

2023 Annual Shareholders' Meeting Minutes
(Translation)

Type of Meeting: Physical Meeting

Time: June 30, 2023 (Friday) at 10:00 a.m.

Place: 2F, No. 276, Nanshan Rd., Sec. 1, Luzhu Dist., Taoyuan City, Taiwan

Number of Shares Present: The Company has issued 64,263,000 shares in the aggregate, among which the shares represented by shareholders present in person or by proxy are 42,963,191 shares (including 26,907,797 voting shares, which are affected by electronic means); the number of shares present accounts for 66.85% of the issued shares.

Present Directors: Total Five Persons, including Chairman Chuang, Ming-Li, Vice Chairman Liu, Wen-Chen, Director Lin, Chung-Nan, Director Chuang, Po-Chiang and Independent Director Shen, Hui-Cheng

Attendees: CPAs of PwC Taiwan, Accountant Wang, Sung-Tse, Lawyer Chiu, Huai-Tsu, Chief Financial Officer Chiu, Huai-Ching and Chief Accounting Officer Lo, Yu-Ju

Chair: Chairman Chuang, Ming-Li

Recorder: Lu, Kuei-Lan

The Chair calls the meeting to order: The shares in the aggregate, represented by shareholders present in person or by proxy have exceeded the quorum of shares, so the meeting is called to order in accordance with the law.

Chair's Statement: Omitted.

I. Report Matters:

1. The 2022 business report is submitted for your review, please refer to Attachment 1.
2. The 2022 review report of the Audit Committee is submitted for your review, please refer to Attachment 2.
3. The 2022 profit-sharing compensation distribution for employees and directors is submitted for your review.

Explanation: The net loss after tax of the Company in 2022 was NT\$38,028,113. In accordance with Article 20 of the Articles of Incorporation, the profit-sharing compensation for employees and

directors in 2022 will not be distributed.

II. Proposed Resolutions:

Proposal 1: (Proposed by the Board of Directors)

Proposal: The 2022 business report and financial statements are submitted for your review.

Explanation: 1. The 2022 business report and financial statements have been approved by the Audit Committee, and passed by a resolution of the Board of Directors meeting. The 2022 financial statements have been reviewed and certified by CPAs Wang, Sung-Tse and Lin, Yung-Chih of the PwC Taiwan, and an CPAs' audit report has been issued.

2. Enclosed please find the business report (please refer to Attachment 1), and the financial statements (please refer to Attachment 3) for your adoption.

Resolution: The voting results of this proposal are as follows:

Number of Voting Rights Represented by Shareholders Present at the Time of Voting: 42,963,191 Votes. The voting results are as follows.

Voting Results	% of the total represented share present
Votes in favor: 42,945,901 Votes (Including Electronic Votes: 26,890,507 Votes)	99.95%
Votes against: 4,098 Votes (Including Electronic Votes: 4,098 Votes)	0.00%
Votes invalid: 0 Vote	0.00%
Abstention Votes/No Votes: 13,192 Votes (Including Electronic Votes: 13,192 Votes)	0.03%

This proposal is approved by voting, as proposed.

Proposal 2: (Proposed by the Board of Directors)

Proposal: The 2022 deficit compensation proposal is submitted for adoption.

Explanation: 1. The net loss after tax of the Company in 2022 was NT\$38,028,113, in addition to NT\$55,399,609 of the accumulated loss at the beginning of the period; the accumulated loss re-forwarded into the 2nd half of the year was NT\$93,427,716.

2. The deficit compensation statement has been approved by the Audit Committee and passed by a resolution of the Board of Directors meeting. Please refer to Attachment 4.

Resolution: The voting results of this proposal are as follows:

Number of Voting Rights Represented by Shareholders Present at the Time of Voting:

42,963,191 Votes. The voting results are as follows.

Voting Results	% of the total represented share present
Votes in favor: 42,939,886 Votes (Including Electronic Votes: 26,884,492 Votes)	99.94%
Votes against: 10,113 Votes (Including Electronic Votes: 10,113 Votes)	0.02%
Votes invalid: 0 Vote	0.00%
Abstention Votes/No Votes: 13,192 Votes (Including Electronic Votes: 13,192 Votes)	0.03%

This proposal is approved by voting, as proposed.

III. Extraordinary Motion: None.

IV. Adjournment: 10:15 a.m. on the same date.

(The minutes of this shareholders' meeting only specifies the proceeding subject of the meeting, and the meeting content and procedure are based on the video records of the meeting.)



2022 Business Report

In 2022, the management team of the Company was replaced with a full reelection of directors. In the meantime, we merged and acquired TSC Electronic Co., Ltd. Currently, our main business covered three areas respectively in manufacturing and trading of phosphorous copper balls of the PCB upstream raw materials, the midstream drilling OEM, and the full-process production and sale of printed circuit boards. The agency of security protection and monitoring equipment of the original subsidiary, Great Lite International Co., Ltd., had been fully withdrawn, and replaced by three major business segments, which found a stable basis for revenue and quality; in addition, we integrated the supply chain resources to improve the machining process efficiency of the production line in each station, display the process benefits, and provide customers with a more complete and rapid one-stop service.

The consolidated net revenue of the Company in 2022 was NT\$820 million, representing an increase by 86.08% compared with NT\$440 million in 2021, mainly benefiting from the expansion of the operation scale by the merger and acquisition of TSC Electronic Co., Ltd. Among others, the proportion of each segment was separately: 50% phosphorous copper balls, 7% drilling OEM, and 43% full-process PCB. Phosphorous copper balls were the requisite materials of PCB electrodeposited process. The Company adopted LME-registered 99.99 electrolytic copper, and used the upper guiding method and the phosphor-copper alloy continuous casting technology to establish 25mm and 50mm professional production lines to produce phosphorous copper balls which complied with Rohs. Since drilling was classified as the single-station machining of the PCB front-end process, the Company's major customers were mostly the domestic large-scale PCB manufacturers, who greatly recognized our technology and quality, and our daily production capacity could reach 28,000 square meters. The PCB full process mainly focused on small volume, diversification and fast delivery in order to meet the market demands for orders featuring multiple styles and little amount when customers researched, developed and introduced new products.

With the hardworking reformation of the new management team, the entire process equipment and staff of Gueishan Plant were consolidated into Xinzhuang Plant in the 2nd half of 2022. In addition to effectively reducing loss from the second handling and downsizing manpower, it even hugely enhanced the process efficiency, and reduced production cost. Besides, the merger and acquisition of TSC Electronic Co., Ltd. enlarged the revenue of phosphorous copper balls and drilling OEM, so the Company turned out a totally different buildup with consolidated management. However, in the second half of 2022, economy went downwards, accompanied with weak end consumption power, and the major electronic manufacturers at home and abroad continued to destock and decrease orders, so the revenue decline in the second half of the year affected profits; the consolidated net loss after tax in 2022 was NT\$32,969 thousand, decreasing by NT\$32,094 thousand compared with 2021, and the loss per share was NT\$0.66.

