<u>Account</u>	<u>Realationship</u>	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Other payables	Other related parties	\$ <u>91</u>	<u>156</u>	<u>-</u>

(vii) Guarantees and endorsements

As of June 30, 2024, December 31 and June 30, 2023, the Consolidated Company's chairperson had been providing joint guarantees for its bank loans.

(viii) Leases and other

The Consolidated Company leased its office from other related party, D-Link on February 20, 2024, with a total contract price of \$24,396 thousand. For the six months ended June 30, 2024, depreciation expenses of \$1,299 thousand and interest expenses of \$160 thousand were recognized. As of June 30, 2024, the balance of right-of-use assets were \$23,097 thousand and lease liabilities were \$23,173 thousand. Due to the above transaction, the office management expense and utilities expenses incurred by other related party, D-Link, were \$193 thousand and \$68 thousand, respectively, and was accounted for under operating cost and operating expense. The lease deposits were \$703 thousand, and was accounted for under guarantee deposits paid. The amount outstanding as of June 30, 2024, was \$800 thousand under other payables to related parties.

Due to operational needs, the Consolidated Company incurred leasing, utilities expenses and other expenses of \$47 thousand, \$7 thousand and \$1,191 thousand with other related parties, for the six months ended June 30, 2024. These expenses were accounted for under operating expenses, and as of June 30, 2024, the amount outstanding was \$35 thousand, recognized as other payables to related parties.

On June 19 and May 24, 2024, the Consolidated Company was approved through resolution by the Board of Directors of the respective companies to donate \$2,000 thousand and \$1,000 thousand to other related parties through the special accounts of Sports Administration, Ministry of Education, the aforementioned transactions had been fully paid.

For business expansion, the Board of Directors of the Consolidated Company resolved to acquire 100% equity interest in TSG Engineering Corp. from OFCO Industrial Corporation in cash amounting to \$23,480 thousand on May 6, 2024. The payment for the aforementioned transaction has been completed. However, due to the related statutory procedures have not yet been finalized, the amount is accounted for under prepayments for investments.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ <u>2,758</u>	<u>6,952</u>	<u>9,779</u>	<u>14,042</u>

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

Pledged assets	Object	June 30, 2024	December 31, 2023	June 30, 2023
Pledged bank deposits (classified under current/non-current financial assets at amortized cost)	Land leasing, provisions for compensation, guarantee (warranty) deposits, and tariff deposits	\$ 17,713	17,581	44,927
Restricted bank deposits (classified under current financial assets at amortized cost)	Bank loan and guarantee (warranty) deposits	14,976	51,289	46,396
Property, plant and equipment	Bank loan	<u>21,473</u>	<u>22,693</u>	<u>23,931</u>
		<u>\$ 54,162</u>	<u>91,563</u>	<u>115,254</u>

**(9) Commitments and contingencies:**

(a) Significant unrecognized commitments

(i) The unused letters of credit issued by the Consolidated Company

As of June 30, 2024, December 31 and June 30, 2023, the Consolidated Company secure the construction contracts by obtaining guarantee letter were \$174,000 thousand, \$114,000 thousand and \$114,000 thousand, respectively, within which, \$142,274 thousand, \$80,285 thousand and \$89,211 thousand are remaining.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Contingent liabilities

