Ticker Symbol: 1612

宏泰電工股份有限公司

Tegrity and Honesty, Innovation and Advancement

# 2023 Annual Report

Website for this Annual Report: Market Observation Post System
http://newmops.tse.com.tw
Website for declaring information as designated by the Securities and Futures Bureau
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IV. Certified Public Accountant for the Financial Statements for the most recent year
Name: CPAs Hsieh Sheng-An and Chang Chih-Ming
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Telephone: (02)2757-8888
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V. Name of trading location for listing and trading of securities overseas: None

VI. Company website: www.hong-tai.com.tw

# Contents

# A. Letter to Shareholders

**I. 2023 Operating Results:**

(I)Accomplishments in Implementing the Business Plan:

Dear Shareholders,

Thank you for your support and encouragement of Hong Tai over the years. Under the efforts of all employees, the net consolidated revenue came to NTD 6.195 billion and the consolidated after-tax net profits totaled NTD 629 million, an decrease for the consolidated revenue by 2.99% from the preceding year. The earnings per share after tax amounted to NTD1.99, representing an increase of 77.68% from last year.

Over the past year, the global economy has been constrained by interest rate hikes, China's weaker-than-expected economic recovery and geopolitical conflicts, resulting in a weaker growth, while the international stock market has seen a new trend led by AI. Domestically, private consumption remained strong. In particular, demand for services related to food and beverage, leisure and entertainment, and tourism was robust. With respect to investment, the pace of corporate investment was relatively slow due to the monetary tightening policy and increased capital costs. In terms of exports, driven by AI business opportunities and the emergence of new technology product stockings, the main growth momentum was concentrated in related supply chains such as servers and graphics cards. The Company also terminated its copper clad laminate business in 2023 due to environmental and space factors, which did not exert a material impact on the Company's finances and operations.

Looking forward to 2024, the global economic recovery will be full of uncertainties as a result of the global election year and the shift in monetary policy of various countries. However, driven by the application of emerging technologies and the demand for net-zero carbon emissions, Taiwan's foreign demand and investment are expected to regain growth momentum. As for the power cable division, the Company continued to participate in the government's green energy policy, the resilient power grid project, and the establishment of electronic technology factories, which boosted the demand for wires and cables in the country. At the same time, the Company expanded the number of orders from private public works projects and renowned technology factories, and set up an operation office in southern Taiwan to provide a closer service network. In the future, we will continue to develop energy transformation construction and expand our presence of the green energy industry. In addition, the copper clad laminate plant was converted into a power wire/cable plant for the production of ultra-high-voltage wires/cables and other high-value-added products to enhance the synergistic effect.

Since it was established, the Company has been adhering to its management belief of "integrity and honesty, innovation and advancement" and devoted to optimizing the quality of its products, reinforcing corporate governance and enhancing its long-term competitive advantages and corporate value. The Company has continued to issue sustainability reports to fulfill its corporate social responsibilities, and planned to conduct greenhouse gas inventory and assurance towards the goal of sustainable business operations. Looking forward to the coming year, the management team will refocus on the main business of wires/cables and reinforce brand recognition. We will develop new industrial markets, develop related green energy products, keep abreast with technological trends of the market, actively invest in technologies necessary for future growth, promote sustainable growth and profitability, enhance the Company's competitiveness to address challenges, and work together with all colleagues in order to create sustainable value for shareholders, thank you.

(II)Budget Implementation: (Showing only the parent company)

Unit: NTD thousand

| Item | Budget | Actual | Completion Rate |
|---|---|---|---|
| Operating income | 6,127,880 | 6,186,918 | 100.96% |
| Operating cost | (5,285,587) | (5,328,575) | 100.81% |
| Operating gross profit | 842,293 | 858,343 | 101.91% |
| Operating expense | (260,017) | (259,553) | 99.82% |
| Operating profit | 582,276 | 598,790 | 102.84% |
| Non-operating income and expenditure | 151,799 | 155,796 | 102.63% |
| Pre-tax income | 734,075 | 754,586 | 102.79% |

The internal budget of 2023 has not been reviewed by the CPAs.