In 2022, under the influence of such ongoing negative factors as international conflicts, high inflation and high inventory, the would-be optimistic climate of the industry changed. The growth momentum of the global PCB output value weakened quarter by quarter. In particular, in the second half of the year, a lot of enterprises suffered decline in performance due to the remarkable impact of weak consumption demands and so far, there has been no sign of improvement. Looking forward to 2023, the demands for end products have not recovered and the overall output of PCB is still possible to decline. In the second year after the Company transformed operation, we will actively control the internal cost for the purpose of lowering the breakeven point and transforming towards the mid-and-high-end products, and establishing close relationship with customers. In an age when the cyber technology alternates generation by generation, we aim to grasp the opportunity of product specifications upgrading in due course.

A summary on the operation highlights in 2021 and the business plan in 2022 was reported as follows:

I. 2022 Business Results

(1) Implementation Results of the Business Plan

Unit: NT\$ Thousand

Item	2022	2021	Comparison by Increase (Decrease)
Operating Revenue	819,585	440,436	379,149
Operating Cost	781,032	397,337	383,695
Operating Margin	38,553	43,099	(4,546)
Operating Expenses	87,122	103,181	(16,059)
Operating Profit (Loss)	(48,569)	(60,082)	11,513
Non-operating Income and Expenditure	11,837	(7,350)	19,187
Net Profit (Loss) before Tax	(36,732)	(67,432)	30,700
Net Profit (Loss) after Tax	(32,969)	(65,063)	32,094

(2) Budget Execution Status: Not applicable.

(3) Analysis of Financial Income and Expenditure, and Profitability

Item		2022	2021	
Analysis of Financial Structure	Ratio (%) of Liabilities to Assets	33.54	46.57	
	Ratio (%) of Long-term Capital to Property, Plant and Equipment	275.56	157.31	
Analysis of Solvency Structure	Flow Ratio (%)	209.65	167.36	
	Quick Ratio (%)	152.99	135.77	
Analysis of Profitability	Return on Assets (%)	(3.94)	(10.71)	
	Return on Equity (%)	(7.10)	(20.51)	
	Ratio (%) to Paid-in Capital	Operating Profit (Loss)	(7.56)	(18.62)
		Pre-tax Net Profit (Loss)	(5.72)	(20.90)
	Net Profit (Loss) Ratio (%)	(4.02)	(14.77)	
	Earnings (Loss) per Share (Dollar) (Note)	(0.66)	(1.72)	

Note: The earnings per share is calculated subject to the number of shares after retrospective adjustment.

(4) Research and Development Status:

The Company has experience in the PCB industry for more than thirty years. We keep on meliorating production flexibility and process planning capability, and further creating the core advantages in competition of niche products characteristic of small volume, diversification and fast delivery. Such features successfully satisfy the demands of domestic and foreign electronic manufacturers in research, development and market. For recent years, we continue to increase the manufacturing capability and yield of the PCBs in high density, thin circuit and high quality, develop high-end technical products, improve application and yield of the high-density HDI and soft-and-hard combined board technology, and control process and materials in pursuit of the highest yield, the best efficiency and advantage-endowed low cost of products so as to cater for various emerging products and market demands in the future.

II. Overview of 2023 Business Plan

(1) 2023 Operation Policy:

1. Sale: Move towards vertical integration of the industry, make good use of different roles which the Company's three major businesses play in the supply chain, provide customers with one-stop service, strengthen strategic alliance relationship with customers, and actively develop new customers in order to improve revenue and profit.
2. Technology: Continue to develop high cost-effective products in the PCB application sector and consider such products as the top-priority orders, actively pay attention to the development trends of the industry, further develop economic expansion strategies of high-end products, go on with exploiting emerging markets, and maintain management of relations with customers.
3. Production: Continue to improve production environment, introduce critical equipment for smart mechanical production in order to shorten production timeframe and increase efficiency, strictly control product yield, develop potential product markets, and produce niche products

related to multiple development with a view to maintaining the operation model of small volume, diversification and fast delivery.

(2) Expected Sale Volume and its Basis:

1. Expected Sale Volume of Phosphorous Copper Ball Segment

Unit: Kg	
Type of Product	Expected Sale Volume in 2023
25mm	1,564,591
50mm	946,388
Total	2,510,979

2. Expected Sale Volume of Drilling Machining Segment

Unit: Piece	
Type of Product	Expected Sale Volume in 2023
Drilling Machining	2,543,699

3. Expected Sale Volume of Printed Circuit Board Segment

Unit: Square Meter	
Type of Product	Expected Sale Volume in 2023
Single-side PCB	3,986
Double-side PCB	13,696
Multiple PCB	23,189
Total	40,871

The preparation of expected sale volume of the Company's major products in 2023 is mainly based on the sale conditions in 2022, along with consideration taken into domestic and foreign economic situation, supply and demand in the future industry marketing, as well the Company's productivity load, and other factors.

(3) Production and Marketing Policy in 2023:

1. Continue to establish production history as a support of excellent production management model, enable further improvement of yield and shipment achievement, and increase manufacturing efficiency in each station and smoothness to shorten the delivery time.
2. Conduct E-management by colors of signages in order to have the best control of inter-stations, aim to constantly stabilize production technology and mass production of high-end boards, and increase production capacity.
3. Enhance core competitiveness, make good use of 6S management, optimize and implement each process and standard regulations of ISO9001, IATF16949, QC080000 and ISO14001 management systems, expand total quality management, implement each employee's educational training and off-factory observation and continuing study in order to carry out the mission of the company's restructure and ongoing improvement.
4. Continue to correspond to the needs of domestic and foreign customers for research and development as well as mass production of new products, invest in new machinery and equipment and research and development of new technologies, and foster the self-improvement and enhancement ability

III. Future Development Strategies of the Company

- (1) Strengthen the corporate management system, reinforce the organizational effectiveness and

sale management system in order to grasp the market changes and product development pulse.

- (2) Continue to develop high-quality products featured by high-density, thin-circuit and small-aperture, etc. in response to the trend of getting lighter, thinner and smaller for electronic products in the digital era.

IV. Impact of External Competitive Environment, Regulatory Environment and Macro Operation Environment

(1) Impact of External Competitive Environment:

For recent years, the international situation has been in a chaos. The competition of regional power emerges in the form of trade war. Consequently, the localization of supply chain and the restriction of technology exportation will further affect the layout strategies of the enterprise's production capacity; meanwhile the economy of the industry is under the influence of high inflation and high interest rates, leading to slowdown of consumption power in the terminal market. Seeing that major manufacturers make efforts in destocking, the visibility of orders is limited. Accordingly, the Company will undertake more deliberative evaluation on materials preparation at the early stage and destocking in the future production schedule.