On July 15, 2014, the Company and Taipei Rapid Transit Corporation ("Taipei Rapid Transit") signed a procurement contract for the "Replacement of Transmission Terminal Equipment for Tamsui, Xindian, Nangang, Banqiao and Tucheng Stations". Taipei Rapid Transit claimed that the Company delayed in multi-stage performance of contractual obligations, resulting in the overdue penalty of \$38,558 thousand under the contract. Denying the claim, the Company hired a lawyer to file a litigation against the claim in August 2017, demanding for the payment of \$14,947 thousand for the engineering project and the return the certificate of deposit of \$23,611 thousand. On April 25, 2019, the Taiwan Taipei District Court ruled in the 1st instance that the aforementioned penalty shall amount to \$12,940 thousand and that Taipei Rapid Transit shall pay the Company \$2,007 thousand for the works plus the interest accrued as of the settlement date. In addition, Taipei Rapid Transit shall return the certificate of deposit of \$23,611 thousand in accordance with the contract when the case has been concluded. However, the Company's key management was not satisfied with the outcome of the judgment. On May 21, 2019, the Company filed a 2nd instance appeal with Taiwan High Court. On December 2, 2020, the debate in the 2nd hearing was concluded, and the Court decided that Taipei Rapid Transit shall pay an additional amount of \$2,488 thousand to the Company. Meanwhile, Taipei Rapid Transit was ordered to cancel the pledge setting of the certificate of deposit with the Shuanghe Branch of Taiwan Cooperative Bank and return the certificate to the Company. As both parties appealed against the outcome of the 2nd trial decided by the High Court, the Supreme Court reversed the case to the Taiwan High Court for rehearing on August 4, 2022. The Consolidated Company and Taipei Rapid Transit were successfully mediated in the Taiwan High Court on July 12, 2023. The Consolidated Company paid \$10,451 thousand as penalty for breach of contract, and Taipei Rapid Transit paid \$4,496 thousand for the construction project, and returned a time deposit of \$23,611 thousand. This case is closed.

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events:**

To repay debts and improve its financial structure, the Consolidated Company resolved through the Board of Directors on July 11, 2024, to carry out a cash capital increase by issuing ordinary shares, with a maximum of 25,000 thousand shares and a total amount not exceeding \$275,000 thousand. The shares will be issued at a price of \$11 per share, with a par value of \$10 per share. The record date for capital increase is August 21, 2024, and the related statutory procedures have not yet been completed.

On June 20, 2024, the Board of Directors of the parent company resolved to increase the capital of its 100% owned subsidiary, TSG Mechatronic, by \$20,000 thousand. The capital increase was fully paid on July 5, 2024, and the related statutory procedures are currently in progress.

In July 2024, the parent company completed the transfer of shares in TSG Engineering, and the related statutory procedures have been finalized. And on June 20, 2024, the Board of Directors resolved to increase the capital of its 100% owned subsidiary, TSG Engineering, by \$27,500 thousand. The capital increase was fully paid on July 5, 2024, and the related statutory procedures are currently in progress.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(12) Other:**

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the three months ended June 30					
		2024			2023		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		15,780	21,496	37,276	15,494	19,079	34,573
Labor and health insurance		1,518	2,040	3,558	977	1,767	2,744
Pension		555	1,016	1,571	571	1,022	1,593
Others		623	934	1,557	716	971	1,687
Depreciation		4,969	2,108	7,077	4,766	1,672	6,438
Depletion		-	-	-	-	-	-
Amortization		375	-	375	375	41	416

By item	By function	For the six months ended June 30					
		2024			2023		
		Cost of Goods sold	Operating Expense	Total	Cost of Goods sold	Operating Expense	Total
Employee benefits							
Salary		26,646	42,206	68,852	26,140	37,873	64,013
Labor and health insurance		2,518	3,878	6,396	2,228	3,713	5,941
Pension		1,046	2,053	3,099	1,120	2,053	3,173
Others		1,294	1,886	3,180	1,231	1,641	2,872
Depreciation		9,797	4,396	14,193	9,351	3,546	12,897
Amortization		751	-	751	751	105	856

- (b) Seasonality of operations

The Consolidated Company's operations were not affected by seasonality or cyclicity factors.