(III)Financial income/expenditure and profitability:

1. Consolidated:

Unit: NTD thousand

| Item | 2023 | 2022 | Change volume | Change ratio |
|---|---|---|---|---|
| Net operating income | 6,195,025 | 6,385,945 | (190,920) | (2.99)% |
| Net profit (loss) before tax | 756,588 | 552,871 | 203,717 | 36.85% |
| Profit rate | 12.21% | 8.66% | 3.55% | 40.99% |

2. Individual:

Unit: NTD thousand

| Item | 2023 | 2022 | Change volume | Change ratio |
|---|---|---|---|---|
| Net operating income | 6,186,918 | 6,381,432 | (194,514) | (3.05)% |
| Net profit (loss) before tax | 754,586 | 552,458 | 202,128 | 36.59% |
| Profit rate | 12.20% | 8.66% | 3.54% | 40.88% |

(IV) R&D Overview:

1.New combustion resistant cable (FR Cable):

With rapid economic developments, buildings and populations in cities are overly concentrated, which drives up the emphasis over fire prevention and safety of buildings. The new FR cable helps not only increase the throughput but also render considerable performance in terms of fire resistance.

2.Solar power gopher and termite resistant cable:

The green energy policy has led to an increasing demand for solar power cables. In addition to excellent properties such as resistance to temperature, acid and alkali solvents, ultraviolet rays and ozone, the gopher and termite properties can satisfy the long-term outdoor deployment of solar power installations under harsh environmental conditions.

3. Ultra-heat resistant aluminum steel-reinforced conductor:

With economic developments, the demand for electricity in our country is increasing each day. Due to rising public opinions, however, it is difficult to increase the power supply capacity by building new overhead power transmission lines now. As such, power transmission lines need to be ultra-heat resistant aluminum steel-reinforced conductors. They are an effective solution to increasing the power transmission current without adding power transmission lines and help effectively address the issue of power transmission lines for offshore green power to be connected to the grid and at the power transmission bottleneck. Taiwan Power Company (TaiPower) has also included the first, second, and third ultra high voltage power transmission line update plans as part of its resilient grid project.

4.Waste reduction, recycling and reuse of materials:

The development of a green supply chain is a major challenge for enterprises. The reuse of waste reduction and recycling materials is to effectively classify and manage source waste, use recycled material remanufacturing technology, and recycle and reuse materials to achieve the purposes of reducing material consumption and waste, and minimize the environmental impacts caused by the product and service processes.

5.With cost-saving and quality enhancement as the guiding directive, other sources of supply are being proactively developed to bring down the risk and to advance operational performance.

## II.Overview of 2024 Business Plan:

(I)Management Policy:

1.Precisely standardize the production process for improved yield rate, reinforced competitiveness, and to make a difference for customers because customer is king and create business opportunities.

2.Keep track of inventories of raw materials and supplies and seasonal products; lock in the prices of copper as needed for purchase orders in order to render optimal profits.

3. Develop and certify onshore 230kV land cables for offshore wind power to be combined in the grid to address the constantly increasing demand for green energy-specific cables (solar power, offshore wind power, etc.) in response to the government's energy policy that features non-nuclear homes with 50% of fuels and 20% of renewable energy by 2025 besides the renewal of thermal power plants.
4. Response to the TaiPower project to enhance the resilience of the power grid in order to comprehensively improve the ability to cope with sudden accidents that occur to the domestic power grid and to get ready for the net zero transformation goal by 2050. Power generated by power plants, in particular, is supplied directly to the Park; therefore, the demand for 345kV cables is high. We are proactively developing and obtaining qualifications for 345kV cables.
5. Proactively devote to the R&D and patent application of new products to realize sustainable corporate management.
6. Reinforce service for the plan to add units in coal-fired power plants after nuclear power plants are decommissioned while exploring opportunities to work with off-shore wind power and solar power plants and developers in undertaking public and private projects.
7. Support respective urban areas in their demand for development of MRT systems.
8. Consolidate demand-oriented production and strictly control the procurements of raw materials and supplies to reduce inventories, improve the product sales turnover rate, minimize invalid inventories, and reinforce services available for customers so that the needs of customers may be addressed.
9. Proactively fight for various public and private constructions and prioritize traffic, aviation, railway, and highway cases.
10. Expand the deployment of gopher and termite resistant cables to boost advantages in the industry and augment the market share.
11. Proactively get involved in the government's green energy policy and secure related engineering projects.
12. Continue to sell annual distribution network contracts, extend corporate advantages, and augment the market size.
13. Respond to the domestic resilient power grid project, strengthen the future development of the wire/cable business, transfer the land and buildings of the copper clad laminate business to the wire/cable business.
14. Focus on the industry, gain insight into changes in the industrial structure, and continue to improve and innovate in order to expand performance and profits.
15. Carefully assess new business targets or products with a view to maximizing investment benefits, thus achieving new business development.