(2) Impact of Regulatory Environment:

In response to the stricter requirements and regulations of the global environmental protection laws, the Company will continue to update the process technology and devote ourselves to the facilities related to protection and treatment of environmental pollutions with a view to complying with the statutory regulations.

(3) Impact of Macroeconomic Environment:

As the global economy changes rapidly, the Company is involved in the PCB industry which has high synchronization with fluctuation of the global economy. In addition to a scrupulous management attitude which the Company has been adhering to, our business philosophy will still be based on fast delivery, excellent quality and fair price of products. In the meantime, we will also continue to exactly control information of the electronic industry in order to cope with the changes of the entire environment, and ensure that the competition advantages are built on leading high-end technology and optimized production management.

It has been thirty years or more since the Company was established. We will continue to hold by the "sincere and honest" business culture and operation philosophy, strive for upgrading the employees' quality and morale, product quality, yield, capacity utilization, and delivery speed, etc. in order to achieve the profit-making goal, and do our best to take responsibilities for the whole shareholders. Herewith, we would like to extend our sincere gratitude to all shareholders for your long-term recognition and advice for Cheer Time. We are even looking forward to having your more support and encouragements to let our steps more stable and solid.

Wish you good health and may all go well with you.

Cheer Time Enterprise Co., Ltd.

Chairperson: Chuang, Ming-Li

Vice Chairperson and General Manager: Liu, Wen-Chen

Attachment 2



Cheer Time Enterprise Co., Ltd.

Review Report of the Audit Committee

The Board of Directors has prepared the proposals of the 2022 annual business report, financial statements (including consolidated financial statements) and deficit compensation, among which the Financial Statements have been audited by authorized CPA Wang, Sung-Tse and CPA Lin, Yung-Chih of the PwC Taiwan and an audit report has been prepared by them in this regard.

The aforesaid statements have been reviewed by this Audit Committee and it is deemed that no nonconformity is involved. According to Article 14-4, the Securities and Exchange Act and Article 219, the Company Act, we hereby submit this report for your review.

To the Attention of

2023 Annual Shareholders' Meeting of Cheer Time Enterprise Co., Ltd. Company

Convener of the Audit Committee: Shen, Hui-Cheng

Dated this 22nd Day of March 2023

Attachment 3

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

(2023) Ministry of Finance approved No.22005123

Cheer Time Enterprise Co., Ltd.

Opinion

We have audited accompanying parent company only financial statements of Cheer Time Enterprise Co., Ltd. (hereinafter referred to as “the Company”), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity, the parent company only cash flow statement for the years then ended, and notes to the parent only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audit result as well as other independent auditors' report (please refer to ‘Others’), the accompanying parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits for the years ended 2022 and 2021 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the Company's parent company only financial statements for the year ended December 31, 2022 is as follows:

Merge & Acquisition Price Allocation Fairness Assessment

Description

The Company acquired 100% of the share capital of TSC Electronic Co., Ltd. in June, 2022. It is listed under investments accounted for using equity method and relevant acquisition price allocation was completed in Q3, 2022.

The determination of fair value of identifiable assets and liabilities and goodwill allocation of the invested company is based on judgments made by management, and involving accounting estimates. Therefore, we considered the price allocation for acquiring shares of the aforementioned company as a key audit matter.

How our audit addressed the matter

We reviewed the foundations and procedures which the management followed to evaluate acquisition price allocation. In addition, we reviewed a third party Purchase Price Allocation Report provided by the Group, and checked fair price evaluation process for identifiable assets and assumed liabilities. We also checked the reasonableness of the main assumptions and fair price evaluation for future cash flow estimation of the identifiable assets, in order to assess goodwill. Our procedures included:

1. We reviewed the valuation methods and calculations formula used in the valuation.
2. We reviewed and compared the expected growth rate, gross margin used in the valuation with historical data, as well as economical and industrial reference documents.
3. We reviewed the discount rate used in the valuation and compare with the rate of return from similar assets in the trade markets.

Investment Loss Accounted for Using Equity Method

Description

The balance of goodwill arising from the acquisition of TSC Electronics Co., Ltd. as at December 31, 2022 and the significant amount. Please refer to Note 5(2) of the parent only financial statements for critical accounting judgements, estimates and key sources of assumption uncertainty regarding using investment loss accounted for using equity method.

The goodwill derived from acquisition can be of large sum, and the evaluation model for expected recoverable cash flow in impairment assessment is a significant accounting estimate. The cash flow in recoverable amount is determined according to future cash flow. As a result, the impairment of goodwill is regarded as one of the key audit matters.

How our audit addressed the matter

We have obtained and reviewed the Impairment Assessment Report of investment accounted for using equity method, provided by the Company. We understand the forecast future cash flow is based on cash generating unit and its process logics, and we've executed the following check procedures:

1. Evaluated the rationality of the evaluation model the Group is using, and its industry, business environment and the evaluated asset.
2. We confirmed that the future cash flow used in the evaluation model is consistent with the next year's budget provided by the Group.
3. We executed the following procedures to assess the rationality of key assumptions used in evaluation model for growth rate forecast, net profit margin and discount rate:
 - (1) Verify the settings for evaluation model parameters and calculation method.
 - (2) Compare the forecast growth rate and net profit margin with historical results, economical and industry forecast reference documents.
 - (3) Compare discount rate with the assumption capital cost of cash-generating unit and return rate of similar assets.

Evaluation of Depreciation to Property, Plant and Equipment (PP&E)

Description

Regarding accounting policies on PP&E and non-financial assets depreciation, please refer to Notes 4(13) and (14) to the parent only financial statements. Please refer to Notes 5(2) to the parent only financial statements for accounting estimate and assumption uncertainty of PP&E depreciation. For explanation of account title of PP&E and non-financial assets depreciation, please refer to Notes 6(6) of the parent only financial statements.

The Company is using the value in use for PP&E to calculate recoverable amount, and use it as basis for impairment evaluation. Given the fact that the evaluation process for value in use is based on judgment of the management, any change in economical situation or company polices may result in modification of evaluation which can cause depreciation. Consequently, the Company's evaluation for PP&E depreciation is identified as a key audit matter.

How our audit addressed the matter

Our audit procedures related to specific level of the above mentioned key audit matter included the following:

1. For the recoverable amount of assets reflecting signs of depreciation on date of balance sheet, we reviewed and checked the correctness of relevant calculation provided by the management.
2. We understand and evaluate the company's assets depreciation evaluation procedure and accounting policies are in accordance with accounting principles. These including review of methods used by the management to determine recoverable amount of an individual asset.
3. According to the way assets are being utilized and the industry nature, we obtained

evaluation information used by the management to determine recoverable amount. We evaluated the individual cash flow, useful life and the reasonableness of future possible income and expenditure of group assets.