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**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
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(c) Others

- (i) On March 3, 2020, the Company entered into a contract with AN-TIGER HOIST ENGINEERING CO. LTD. to purchase aerial work vehicles from it, at a price of \$13,000 thousand before tax (\$13,650 thousand including tax). On March 4, 2020, the Company entered into another contract with Ying Mei Development Co Ltd. to sell equipment at a price of \$14,674 thousand including tax, and the amount was guaranteed by a check of \$14,674 thousand (bounced on September 7, 2020) issued by former chairperson of the Company, Chi-Sun, Wang (who was neither the chairperson nor director of the Company at that time). At the time of the transaction, the Company recognized the net amount of \$975 thousand as revenue. However, the reasonableness and necessity of the transaction have not been clarified. Therefore, the Company wrote down \$975 thousand of other income and the accounts receivable. The Company assessed that the outstanding balance of accounts receivable of \$13,699 thousand from Ying Mei Development Co Ltd. was not recoverable; consequently, the amount was fully recognized as expected credit losses (ECLs). This case has been sent to the Investigation Bureau for investigation and is still under investigation.
- (ii) On March 20, 2020, the Company and AN-TIGER HOIST ENGINEERING CO. LTD. entered into a contract to purchase cranes at a price of \$5,560 thousand before tax, of which the amount of \$4,800 thousand was paid on March 24, 2020. As the reasonableness and necessity of the transaction have not been clarified and the goods have not been delivered, the amount is included under other receivables. The Company assessed that the amount was unrecoverable, thereby recognizing the ECLs of \$4,800 thousand in the 1st quarter of 2020. The case was referred to the Bureau of Investigation for and has still under investigation.
- (iii) On March 18, 2020, the Company entered into contracts to purchase vehicles from 5 owners at a total price of \$11,000 thousand (included in other current assets). Meanwhile, the Company entered into 5 contracts with KUAN YI MOTOR CO Ltd. to sell the same vehicles for a total price of \$11,710 thousand. As specified in the contract, the Company received a check in the amount of 30% of the transaction price (which bounced on June 18, 2020) from KUAN YI MOTOR CO Ltd.. However, the 5 vehicles were accident vehicles and were unable to be repaired on schedule. Consequently, the Company recognized other losses of \$11,000 thousand in the 1st quarter of 2020. In addition, the Company has also filed a criminal litigation against the Company's former chairman, Hui-Jun, Lin and the former general manager, Yong-Siang, Huang. With the case number of 2020' s Ta- Tzu No. 2579, the case has been under the investigation of the Taiwan Shilin District Court. During the period from November to December 2020, the Company entered into new contracts or arrangements with 3 buyers respectively to sell the 5 vehicles or request compensation at a total price of \$10,000 thousand. As of December 31, 2021, the payments of 3 vehicles had been fully received and the ownership had been transferred. In the 2nd quarter of 2021 and the 4th quarter of 2020, the Company recognized other income of \$3,283 thousand and other losses of \$3,793 thousand, respectively.