(II) 2024 Sales and Rationales:

| Main product | Sales volume (Annual budget) | Rationale |
|---|---|---|
| Power cable | 18,670 tons | The quantity is assigned according to the ratio of the product to be sold based on the annual plan. |
| Bare copper wire | 230 tons | |
| Communication cable | 100 tons | Forecasted with the sales of each product over the past few years. |
| Total | 19,000 tons | |

(III) Important Production and Sales Policies:

1.Proactively take part in offshore wind power generation plans and form strategic alliance with system developers, E&M service providers, and engineering companies to secure business opportunities for marine and land cables required for offshore wind power generation.

2.Effectively arrange production lead time in order to address the demand for ultra-high voltage transmission lines of the additional booster stations and feeder stations of TaiPower.

3.Balance between the south and the north in promoting the brand to maximize the customer base and reach out the general public.

4.Proactive take part in various activities held by clients and for technicians and interact with them and provide planning, design, regulations, and budget for reference.

5.Enhance the product turnover rate to fulfill the low inventory goal and bring about ptimal interests reflective of customers' needs.

6.Continue to reinforce, expand, and secure solar power photovoltaic, thermal, and water power plant projects.

7.Proactively secure projects from well-known domestic and international electronic technology plants with new constructions to increase profits from high, medium, and low-voltage cables.

8.Strengthen the sales of green and Ecogreen cables to create value for our products and develop project-based customers.

9.Pay attention to information about constructions of plants by returning Taiwanese businesses and secure construction projects in respective technology or science parks.

10.Lead sales by production to proactively develop the market and marketing networks and secure various major public and private projects.

## III. Future Development Strategy:

1. Continue to consolidate the main cable business through promotional campaigns from time to time and enhance the domestic market share and the sales of high-profit products to secure the foundation for corporate operation.
2. To nurture and develop new niche-oriented products, improve additional value, and lay the groundwork for sustainable corporate operation.
3. Explore new sales networks by adding distributors in other counties and cities and offshore islands to further corporate advantages and expand the market share.
4. Strengthen project-based services for wind power generation, solar power systems, and related power plant constructions.
5. Expand direct-sale networks and the market share of professional customers in central and southern parts of Taiwan to boost operating income and profit.
6. As part of the government's policy to gradually decommission the nuclear power plant, power-generating units at domestic thermal power plants are being eliminated and replaced and new ones are being added, which has driven up the demand for ultra-high-voltage cables and rubber cables. Eliminate and replace ultra-high voltage cables that are more than 30 years old.
7. In terms of public constructions, addition and extension of MRT lines, Taiwan Railway Administration's stations, substations, airports, and harbors will bring about quite impressive business opportunities in the future. Therefore, their business is also prioritized.
8. Proactively keep track of news about constructions taking place at private corporations, such as petrochemical, iron and steel, and electronics industries, secure public construction projects such as urban renewal, public housing for young people, social housing, among others, and reinforce the quality of service, bring down the cost, and improve competitiveness.
9. Keep track of the international situation and the economic policies of the government in the future at all times, adjust the sales strategy and research and development of new products, and introduce them into the market to improve profitability of products.
10. Develop new professionals and improve professionalism in order to provide the Company with innovative ideas and increase new developmental opportunities on the market. In addition, make sufficient use of information and computerization to create competitive advantages.
11. Transform digitally, computerize cable design and production process flows, effectively bring down the production cost, build smart manufacturing, and enhance production competitive advantages.