Other Matter – Reference to other Auditor’s Report

The Company’s investments in other companies accounted for by using the equity method in the parent only financial statements were based solely on the parent only financial reports audited by other auditors. Therefore our opinion regarding reinvestment amounts in those companies’ financial statements is based solely on the report of other auditors. As of December 31, 2021, the investment amount accounted for using equity method for the aforementioned company were (NT\$1,543) thousand, which constituted 2.01% of the Company’s consolidated total assets. The recognized loss from the aforementioned company for the year ended December 31, 2022 was (NT\$33,577) thousand, which constituted (61.61%) of the total comprehensive loss.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Parent Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent only financial

statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent only financial statements, including the disclosures, and whether the parent only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the parent only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Song

Ze Wang and Yong Zhi Lin

Financial Supervisory Commission

Approved-certified No.: Jin-Guan-Certificate No.
1110349013

Approved-certified No.: Jin-Guan-Certificate No.
1050029592

PwC
Taipei, Taiwan
Republic of China
March 22, 2023

Cheer Time Enterprise Co., Ltd.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

ASSETS	NOTES	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
CURRENT ASSETS						
1100	Cash and cash equivalents	6(1)	\$ 88,140	9	\$ 64,342	12
1110	Financial assets at fair value through profit or loss - current	6(2))	6,565	1	10,297	2
1136	Financial assets at amortized cost - current	8	1,500	-	12,456	3
1150	Notes receivable, net	6(3)	18,206	2	7,071	1
1170	Accounts receivable, net	6(3)	211,326	23	101,264	19
1200	Other receivables		4,775	1	1,348	-
1210	Other receivables – related parties	7	23,324	3	33,341	6
1220	Current tax assets		77	-	59	-
130X	Inventories	6(4)	141,121	15	35,353	7
1410	Prepayments		3,354	-	1,372	-
11XX	Total current assets		<u>498,388</u>	<u>54</u>	<u>266,903</u>	<u>50</u>
Non-current assets						
1550	Investments accounted for using equity method	6(6)	186,070	20	11,233	2
1600	Property, plant and equipment	6(6)(8)	230,823	25	234,839	45
1755	Right-of-use assets	6(7)	7,115	-	6,148	1
1840	Deferred income tax assets	6(21)	7,673	1	8,687	2
1915	Prepayments for equipment		189	-	383	-
1920	Refundable deposits		695	-	573	-
15XX	Total noncurrent assets		<u>432,565</u>	<u>46</u>	<u>261,863</u>	<u>50</u>
1XXX	TOTAL		<u>\$ 930,953</u>	<u>100</u>	<u>\$ 528,766</u>	<u>100</u>

(Continued on next page)

Cheer Time Enterprise Co., Ltd.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTES	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
CURRENT LIABILITIES						
2100	Short-term borrowings	6(8), and 8	\$ 167,799	18	\$ 48,252	9
2130	Current contract liabilities	6(15)	300	-	328	-
2170	Accounts payable		32,613	4	18,895	4
2180	Accounts payable – related parties	七	17,630	2	-	-
2200	Other payables	6(9), and 7	56,435	6	71,422	13
2280	Lease liabilities - current		3,851	-	3,613	1
2320	Long-term liabilities, current portion	6(10), and 8	-	-	3,750	1
21XX	Total current liabilities		<u>278,628</u>	<u>30</u>	<u>146,260</u>	<u>28</u>
NON-CURRENT LIABILITIES						
2540	Long-term borrowings	6(10), and 8	-	-	86,250	16
2580	Non-current lease liabilities		3,433	-	2,662	-
2645	Refundable deposits		502	-	162	-
2670	Other non-current liabilities - others	6(5)	8,666	1	3,977	1
25XX	Total non-current liabilities		<u>12,601</u>	<u>1</u>	<u>93,051</u>	<u>17</u>
2XXX	Total liabilities		<u>291,229</u>	<u>31</u>	<u>239,311</u>	<u>45</u>
Equity						
Share capital						
3110	Ordinary shares	6(12)	642,630	69	322,630	61
Capital surplus						
3200	Capital surplus	6(13)	90,342	10	21,222	4
Retained earnings						
3310	Legal reserve	6(14)	3,896	-	3,896	1
3350	Accumulated deficit		(93,428)	(10)	(55,400)	(10)
Other equity interest						
3400	Other equity interest		(3,716)	-	(2,893)	(1)
3XXX	Total equity		<u>639,724</u>	<u>69</u>	<u>289,455</u>	<u>55</u>
Significant contingent liabilities and unrecognized contract commitments						
Significant events after the balance sheet date						
3X2X	TOTAL LIABILITIES AND EQUITY		<u>\$ 930,953</u>	<u>100</u>	<u>\$ 528,766</u>	<u>100</u>

The accompanying notes are an integral part of the parent only financial statements.

Chairman : CHUANG, MING-LI

Finance Manager : LIU, WEN-CHEN

Accountant : LO, YU-JU

Cheer Time Enterprise Co., Ltd. and Subsidiaries
PARENT COMPANY ONLY BALANCE SHEET
DECEMBER 31, 2021 AND 2022

(In Thousands of New Taiwan Dollars)

(Except Loss Per Share in NTD)

Items	NOTES	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	6(15)	\$ 681,362	100	\$ 430,090	100
5000 Operating costs	6(4)(19)(20), and 7	(629,204)	(92)	(391,669)	(91)
5900 Gross profit from operation		<u>52,158</u>	<u>8</u>	<u>38,421</u>	<u>9</u>
Operating expenses	6(19)(20), and 7				
6100 Selling expenses		(13,622)	(2)	(15,734)	(3)
6200 Administrative expenses		(54,359)	(8)	(42,048)	(10)
6300 Research and development expenses		(2,628)	(1)	-	-
6450 Expected credit loss	12(2)	(654)	-	(482)	-
6000 Total operating expenses		<u>(71,263)</u>	<u>(11)</u>	<u>(58,264)</u>	<u>(13)</u>
6900 Net operating loss		<u>(19,105)</u>	<u>(3)</u>	<u>(19,843)</u>	<u>(4)</u>
Non-operating income and expenses					
7100 Interest income	7	1,393	-	581	-
7010 Other income	6(16), and 7	4,288	1	5,119	1
7020 Other gains and losses	6(2)(17), and 12(2)	1,446	-	(4,387)	(1)
7050 Finance costs	6(7)(8)(10)(18)	(1,408)	-	(2,339)	-
7070 Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method	6(5)	(23,628)	(4)	(36,900)	(9)
7000 Non-operating income and expenses		<u>(17,909)</u>	<u>(3)</u>	<u>(37,926)</u>	<u>(9)</u>
7900 INCOME BEFORE INCOME TAX		<u>(37,014)</u>	<u>(6)</u>	<u>(57,769)</u>	<u>(13)</u>
7950 Income tax (expenses) benefit	6(21)	(1,014)	-	2,369	-
8200 NET LOSS		<u>(\$ 38,028)</u>	<u>(6)</u>	<u>(\$ 55,400)</u>	<u>(13)</u>
Other comprehensive income					
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Exchange differences on translation		(\$ 823)	-	(\$ 6)	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		(823)	-	(6)	-
8300 OTHER COMPREHENSIVE INCOME, NET		<u>(\$ 823)</u>	<u>-</u>	<u>(\$ 6)</u>	<u>-</u>
8500 TOTAL COMPREHENSIVE INCOME		<u>(\$ 38,851)</u>	<u>(6)</u>	<u>(\$ 55,406)</u>	<u>(13)</u>
Loss per share	6(22)				
9750 Total basic loss per share		(\$ 0.66)		(\$ 1.72)	
9850 Diluted earnings per share		(\$ 0.66)		(\$ 1.72)	