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**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iv) In June 2020, the Company entered into a letter of intent with Guorui Group for an investment project — " Construction of Internet of Things Platform for Smart City in Guangdong–Hong Kong–Macau Greater Bay Area and Hebei Smart City". On June 23 and June 29, 2020, the Company paid \$15,000 thousand (totaling \$30,000 thousand) as a performance bond (which was previously recognized as guarantee deposits paid) to Guorui Group. As the counterparty under the contract, Guorui Group was not legally qualified as a legal subject. In addition, the Company has not received any information regarding the entry of a letter of intent for investment. Therefore, the Company sent a letter of attestation to cancel the investment and to request of the refund the commission of \$30,000 thousand, which has been transferred to other accounts receivable accordingly. As the Company assessed that the amount was unrecoverable, the Company recognized the ECLs of \$30,000 thousand for the 2nd quarter of 2020. The case has been referred to the Investigation Bureau by the Company for investigation and is still under investigation.
- (v) In May 2020, the Company's former directors ( DIN ZAN INVESTMENT CO., LTD. and JI TAI INVESTMENT CO., LTD. ) filed a civil lawsuit against the Company for a temporary shareholders' meeting convened by an independent director, Chi-Hao, Lin; the meeting was deemed to be against both meeting procedures and resolution method. Pursuant to the verdict on 2020's Su–Tzu Case No.454 by the the Taiwan Hsinchu District Court, the resolutions of the 1st temporary shareholders' meeting held on May 20, 2020 shall be revoked in its entirety. Accordingly, the appointment of directors in accordance with the resolution had never existed, for which the Company appealed against it, which was dismissed by the Taiwan High Court on January 11, 2022 pursuant to its decision on 2022's Shang–Tzu Case No. 492. On February 9, 2022, the Company file a 3rd instance appeal. On January 10, 2023, the Supreme Court of Taiwan, in its decision on 2022's Tai–Shang–Tzu Case No. 1632, revoked the Taiwan High Court's decision on Shang–Tzu Case No. 492 and reversed it to the Taiwan High Court. On June 28, 2023, the Taiwan High Court issued ruling Gen-Shang-Tzu Case No. 23 as follows: The original ruling concerning part 2 and part 3 of the main text regarding the ruling of proceedings costs (except for the amount determined) was canceled. In regard to the cancellation as mentioned above, the appeal was dismissed by the appellant at first instance. The proceedings costs incurred for first instance (except for amount determined), second instances and third instance before remittance were borne by the appellant. The Company filed a pleading for third instance on August 24, 2023 after receiving the appeal from opposing party on July 24, 2023. On May 1, 2024, the Supreme Court of Taiwan issued a final civil ruling rejecting the above-mentioned appeal by opposing party. However, on June 21, 2024, the Company received notice from the Taiwan High Court's Civil Division that the opposing party has filed for a retrial. There is currently no further progress.

(Continued)

**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (vi) During his tenure as chairman, Chi-Sun, Wang, former chairman of the Company, paid P&S NEW ENERGY CO., LTD. (hereinafter referred to “P&S NEW” whose owner was Chi-Sun, Wang at that time) \$15,800 thousand, \$15,000 thousand and \$8,000 thousand on July 16, July 17, and July 20, 2020 respectively as the guarantee for external financing, totaling \$38,800 thousand for the purpose of negotiating personal loans. However, there was no contract or any document signed for the loan. In addition, the Company had halted the financing scheme and requested New Energy Co., Ltd. to return the guarantee deposit which was therefore included in other receivables. As the Company assessed that the amount was unrecoverable, it estimated the ECLs at \$38,800 thousand for the 3rd quarter of 2020. The Company has referred the case to the Investigation Bureau for investigation. So far, the case has been under investigations.
- (vii) To negotiate for a project, the Company’s former Secretary-General, Quan-Sheng, Hsiao, applied to the Finance Department for a reserve of \$3,000 thousand (previously included in temporary debits) on June 24, 2020 for entry of a contract. However, neither the payee nor the expected date of reimbursement on the debit note were filled in. In addition, the employee failed to provide information about the project’s progress, time of establishment, payment receiver, and guarantee. Consequently, the Company sent a letter of attestation to demand the return of the aforementioned amount. Therefore, the Company transferred the said amount to other receivables, and the amount was assessed to be unrecoverable. In the 2nd quarter of 2020, the Company recognized the expected credit losses (ECLs) of \$3,000 thousand. With the case number of 2020’s Ta-Tzu Case No. 4170, the case has been under the investigation of the Taiwan Shilin District Prosecutors Office.
- (viii) Since February 1, 2019, the Company has entered into a consultancy contract with Chia-Ru, Hsieh with approval of the Company’s former chairman, Hui-Jun, Lin. The Company had paid Mr. Hsieh \$12,300 thousand in succession. However, Mr. Hsieh failed to provide a project report as a voucher for reimbursement. Therefore, the Company filed a criminal lawsuit against Chia-Ru, Hsieh, and the case has been under the investigation of the Taiwan Shilin District Court with the case number of 2020’s Ta-Tzu Case No. 2534.
- (ix) In February 2020, the Company ordered a batch of electronic materials from SHENG-YUAN MACHINERY CORP. (hereinafter referred to as “SHENG-YUAN MACHINERY”). At the request of SHENG-YUAN MACHINERY, the Company prepaid \$3,150 thousand when the materials were ordered. However, the SHENG-YUAN MACHINERY failed to deliver the materials for a long time. In the 3rd quarter of 2020, the Company sent a letter of attestation to the Company to demand refund of the prepayment, and the amount thereof was transferred to the line item of other receivables. As the Company assessed that the amount was unrecoverable, it recognized the ECLs of \$3,150 thousand. In addition, the Company filed a criminal against the Company’s former chairman, Hui-Jun, Lin, and consultant, Mr. Chia-Ru, Hsieh. With the case number of 2021’s Ta-Tzu Case No. 1119, the case has been under the investigation of the Taiwan Shilin District Prosecutors Office.