**IV.Impacts of External Competitive Environment, Regulatory Environment, and Overall Operating Environment:**

1.Segment the market by the attribute of product to avoid price-cutting competition with counterparts.

2.Properly take advantage of the minimal copper mechanism, stabilize relative gross profits, and avoid the volatility risk since the unit price of copper and XLPE, among other primary raw materials, impacts gross profits quite significantly due to fluctuating exchange rates.

3.Develop special cables and green environmentally friendly lead-free cables, among other niche products, to improve gross profits.

4.The demand for green energy is greatly enhanced because of the policy goal of non-nuclear homes by 2025.

5.Reinforce the capabilities to research and develop and sell top-notch products in order to effectively segment the market for improved revenue and profits.

6.Boost the production and manufacturing capabilities of plants, bring down the production cost, and flexibly adjust the sales strategy in response to changes on the market in order to reate maximum profits and cope with the extra-market competitive environment.

7.Promote benign competition on the market and adjust the throughput to avoid vicious competition among similar products.

It is my hope that you, as the shareholders, can continue to support and provide guidance to the management of Hong Tai. Thank you.

And

I wish you the best in all your endeavors and good health.

| | | |
|---|---|---|
| Chairman: Chiu Chiang Investment Co., Ltd. | Manager: | Accounting Manager: |
| Representative: Chen Shi-Yi | Li Wen-Pin | Pan Shao-Ping |

# B. Company Profile

**I. Date of Establishment/Registration:** August 8, 1968

**II. Company history:**

1968 The Company was established, with a capital size of NTD 2,000,000.00 only.

1987 NOKIA CDCC equipment trial run was completed and production of XLPE cables officially began.
Equipment of the Huilong Plant was relocated to the Nankan Plant for consolidated operation and production.

1988 The plant that produced XLPE high-voltage cables was rated by the Industrial Development Bureau, MOEA as a Grade 1 plant.
15kV and 25kV XLPE cables were qualified by Taiwan Power Company and were eligible to bid for the tender.
The capital size was increased to NTD 150,000,000.00 only.

1989 The capital size was increased to NTD 195,000,000.00 only.
Fire and heat-resistant cables were successfully developed and tested and qualified by the Bureau of Standards, Metrology & Inspection, MOEA.
The technical cooperation agreement was signed with Mitsubishi Cable Industries, Ltd.

1990 69kV ultra high-voltage cables were tested and qualified by Taiwan Power Company.
Low-smoke and non-halogen cables were successfully developed.
The capital size was increased to NTD 438,000,000.00 only.

1991 The capital size was increased to NTD 500,000,000.00 only.

1992 The Industrial Development Bureau, MOEA approved the purchase of four hectares of land in the Guanyin Industrial Park.
The capital size was increased to NTD 600,000,000.00 only.

1993 The stock was approved to be traded at the Taiwan Stock Exchange.
The capital size was increased to NTD 800,000,000.00 only.

1994 The capital size was increased to NTD 1,200,000,000.00 only.
The Nankan Plant passed the ISO9002 certification of the Bureau of Standards, Metrology & Inspection, MOEA.
Reinvested to form the subsidiary SAFETY INVESTMENT CO., LTD.

1995 The capital size was increased to NTD 1,440,000,000.00 only.
The Guanyin Plant passed the ISO9002 certification of the Bureau of Standards, Metrology & Inspection, MOEA.

1996 The capital size was increased to NTD 1,584,000,000.00 only.

1997 The capital size was increased to NTD 2,280,000,000.00 only.
161kV ultra high-voltage cables for correspondence were tested and qualified by Taiwan Power Company.

1998 The capital size was increased to NTD 2,736,000,000.00 only.
Technical cooperation with Sumitomo Electric Industries, Ltd. in splice installation of 69kV~161kV ultra high-voltage cables.

1999 Technological cooperation with Fujikura Ltd. in 69kV~161kV ultra high-voltage cables.

The capital size was increased to NTD 3,009,600,000.00 only.

2000 161kV ultra high-voltage cables for power transmission were tested and qualified by Taiwan Power Company.