The accompanying notes are an integral part of the parent only financial statements.

Chairman : CHUANG, MING-LI

Finance Manager : LIU, WEN-CHEN Accountant : LO, YU-JU

Cheer Time Enterprise Co., Ltd. and Subsidiaries
PARENT COMPANY ONLY STATEMENT OF CHANGE IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

In Thousands of New Taiwan Dollars

	NOTE	CAPITAL COMMON STOCK	CAPITAL SURPLUS	RETAINED EARNINGS		UNAPPROPRIATE D EARNINGS	TOTAL EQUITY
				LEGAL CAPITAL RESERVE	LEGAL CAPITAL RESERVE		
<u>Year 2021</u>							
Balance at January 1, 2021		\$ 935,159	\$ 21,222	\$ 4,453	(\$ 613,086)	(\$ 2,887)	\$ 344,861
Net loss for 2021		-	-	-	(55,400)	-	(55,400)
Other comprehensive income (loss) for 2021		-	-	-	-	(6)	(6)
Current comprehensive income(loss)		-	-	-	(55,400)	(6)	(55,406)
Legal reserve used to cover accumulated deficits	6(14)	-	-	(557)	557	-	-
Capital reduction to cover accumulated deficits	6(12)	(612,529)	-	-	612,529	-	-
Balance at December 31, 2021		\$ 322,630	\$ 21,222	\$ 3,896	(\$ 55,400)	(\$ 2,893)	\$ 289,455
<u>Year 2022</u>							
Balance on January 1, 2022		\$ 322,630	\$ 21,222	\$ 3,896	(\$ 55,400)	(\$ 2,893)	\$ 289,455
Current net loss		-	-	-	(38,028)	-	(38,028)
Other current comprehensive profit loss		-	-	-	-	(823)	(823)
Total comprehensive income		-	-	-	(38,028)	(823)	(38,851)
Issuance of common stock for cash	6(12)(13)	320,000	69,120	-	-	-	389,120
Balance on December 31, 2022		\$ 642,630	\$ 90,342	\$ 3,896	(\$ 93,428)	(\$ 3,716)	\$ 639,724

The accompanying notes are an integral part of the parent only financial statements

Chairman : CHUANG, MING-LI

Finance Manager : LIU, WEN-CHEN

Accountant : LO, YU-JU

Cheer Time Enterprise Co., Ltd. and Subsidiaries
PARENT COMPANY ONLY STATEMENT OF CASH FLOWS
DECEMBER 31, 2021 AND 2022

(In Thousands of New Taiwan Dollars)

	NOTE	2022	2021
<u>Cash flows from operating activities</u>			
Loss before tax		(\$ 37,014)	(\$ 57,769)
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(17)	6,940	361
Expected credit loss (gain)	12(2)	654	482
Share of loss of associates and joint ventures accounted for using equity method	6(5)	23,628	36,900
Depreciation expense	6(6)(7)(19)	26,935	29,022
Loss (gain) on disposal of property, plant and equipment	6(17)	49	(368)
Gain on disposal of other non-current assets		-	(1,321)
Interest income		(1,393)	(39)
Dividend income	6(16)	(52)	(45)
Interest expense	6(18)	1,408	2,339
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(11,135)	(435)
Accounts receivable		(110,716)	(30,188)
Other receivable		(3,427)	(204)
Other receivable – related parties		10,017	15,725
Inventories		(105,768)	(11,532)
Prepayments		(1,982)	7,459
Net defined benefit liability, non-current		-	25,221
Changes in operating liabilities			
Contract liabilities		(28)	(8,618)
Accounts payable		13,718	1,462
Accounts payable –related parties		17,630	-
Other payable		(16,292)	12,396
Cash inflow generated from operations		(186,828)	20,848
Interest received		1,393	38
Dividend received		52	45
Income taxes refund		34	359
Interest paid		(1,408)	(2,378)
Income taxes paid		(52)	(50)
Net cash flows from (used in) operating activities		(186,809)	18,862
<u>Cash flows from (used in) investing activities</u>			
Gain on disposal of current financial assets at fair value through profit and loss		1,792	-
Gain from sale of amortized cost financial assets – decrease (increase)		10,956	(1,918)
Acquisition of financial assets at fair value through profit or loss – non-current	6(2)	(5,000)	-
Acquisition of property, plant and equipment proceeds	6(6)(23)	(13,569)	(7,709)
Proceeds from disposal of property, plant and equipment	6(6)	294	381
Increase of prepayment for equipments		(4,800)	(383)
(Increase) Decrease of refundable deposits		(122)	370
Acquisition of investments accounted for using equity method		(194,600)	-
Cash used in investment activities		(205,049)	(9,259)
<u>Cash flows from (used in) financing activities</u>			
Decrease (increase) in short-term loans	6(8)(24)	119,547	(18,748)
Repayments of long-term debt	6(10)(24)	(90,000)	-
Increase in refundable deposits	6(24)	340	-
Repayments on capital of lease liabilities	6(7)(24)	(3,351)	(3,340)
Issuance of common stock for cash	6(12)(13)	389,120	-
Net cash flows from (used in) financing activities		415,656	(22,088)
Net increase (decrease) in cash and cash equivalents		23,798	(12,485)
Cash and cash equivalents at beginning of period	6(1)	64,342	76,827
Cash and cash equivalents at end of period	6(1)	\$ 88,140	\$ 64,342

The accompanying notes are an integral part of the parent only financial statements.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Cheer Time Enterprise Co., Ltd

Opinion

We have audited the accompanying consolidated financial statements of Cheer Time Enterprise Co., Ltd and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, and based on the audit findings and other auditor's reports (please refer to "Other Matters"), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the Group's consolidated financial statements for the year ended December 31, 2022 is stated as follows:

Merge & Acquisition Price Allocation Fairness Assessment

Description

The Group acquired 100% of the share capital of TSC Electronic Co., Ltd. in June, 2022. Relevant acquisition price allocation is finished in Q3, 2022, because the value of intangible assets (including goodwill and identifiable intangible assets such as customer relationships and etc) from the acquisition is high. The accounting treatment of the aforementioned acquisition was in accordance with International Financial Reporting Standards ("IFRS") 3 "Business Combinations". Please refer to note 6 (25) for price allocation details.