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**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
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- (x) On November 20, 2020, the Company received from Taiwan Hsinchu District Court a compulsory enforcement ruling on a promissory note of \$10,100 thousand issued by the Company to Jin-Chuan, Hsu, who claimed that he did not receive the payment after presenting the promissory note on November 22, 2019, and therefore filed a petition for a compulsory enforcement ruling on the promissory note. The Company had never transacted with Jin-Chuan, Hsu and the Company's lawyer verified that the seal on the promissory note was not in conformity with the Company's seal. As a result, the Company hired a lawyer to deal with the relevant legal proceedings and to file a civil litigation for the non-existence of the debt claim. On April 27, 2022, Taiwan Taipei District Court gave a verdict of non-existence of the claim of the promissory note on 2021's Pei-Jian-Tzu Case No. 1767. Thereafter, the defendant filed an appeal, which has been tried in Taipei District Court with the case number of 2022's Jian-Shang-Tzu Case No. 285. Additionally, Mr. Jin-Chuan, Hsu filed a petition for compulsory enforcement (Si-Zhi-Tzu Case No. 29313 in 2021) with Taiwan Hsinchu District Court, and the Company has filed a litigation against the existence of the debt claim, which was in accordance with the elements of the non-contentious law. Pursuant to Taiwan Hsinchu District Court's ruling of Pei-Jian-Sheng-Tzu Case No. 169, the Company has deposited \$1,430 thousand in court for security and has requested that the execution of 2021's Si-Zhi-Tzu Case No. 29313 be discontinued. The Taiwan Taipei District Court 2022 Jian-Shang-Tzu Case No. 285 civil ruling dismiss the appeal. Jin-Chuan, Hsu did not accept the ruling and request the Taiwan High Prosecutor's Office for reconsideration. On October 17, 2023, the Taiwan High Prosecutor's Office wrote to the Company: "The office accepted year 2023 Shang-Shen-Yi Case No. 008887 case, the defendant, Chia-Ru, Hsieh and others regarding securities counterfeits, etc., the reconsideration has been sent back for further investigation. "On December 11, 2023, the Taiwan Hsinchu District Court executed the Hsin-Yuan-Yu-110-Si-Zhi-Meng-Zi Case No. 29313 and wrote to the Company: "In relation to Jin-Chuan, Hsu, the creditor of Hsinchu 2021's Si-Zhi-Zi Case No. 29313, and the debtor, United Fiber Optic Communication Inc. (Tax ID number: 21223267) on the enforcement of settlement, it is ruled that the claim for enforcement is hereby dismissed."
- (xi) In January 2020, Ottimo Connectech, the Company's sub-subsubsidiary, prepaid \$4,995 thousand to World Way Shipping Agency for goods purchased and received a check in the nominal value of \$5,000 thousand as performance guarantee. As of May 10th, 2020, however, the goods had not been delivered as specified in the contractual obligations. To protect the interests of the Consolidated Company and its shareholders, the Consolidated Company presented the check to the bank on May 11, 2020. On May 13, 2020, the bank informed the Consolidated Company that the check had bounced. Consequently, the prepayment was transferred to other receivables and the amount of \$4,995 thousand was recognized as expected credit losses (ECLs). In addition, a criminal litigation was filed against the relevant persons involved. With the case number of 2020's Ta-Tzu Case No. 2534, the case has been under the investigation of the Taiwan Shilin District Prosecutors Office.