The capital size was increased to NTD 3,165,080,000.00 only.

2001 The capital size was increased to NTD 3,321,390,500.00 only.

The Nankan Plant passed the ISO9001 certification of the Bureau of Standards, Metrology & Inspection, MOEA.

2003 The capital size was reduced to NTD 3,298,630,630.00 only after the treasure stock was written off.

2004 161kV, flame-retardant, anti-termite, and pre-branch cables were honored by the National Award of Outstanding SMEs and multiple product patents.

2005 Reinvested in and formed the subsidiary Hong Hong Engineering Co., Ltd., whose scope of operation includes engineering, cable installation and construction, splicing, and installation of electrical appliances.

2007 Reinvested in South Ocean Holdings Limited, which was listed and traded at the Johannesburg Stock Exchange (JSE).

2008 "Lead-free PVC wires/cables" were honored by the MOEA Product Innovation Award.

2012 RV Ribbon products for solar power modules were widely adopted by heavyweight manufacturers in the country.

Japanese-specification JCS PV-CC cables and adapter assembly was completed for solar power products and they were installed, tested, and used by multiple system providers throughout Japan.

2015 The South Africa Division was established and was approved by the Board of Directors.

To make the best use of the assets of Nankan Plant, it was planned to relocate the plant to Guanyin Plant.

8,071 thousand shares of treasury stock were bought back.

2016 The capital size was reduced to NTD 3,168,000,630.00 only after the treasure stock was written off.

The Guanyin Plant was expanded; the construction license was obtained and the construction was outsourced.

2017 To reflect the adjustment of organization, the photovoltaic division was combined in the Power Cable Division.

2018 50th anniversary.

National Brand Yushan Award Quality Enterprise.

2019 To make the best use of the assets of Nankan Plant, its relocation to the Guanyin Plant was completed.

Acquired the invention patent and utility model patent for the anti-rat and anti-termite cables.

2020 The registered address of the Company was changed: No. 2, Jianguo First Road, Guanyin District, Taoyuan City.
The anti-rat anti-termite wires/cables won the 21st National Golden Award of Architecture - Gold Product.