The determination of fair value of identifiable assets and liabilities and goodwill allocation of the invested company is based on judgments made by management, and involving accounting estimates. Therefore, we considered the price allocation for acquiring shares of the aforementioned company as a key audit matter to the consolidated financial statements.

How our audit addressed the matter

We reviewed the foundations and procedures which the management followed to evaluate acquisition price allocation. In addition, we reviewed a third party Purchase Price Allocation Report provided by the Group, and checked fair price evaluation process for identifiable assets and assumed liabilities. We also checked the reasonableness of the main assumptions and fair price evaluation for future cash flow estimation of the identifiable assets, in order to assess goodwill. Our procedures included:

1. We reviewed the valuation methods and calculations formula used in the valuation.
2. We reviewed and compared the expected growth rate, gross margin used in the valuation with historical data, as well as economical and industrial reference documents.
3. We reviewed the discount rate used in the valuation and compare with the rate of return from similar assets in the trade markets.

Goodwill impairment

Description

The balance of goodwill arising from the acquisition of TSC Electronics Co., Ltd. as at December 31, 2022 was NT\$36,874 thousand, which is 3.83% of the total consolidated assets. Please refer to Note 5(2) and Note 6(8).

The goodwill derived from acquisition can be of large sum, and the evaluation model for expected recoverable cash flow in impairment assessment is a significant accounting estimate. The cash flow in recoverable amount is determined according to future cash flow. As a result, the impairment of goodwill is regarded as one of the key audit matters.

How our audit addressed the matter

We have obtained and reviewed Goodwill Impairment Assessment Report provided by the Group. We understand the forecast future cash flow is based on cash generating unit and its process logics, and we've executed the following check procedures:

1. Evaluated the rationality of the evaluation model the Group is using, and its industry, business environment and the evaluated asset.
2. We confirmed that the future cash flow used in the evaluation model is consistent with the next year's budget provided by the Group.
3. We executed the following procedures to assess the rationality of key assumptions used in evaluation model for growth rate forecast, net profit margin and discount rate:
 - (1) Verify the settings for evaluation model parameters and calculation method.
 - (2) Compare the forecast growth rate and net profit margin with historical results, economical and industry forecast reference documents.
 - (3) Compare discount rate with the assumption capital cost of cash-generating unit and return rate of similar assets.

Evaluation of depreciation to property, plant and equipment (PP&E)

Description

Regarding accounting policies on PP&E and non-financial assets depreciation, please refer to Notes 4(13) and (16) to the consolidated financial statements. Please refer to Notes 5(2) to the consolidated financial statements for accounting estimate and assumption uncertainty of PP&E depreciation. For explanation of account title of PP&E and non-financial assets depreciation, please refer to Notes 6(6) and (9) of the consolidated financial statements.

The Group is using the value in use for PP&E to calculate recoverable amount, and use it as basis for impairment evaluation. Given the fact that the evaluation process for value in use is based on judgment of the management, any change in economical situation or company policies may result in modification of evaluation which can cause depreciation. Consequently, the Group's evaluation for PP&E depreciation is identified as a key audit matter.

How our audit addressed the matter

Our audit procedures related to specific level of the above mentioned key audit matter included the following:

1. For the recoverable amount of assets reflecting signs of depreciation on date of balance sheet, we reviewed and checked the correctness of relevant calculation provided by the management.
2. We understand and evaluate the company's assets depreciation evaluation procedure and accounting policies are in accordance with accounting principles. These including review

of methods used by the management to determine recoverable amount of an individual asset.

3. According to the way assets are being utilized and the industry nature, we obtained evaluation information used by the management to determine recoverable amount. We evaluated the individual cash flow, useful life and the reasonableness of future possible income and expenditure of group assets.

Other Matter – Parent Company Only Financial Statements

We have also audited the parent company only financial statements of Cheer Time Enterprise Co., Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

– Reference to other auditor’s report

The Group’s subsidiaries and investments in other companies accounted for by using the equity method in the consolidated financial statements were based solely on the financial reports audited by other auditors. Therefore our opinion regarding amounts in those companies’ financial statements is based solely on the report of other auditors. As of December 31, 2021, the assets (investments accounted for using equity method) of the aforementioned company were NT\$1,543 thousand, which constituted 0.29% of the Group’s consolidated total assets. For the year ended December 31, 2021 the income is NT\$ -, which constituted -% of the total income. The recognized loss (including associates and share of profit or loss of joint ventures by using equity method) for the year ended December 31, 2022 was NT\$(19,339) thousand, which constituted (29.20%) of the total comprehensive income.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial

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

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

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

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with

relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Wang, Song Ze

Lin, Yong Zhi

for and on behalf of PricewaterhouseCoopers, Taiwan
March 22, 2023

Cheer Time Enterprise Co., Ltd. and Subsidiaries
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2021 AND 2022

(In Thousands of New Taiwan Dollars)

<u>ASSETS</u>		<u>NOTES</u>	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
CURRENT ASSETS						
1100	Cash and cash equivalents	6(1)	\$ 177,306	18	\$ 80,272	15
1110	Financial assets at fair value	6(2))				
	through profit or loss - current		6,565	1	11,635	2
1136	Financial assets at amortized cost - current	8				
			10,191	1	12,456	2
1150	Notes receivable, net	6(3)	18,206	2	7,071	1
1170	Accounts receivable, net	6(3)	229,110	24	101,804	19
1200	Other receivables		4,972	1	2,833	1
1220	Current tax assets		3,865	-	59	-
130X	Inventories	6(4)	144,521	15	36,635	7
1410	Prepayments		22,228	2	13,666	3
11XX	Total current assets		<u>616,964</u>	<u>64</u>	<u>266,431</u>	<u>50</u>
NONCURRENT ASSETS						
1510	Financial assets at fair value	6(2)				
	through profit and loss - noncurrent		-	-	10,000	2
1600	Property, plant and equipment	6(6)(8)	242,563	25	240,624	45
1755	Right-of-use assets	6(7)	35,147	4	6,148	1
1780	Intangible assets	6(8)(25)	55,064	6	-	-
1840	Deferred income tax assets	6(23)	7,864	1	8,687	2
1990	Other noncurrent assets - others		5,227	-	1,268	-
15XX	Total noncurrent assets		<u>345,865</u>	<u>36</u>	<u>266,727</u>	<u>50</u>
1XXX	TOTAL		<u>\$ 962,829</u>	<u>100</u>	<u>\$ 533,158</u>	<u>100</u>