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**UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES**  
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- (xii) In March 2020, the Company's sub-subsidiary, Ottimo Connectech, lent \$5,000 thousand (included in other receivables) to World Way Shipping Agency in March 2020 and received a check of \$5,000 thousand in nominal value as a guarantee. The stated credit line was effective from March 16, 2020 to April 16, 2020. As of May 10, 2020, however, World Way Shipping Agency had not repaid the aforementioned amount. To protect the interests of the company and its shareholders, the Consolidated Company presented the check to the bank on May 11, 2020, only to be informed on May 13, 2020 that the check had bounced. Consequently, the Consolidated Company recognized the expected credit losses (ECLs) of \$5,000 thousand and filed a criminal litigation against the relevant persons involved. With the case numbers of 2020's Ta-Tzu Case No. 2534 and 4718, the cases have been under the investigation of the Taiwan Shilin District Prosecutors Office.
- (xiii) Through internal audit, the Consolidated Company discovered Ottimo Connectech's abnormal expenditures of \$8,500 thousand in 2020 and making of false vouchers for bookkeeping. These transactions represent the risk that the Consolidated Company's former chairman, Hui-Jun, Lin, might have embezzled the cash of Ottimo Connectech and made false accounting vouchers. To safeguard the interests of the Consolidated Company and its shareholders, a lawyer has been hired to file a litigation. With the case number of 2020's Ta-Tzu Case No. 2534, the case has been under the investigation of the Taiwan Shilin District Prosecutors Office.
- (xiv) The progress of the litigation against equipment dealer, Xie Hong Electronics Corp. and its person in charge appealed by the Company of the fog lamps case in the Central Region Branch Office of Freeway Bureau, MOTC, is as follows:
- 1) Refund request for project payments: 2023's Zong-Su-Zi case No. 258, Taiwan Hsinchu District Court. The case is pending at the Taiwan Hsinchu District Court.
  - 2) An application for an enforcement order in respect of the execution of the promissory note has been made by the Taiwan Taichung District Court. The civil ruling on the said enforcement of the promissory note by the Company on Xie Hong Electronics Corp. is issued by Taiwan Taichung District Court Kang-Zi 2024's case No. 14, and is currently being dealt with by the Court.
  - 3) The fraudulence case against Zhong-Yao, Zheng and Hao-Long, Lin, the persons in charge of Xie Hong Electronics Corp., were investigated by the Taiwan Shilin District Prosecutors Office.
  - 4) On July 18, 2024, the Company received a notice from the Civil Execution Division of the Taiwan Nantou District Court, Tou-Yuan-Yang 2024's Shi-Zi-Zhu-Qian-Zi case No.347. The Court has scheduled to seize, demarcate, and measure the real estate owned by the debtor, Zhong-Yao, Zheng, on August 15, 2024. The Company is handling the matter in accordance with the law.

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## UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures:

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

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

##### (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	ACTS	Other receivables due from related parties	Yes	70,000	70,000	70,000	4.00%	2	-	Short-term working capital requirement	-		-	416,380	416,380
1	Ottimo Connectech	World Way Shipping Agency	Other receivables due from related parties	Yes	5,000	5,000	5,000	6.00%	2	-	Operating capital	5,000		-	124	124

Note 1: The purposes of loans are numbered as follows:

1. For a transaction counterparty, please filled in 1.
2. For an entity with short-term financing requirements, please fill in 2.

Note 2: According to the Company’s “Procedures for Making Loans to Other Parties”, the aggregate amount of loans to other parties for necessary short-term financing requirements shall be limited to 40% of the Company’s net value; the cumulative amount of loans to a single party shall be limited to 40% of the Company’s net value.