2021 Sale of real estate properties of Nankan Plant to make the best use of assets.

2022 The first ESG Report was released.

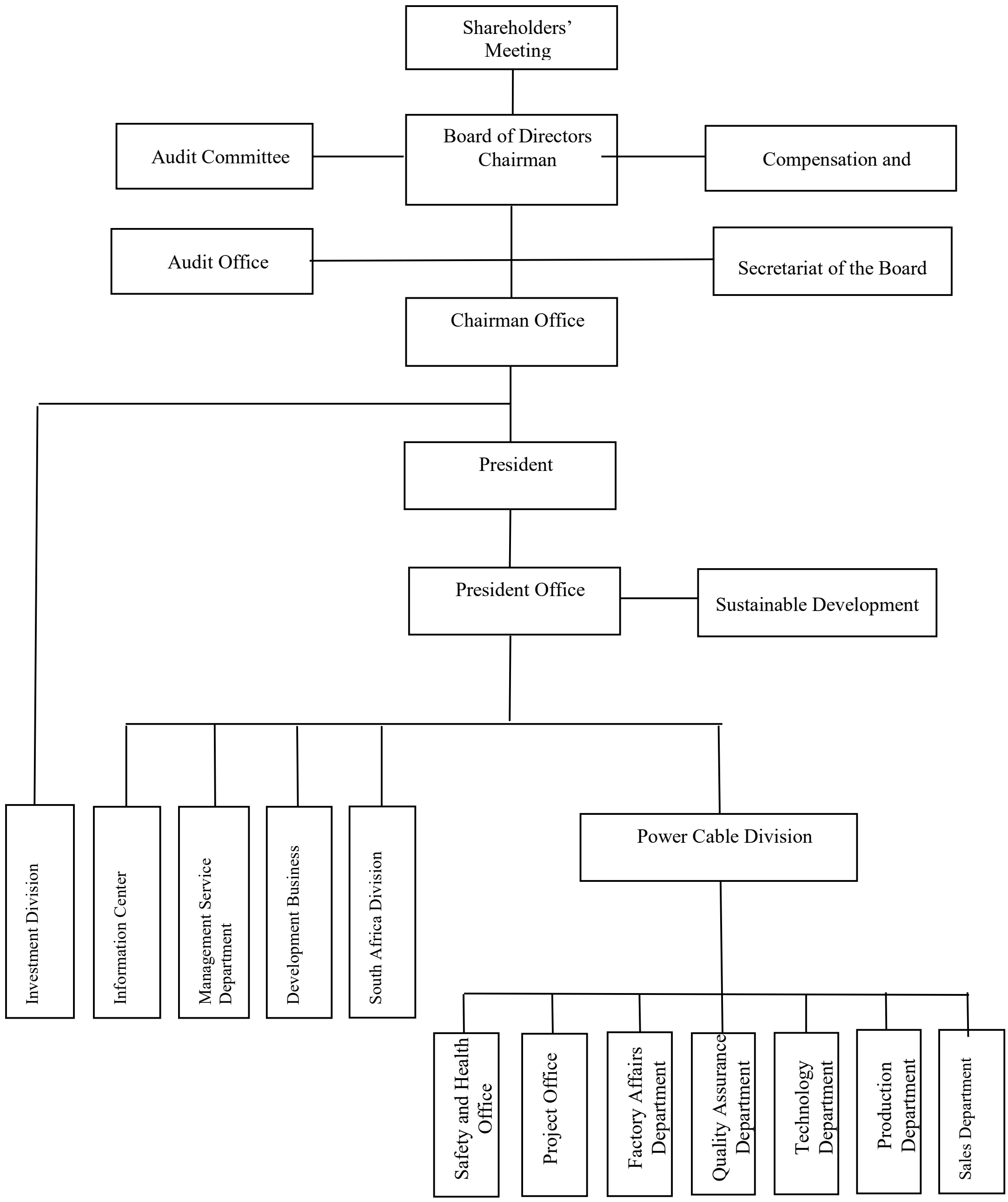
2023 Terminated the electronic material division and transferred the land and plants to the power cable division.

# C. Corporate Governance Report

## I.Organizational System

(I)Organizational System Chart

Organizational System Chart of HONG TAI ELECTRIC INDUSTRIAL CO., LTD.



(II) Major business units and their scope of operation:

| Department | Responsibility |
|---|---|
| Audit Office | Investigate and evaluate the internal control system, weigh the operating efficiency, and adequately provide improvement advice to ensure that the internal control system is effectively enforced. |
| Power Sales Department | Expand and enforce marketing for power wires/cables and solar power cables, and promote the Company's image and marketing plan. |
| Power Production Department | Plan for and manufacture power wires/cables, evaluate equipment upgrading, and repair and maintain the equipment. |
| Power Technology Department | Research and develop new power wires/cables and new raw materials/supplies, design wires/cables, and analyze the cost, improve respective manufacturing processes and production technologies. |
| Power Quality Assurance Department | Import power wires/cables and control process quality, test and control physical properties of products, perform electrical tests of final products, address abnormal quality, perform and control instrument calibration. |
| Power Project Office | Promote cross-departmental projects of the Power Cable Division and train required talent. |
| Power Plant Affairs Department | Procure raw materials/supplies for power wires/cables, manage factory affairs, dormitories, environments, security guards, and factory administration, manage the warehousing of raw materials and finished products. |
| Safety and Health Office | Take charge of labor safety and health management, among others. |
| Investment Division | Provide sources for investments, collect industrial information, plan investments, evaluate performance and analyze operational results, coordinate integration of resources of respective business entities. |
| Development Business | Evaluate the development of, invest in, and operations of new businesses, carry out asset management, trading, and leasing. |
| South Africa Division | Help manage S.O.H Company that was reinvested in South Africa and provide advice on how to improve the operation in order to boost performance and development and improve profitability. |
| Management Service Department (Including each of the subordinate divisions within its jurisdiction) | Legal affairs and customer loan review, financial funding allocation and management, accounting, taxation, personnel, general affairs,. |
| Information Center | Promote and create systems to help with overall corporate information management; plan, design, expand, and troubleshoot computer communication networks; plan, develop, test, and introduce applied information systems. |
| Secretariat of the Board | Address stock affairs and affairs concerning the Board of Directors, the Shareholders' meeting, the Economic Strategy Committee, and the Audit Committee. |