(Continued on next page)

Cheer Time Enterprise Co., Ltd. and Subsidiaries
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2021 AND 2022

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTES	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
CURRENT LIABILITIES						
2100	Short-term borrowings	6(9)(27), 7 and 8	\$ 167,799	17	\$ 48,252	9
2130	Current contract liabilities	6(17)	10,964	1	9,939	2
2150	Notes payable		6,775	1	-	-
2170	Accounts payable		34,169	4	20,895	4
2200	Other payables	6(11)	63,609	7	72,741	13
2280	Lease liabilities - current	6(27)	10,968	1	3,613	1
2320	Long-term liabilities, current portion	6(12)(27) and 8	-	-	3,750	1
2399	Other current liabilities - others		3	-	3	-
21XX	Total current liabilities		<u>294,287</u>	<u>31</u>	<u>159,193</u>	<u>30</u>
NON-CURRENT LIABILITIES						
2540	Non-current portion of non-current borrowings	6(12)(27) and 8	-	-	86,250	16
2570	Deferred tax liabilities	6(23)	3,638	-	-	-
2580	Non-current lease liabilities	6(27)	24,538	3	2,662	1
2645	Deposits received		502	-	162	-
25XX	Total non-current liabilities		<u>28,678</u>	<u>3</u>	<u>89,074</u>	<u>17</u>
2XXX	Total liabilities		<u>322,965</u>	<u>34</u>	<u>248,267</u>	<u>47</u>
EQUITY						
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT						
	Share capital	6(14)				
3110	Ordinary shares		642,630	67	322,630	60
	Capital surplus	6(15)				
3200	Capital surplus		90,342	9	21,222	4
	Retained earnings	6(16)				
3310	Legal reserve		3,896	-	3,896	1
3350	Accumulated deficit		(93,428)	(10)	(55,400)	(10)
	Other equity interest					
3400	Other equity interest		(3,716)	-	(2,893)	(1)
31XX	Total equity attributable to owners of parent		<u>639,724</u>	<u>66</u>	<u>289,455</u>	<u>54</u>
36XX	Non-controlling interests		<u>140</u>	<u>-</u>	<u>(4,564)</u>	<u>(1)</u>
3XXX	Total equity		<u>639,864</u>	<u>66</u>	<u>284,891</u>	<u>53</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	TOTAL LIABILITIES AND EQUITY		<u>\$ 962,829</u>	<u>100</u>	<u>\$ 533,158</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

Chairman : CHUANG, MING-LI

Finance Manager : Liu, Wen-Chen

Accountant : LO, YU-JU

Cheer Time Enterprise Co., Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
DECEMBER 31, 2021 AND 2022

In Thousands of New Taiwan Dollars
(Except Earnings Per Share)

Items	NOTES	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	6(17)	\$ 819,585	100	\$ 440,436	100
5000 Operating costs	6(4)(21)(22) and 7	(781,032)	(95)	(397,337)	(90)
5900 Gross profit from operation		<u>38,553</u>	<u>5</u>	<u>43,099</u>	<u>10</u>
Operating expenses	6(13)(21)(22)				
6100 Selling expenses		(16,568)	(2)	(26,381)	(6)
6200 Administrative expenses		(69,218)	(9)	(50,176)	(11)
6300 Research and development expenses		(3,014)	-	-	-
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	<u>1,678</u>	<u>-</u>	(26,624)	(6)
6000 Total operating expenses		(87,122)	(11)	(103,181)	(23)
6900 Net operating loss		(48,569)	(6)	(60,082)	(13)
Non-operating income and expenses					
7100 Interest income		1,499	-	239	-
7010 Other income	6(18)	6,722	1	5,538	1
7020 Other gains and losses	6(2)(6)(19)(26)	7,790	1	(10,256)	(2)
7050 Finance costs	6(7)(10)(12)(20)	(4,174)	-	(2,384)	(1)
7060 Share of profit (loss) of associates and joint ventures accounted for using equity methods	6(5)	<u>-</u>	<u>-</u>	(487)	-
7000 Total non-operating income and expenses		<u>11,837</u>	<u>2</u>	(7,350)	(2)
7900 INCOME BEFORE INCOME TAX		(36,732)	(4)	(67,432)	(15)
7950 Total tax income	6(23)	<u>3,763</u>	<u>-</u>	<u>2,369</u>	<u>-</u>
8200 LOSS		<u>(\$ 32,969)</u>	<u>(4)</u>	<u>(\$ 65,063)</u>	<u>(15)</u>
Other comprehensive income					
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Exchange differences on translation		(\$ 2,419)	-	(\$ 1,172)	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		(2,419)	-	(1,172)	-
8300 OTHER COMPREHENSIVE INCOME, NET		<u>(\$ 2,419)</u>	<u>-</u>	<u>(\$ 1,172)</u>	<u>-</u>
8500 TOTAL COMPREHENSIVE INCOME		<u>(\$ 35,388)</u>	<u>(4)</u>	<u>(\$ 66,235)</u>	<u>(15)</u>
Loss, attributable to:					
8610 Attributable to owners of parent		(\$ 38,028)	(5)	(\$ 55,400)	(13)
8620 Attributable to non-controlling interests		<u>5,059</u>	<u>1</u>	(9,663)	(2)
		<u>(\$ 32,969)</u>	<u>(4)</u>	<u>(\$ 65,063)</u>	<u>(15)</u>
Comprehensive income attributable to:					
8710 Owners of parent		(\$ 38,851)	(4)	(\$ 55,406)	(13)
8720 Non-controlling interests		<u>3,463</u>	<u>-</u>	(10,829)	(2)
		<u>(\$ 35,388)</u>	<u>(4)</u>	<u>(\$ 66,235)</u>	<u>(15)</u>
Loss per share	6(24)				
9750 Total basic loss per share		<u>(\$ 0.66)</u>	<u>0.66</u>	<u>(\$ 1.72)</u>	<u>1.72</u>
9850 Diluted earnings per share		<u>(\$ 0.66)</u>	<u>0.66</u>	<u>(\$ 1.72)</u>	<u>1.72</u>

The accompanying notes are an integral part of the consolidated financial statements.