Note 3: The Company's subsidiary, Ottimo Connectech lent \$5,000 thousand to World Way Shipping Agency and received a check of \$5,000 thousand from it. However, the loan had not been approved by a Board resolution. To safeguard the interests of both the Company and its shareholders, the Company sought to cash the check from bank on May 11, 2020. On May 13, 2020, the bank informed the bank that the check had been dishonored, hence the recognition of ECLs of \$5,000 thousand. Additionally, the loan exceeded 40% of Ottimo Connectech Inc.’s net value, and the improvement period has been extended to December 31, 2024 with the approval by the FSC as stated in letter No. 1120152904.

Note 4: The subsidiaries' intercompany transactions had been eliminated in the consolidated financial statements.

##### (ii) Guarantees and endorsements for other parties: None

##### (iii) Securities held as of June 30, 2024 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	King House—private shares	N/A	Non-current financial assets mandatorily measured at fair value through profit or loss	5,000	232,150	3.16 %	232,150	

##### (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

##### (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

##### (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

##### (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

##### (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

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UNITED FIBER OPTIC COMMUNICATION INC. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements

- (ix) Trading in derivative instruments: None
- (x) Business relationships and significant intercompany transactions: None
- (b) Information on investees:

The following is the information on investees for the six months ended June 30, 2024 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2024	December 31, 2023	Shares (thousands)	Percentage of wnership	Carrying value			
The Company	ACTS	Taipei City	Manufacture and wholesale of communications equipment	253,845	253,845	23,882	85.05 %	243,287	(20,151)	(17,138)	Subsidiary
The Company	TSG Mechatronic	Tainan City	Comprehensive construction of mechanical and electrical engineering	30,000	-	3,000	100.00 %	36,032	6,032	6,032	Subsidiary
The Company	Synox	Taipei City	Manufactures, wholesale and resale of electronic and communications devices	46,890	46,890	4,689	49.36 %	-	(3,612)	-	Associate
ACTS	Ottimo Connectech	Taipei City	Wholesale and retail of communications equipment as well as installation and repair of cable	4,000	4,000	400	100.00 %	310	(81)	(81)	Subsidiary
Ottimo Connectech Inc.	World Way Shipping Agency	Taipei City	Shipping agent and container leasing	30,000	30,000	3,000	30.61 %	-	-	-	Associate

- (c) Information on investment in mainland China: None
  - (i) The names of investees in Mainland China, the main businesses and products, and other information: None
  - (ii) Limitation on investment in Mainland China: None
  - (iii) Significant transactions: None
- (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
E-Sheng Steel Co., Ltd.		39,131,600	37.60 %

Note: (1)Information about the substantial shareholders of this form is provided by the General Insurance Company on the last business day of each quarter. The total number of ordinary shares and special shares in which the calculation of shareholders' holding company has completed the unincorporated delivery (including treasury shares) is more than 5%. As to the number of shares recorded in The Company's financial reports that are not physically registered as delivered by The Company, the basis of the calculation may varies or be different.

(2)The above information, in the case of a shareholder's delivery of shares to a trust, is disclosed by the individual sub-account of the principal who opened the trust in favor of the trustee. As to the declaration of the shareholders' shareholding of an insider in excess of 10% by virtue of the Securities Trading Act, the shareholding of the shareholders includes the addition of the shares of the shareholders in trust and the application of the right of decision in respect of the trust property, and so on. For information on the declaration of the rights of the insider, please refer to the Public Information Observatory.

(14) Segment information:

When allocating resources and evaluating segment performance, the Consolidated Company's operational decision makers focus on its overall financial information. All Consolidated Company entities have similar economic characteristics; therefore, the Consolidated Company only has 1 reportable segment. Segment losses, segment assets, and segment liabilities were consistent with those stated in the financial statements; please refer to the consolidated balance sheets and statements of comprehensive income for details.