## II.Profile of Directors, Supervisors, President, Vice President, Senior Vice President, Department Heads, and Heads of Branches:

### (I)Director:

### 1. Director Profile:

April 14, 2024

| Title | Nationality or place of registration | Name | Gender Age | Date elected (inaugurated) | Term in office | Date first elected | Shares held upon inauguration | | No. of shares currently held | | Shares currently held by spouse and underage children | | Shares held in someone else's name | | Main experience (education) | Other current positions within the Company | Spouse or relatives up to the second degree of kinship or closer relatives acting as other departmental heads, directors, or supervisors | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | | | Title | Name | Relationship | |
| Chairman | R.O.C | Chiu Chiang Investment Co., Ltd. | Male 71-75 years old | 2022.06.21 | 3 years | 2004.05.28 | 15,734,514 | 4.98% | 15,734,514 | 4.98% | 0 | 0% | 0 | 0% | -- | -- | None | None | None | |
| | | Representative: Chen Shi-Yi | | 2022.06.21 | 3 years | 1981.10.17 | 13,622,563 | 4.31% | 13,622,563 | 4.31% | 2,159,485 | 0.68% | 0 | 0% | Master of Business Administration, California State University, USA<br>National Taiwan University<br>YAMAHA MOTORS CORP USA<br>President of HONG TAI ELECTRIC INDUSTRIAL CO., LTD. | Chairman of Hong Tai Electric Industrial Co., Ltd. (Institutional Representative)<br>Chairman of Safety Investment Co., Ltd. (Institutional Representative)<br>Director of Etron Technology, Inc (Institutional Representative)<br>Director of Shenjinyuan Investment Co., Ltd. (Institutional Representative)<br>Director of Southern Star Investment Co., Ltd. (Institutional Representative) | Director<br>President | Chen Liang-Hua<br>Li Wen-Pin | First degree of kinship<br>Second degree of kinship | |
| Director | R.O.C | Qiqingxin Investment Corporation | Male 36-40 years old | 2022.06.21 | 3 years | 2019.06.13 | 6,000,000 | 1.90% | 6,000,000 | 1.90% | 0 | 0% | 0 | 0% | -- | -- | None | None | None | |
| | | Representative: Chen Chih | | 2022.11.11 | | 2022.11.11 | 449,732 | 0.14% | 323,732 | 0.10% | 0 | 0% | 0 | 0% | Master of Electrical Engineering, University of Southern California<br>Research Fellow, Yenwen Asset Management Co., Ltd. | Vice Head of the Business Planning Center, iCatch Technology, Inc. | None | None | None | |