Chairman : CHUANG, MING-LI

Finance Manager : Liu, Wen-Chen

Accountant : LO, YU-JU

Cheer Time Enterprise Co., Ltd. and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

In Thousands of New Taiwan Dollars

	Notes	Equity attributable to owners of the parent						Non-controllin g Equity	Total Equity
		Ordinary Shares	Capital Surplus	Legal Capital Reserve	Retained earnings Accumulated Deficit	Currency Translation Differences of Foreign Operations	Total		
<u>Year 2021</u>									
Balance at January 1, 2021		\$ 935,159	\$ 21,222	\$ 4,453	(\$ 613,086)	(\$ 2,887)	\$ 344,861	\$ 5,136	\$ 349,997
Net loss for 2021		-	-	-	(55,400)	-	(55,400)	(9,663)	(65,063)
Other comprehensive income (loss) for 2021		-	-	-	-	(6)	(6)	(1,166)	(1,172)
Current comprehensive income(loss)		-	-	-	(55,400)	(6)	(55,406)	(10,829)	(66,235)
Non-controlling interest change		-	-	-	-	-	-	1,129	1,129
Legal reserve used to cover accumulated deficits	6(14)	-	-	(557)	557	-	-	-	-
Capital reduction to cover accumulated deficits	6(14)	(612,529)	-	-	612,529	-	-	-	-
Balance at December 31, 2021		<u>\$ 322,630</u>	<u>\$ 21,222</u>	<u>\$ 3,896</u>	<u>(\$ 55,400)</u>	<u>(\$ 2,893)</u>	<u>\$ 289,455</u>	<u>(\$ 4,564)</u>	<u>\$ 284,891</u>
<u>Year 2022</u>									
Balance on Balance on January 1, 2022		\$ 322,630	\$ 21,222	\$ 3,896	(\$ 55,400)	(\$ 2,893)	\$ 289,455	(\$ 4,564)	\$ 284,891
Current net loss		-	-	-	(38,028)	-	(38,028)	5,059	(32,969)
Other current comprehensive profit loss		-	-	-	-	(823)	(823)	(1,596)	(2,419)
Total comprehensive income		-	-	-	(38,028)	(823)	(38,851)	3,463	(35,388)
Issuance of common stock for cash	6(14)(15)	320,000	69,120	-	-	-	389,120	-	389,120
Change in non-controlling interests		-	-	-	-	-	-	1,241	1,241
Balance on December 31, 2022		<u>\$ 642,630</u>	<u>\$ 90,342</u>	<u>\$ 3,896</u>	<u>(\$ 93,428)</u>	<u>(\$ 3,716)</u>	<u>\$ 639,724</u>	<u>\$ 140</u>	<u>\$ 639,864</u>

The accompanying notes are an integral part of the consolidated financial statements.

Chairman : CHUANG, MING-LI

Finance Manager : Liu, Wen-Chen

Accountant : LO, YU-JU

Cheer Time Enterprise Co., Ltd. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2022

(In Thousands of New Taiwan Dollars)

	Note	January 1 to December 31, 2022	January 1 to December 31, 2021
<u>Cash flows from operating activities</u>			
Loss before tax		(\$ 36,732)	(\$ 67,432)
Adjustments			
Adjustments to reconcile profit (loss)			
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(19)	7,022	1,816
Expected credit loss (gain)	12(2)	(1,678)	26,624
Share of loss of associates and joint ventures accounted for using equity method	6(5)	-	487
Gain on disposal of investments	6(19)	-	(256)
Gain on disposal of subsidiaries	6(19)	-	(27,566)
Depreciation expense	6(6)(7)(21)	33,897	34,277
Loss (gain) on disposal of property, plant and equipment	6(19)	49	(315)
Various amortization	6(8)(21)	1,958	1,027
Impairment loss on non-financial assets	6(5)(9)(19)	-	28,628
Interest income		(1,499)	(239)
Dividend income	6(18)	(52)	(45)
Gain on reversal of account payable	6(18)	(2,333)	-
Interest expense	6(20)	4,174	2,384
Gain on lease contract modification	6(7)(19)	-	(107)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(357)	41
Accounts receivable		73,960	(28,570)
Accounts receivable - related parties		-	14,727
Other receivable		(1,817)	(1,038)
Other receivable – related parties		-	2
Inventories		21,301	(11,315)
Prepayments		(2,621)	7,802
Net defined benefit liability, non-current		-	25,706
Changes in operating liabilities			
Contract liabilities		1,023	(8,895)
Accounts payable		6,349	(8,060)
Notes payable		(5,422)	-
Other payable		(19,453)	10,790
Other current liabilities - other		-	(3)
Cash inflow generated from operations		77,769	470
Interest received		1,499	238
Dividend received		52	45
Income taxes refund		34	359
Interest paid		(4,167)	(2,602)
Income taxes paid		(14,463)	-
Net cash flows from (used in) operating activities		60,724	(1,490)

(Continued on next page)

Cheer Time Enterprise Co., Ltd. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2022

(In Thousands of New Taiwan Dollars)

	Note	January 1 to December 31, 2022	January 1 to December 31, 2021
<u>Cash flows from (used in) investing activities</u>			
Gain on disposal of current financial assets at fair value through profit and loss		\$ 3,048	\$ -
Gain from sale of amortized cost financial assets – decrease (increase)		31,428	(1,918)
Acquisition of financial assets at fair value through profit or loss – non-current	12(3)	(5,000)	-
Gain on disposal of financial assets at fair value through profit or loss – non-current		10,000	-
Acquisition of property, plant and equipment proceeds	6(6)(26)	(15,799)	(7,709)
Proceeds from disposal of property, plant and equipment		294	433
Increase in repayments for business facilities (listed as other non-current assets – other)		(4,801)	1,391
Decrease in refundable deposits (listed as other non-current assets – other)		(132)	1,587
Acquisition to subsidiaries (deduct cash received)	6(25)	(173,394)	-
Proceeds from disposal of subsidiary cash income	6(26)	-	11,310
Net cash flows from (used in) investing activities		(154,356)	5,094
<u>Cash flows from (used in) financing activities</u>			
Decrease in short-term loans	6(27)	(100,188)	(18,748)
Repayments of long-term debt	6(27)	(90,000)	-
Repayments of lease liabilities	6(7)(27)	(7,428)	(3,617)
Increase in deposits received	6(27)	340	-
Issuance of common stock for cash	6(13)	389,120	-
Net cash flows from (used in) financing activities		191,844	(22,365)
Effect of exchange rate changes		(1,178)	(959)
Net increase (decrease) in cash and cash equivalents		97,034	(19,720)
Cash and cash equivalents at beginning of period	6(1)	80,272	99,992
Cash and cash equivalents at end of period	6(1)	\$ 177,306	\$ 80,272

The accompanying notes are an integral part of the consolidated financial statements.



CHEER TIME ENTERPRISE CO., LTD.

2022 Deficit Compensation Statement

Item	Unit: NT\$ Amount
Loss to be compensated at the beginning of the period	(55,399,603)
Net Loss after Tax of the Current Year	(38,028,113)
Loss to be compensated at the end of the period	<u>(93,427,716)</u>

Note: Because the accumulated loss was shown on the annual final accounts, the profit-sharing compensation for employees and directors will not be distributed for this year.

Chairperson: Chuang, Ming-Li

Manager: Liu, Wen-Chen

Chief Accounting Officer:
LO, YU-JU