| Title | Nationality or place of registration | Name | Gender Age | Date elected (inaugurated) | Term in office | Date first elected | Shares held upon inauguration | | No. of shares currently held | | Shares currently held by spouse and underage children | | Shares held in someone else's name | | Main experience (education) | Other current positions within the Company | Spouse or relatives up to the second degree of kinship or closer relatives acting as other departmental heads, directors, or supervisors | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | | | Title | Name | Relationship | |
| Director | R.O.C | Jyh Tai Investment Co., Ltd. | Male 46-50 years old | 2022.06.21 | 3 years | 2004.05.28 | 11,650,029 | 3.69% | 11,650,029 | 3.69% | 0 | 0% | 0 | 0% | -- | -- | None | None | None | |
| | | Representative: Chen Liang-Hua | | 2022.06.21 | 3 years | 2015.06.29 | 22,884,153 | 7.24% | 22,884,153 | 7.24% | 6,884,746 | 2.18% | 0 | 0% | Master of Business Administration, University of California - San Bernardino, USA<br>RHB Hong Kong Limited (RHB Hong Kong)<br>(Former Vice President of Capital Market Department of OSK Securities) | Chief Strategy Officer, Vice President of Investment Division and South Africa Division, Hong Tai Electric Industrial Co., Ltd.<br>Chairman of Chiu Chiang Investment Co., Ltd.<br>Director of Safety Investment Co., Ltd. (Institutional Representative)<br>Supervisor of Raytek Semiconductor, Inc. (Institutional Representative)<br>Chairman of Jyh Tai Investment Co., Ltd. (Institutional Representative)<br>Director of EYS3D Microelectronics, Co. (Institutional Representative)<br>Director of Great Team Backend Foundry, Inc.<br>Director of South Ocean Holdings Ltd. (Institutional Representative)<br>Director of Moneywin International Ltd. (Institutional Representative)<br>Director of Lianfa Metal Enterprise Co., Ltd. (Institutional Representative)<br>Supervisor of Shiliangze Investment Co., Ltd.<br>Director of Cheng Ta Star Investment Co., Ltd. (Institutional Representative) | Chairman | Chen Shi-Yi | First degree of kinship | |
| Director | R.O.C | Shinn Bang Investment Co. | Male 46-50 years old | 2022.06.21 | 3 years | 2010.06.15 | 5,390,500 | 1.71% | 5,390,500 | 1.71% | 0 | 0% | 0 | 0% | -- | -- | None | None | None | |
| | | Representative: Pan Shao-Ping | | 2022.06.21 | 3 years | 2022.06.21 | 2,613,593 | 0.83% | 2,613,593 | 0.83% | 0 | 0% | 0 | 0% | Business Administration of the THUNDERBIRD School of Global Management<br>Assistant Vice President of the Auditing Office of Hong Tai Electric Industrial Co., Ltd. | Chief Operating Officer, Senior Vice President of Management Service Department, Hong Tai Electric Industrial Co., Ltd.<br>Supervisor of Shinn Bang Investment Co.<br>Supervisor of Safety Investment Co., Ltd.<br>Supervisor of Lianfa Metal Enterprise Co., Ltd. (Institutional Representative)<br>Director of Moneywin International Ltd. (Institutional Representative) | None | None | None | |
| Independent Director | R.O.C | Chao Jang, Jing | Female 66-70 years old | 2022.06.21 | 3 years | 2004.05.28 | 461,913 | 0.15% | 461,913 | 0.15% | 0 | 0% | 0 | 0% | Master of in Economics, California State University, USA<br>Chief Financial Officer, General Management Department, China Times Media Group<br>Standing directors of China Television Company<br>Supervisor of CTI Television Incorporation | Director, DerMauShin Capital Co., Ltd.<br>Director of China Times Publishing Co. (Institutional Representative)<br>Director of Ardentec Corporation (Institutional Representative)<br>Supervisor of Suhai Design and Production Inc. | None | None | None | |

| Title | Nationality or place of registration | Name | Gender Age | Date elected (inaugurated) | Term in office | Date first elected | Shares held upon inauguration | | No. of shares currently held | | Shares currently held by spouse and underage children | | Shares held in someone else's name | | Main experience (education) | Other current positions within the Company | Spouse or relatives up to the second degree of kinship or closer relatives acting as other departmental heads, directors, or supervisors | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | | | Title | Name | Relationship | |
| Independent Director | R.O.C | Lu Chih-Yuan | Male 71-75 years old | 2022.06.21 | 3 years | 2016.06.21 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | PhD in Physics, Columbia University, USA<br>Deputy General Director of ERSO, ITRI<br>General Manager, Ardentec Corporation<br>President of Vanguard International Semiconductor Corporation | Chairman and ECO of Ardentec Corporation<br>Director and President of Macronix International Co., Ltd.<br>Chairman of GIGA SOLUTION TECH. CO., LTD. (Institutional Representative)<br>Chairman of Sheng Tang Investment Ltd. (Institutional Representative)<br>Chairman of Ardentec Semiconductor., Ltd. (Institutional Representative)<br>Director, Macronix (Hong Kong) Co., Ltd.<br>Board Director, Feng Chia University<br>Director, Ardentec Singapore Pte.Ltd.<br>Director, Ardentec Korea Co., Ltd.<br>Chairman of Macronix America Inc.<br>Director, Macronix Europe NV. | None | None | None | |
| Independent Director | R.O.C | Lo Hsueh-Yu | Male 61-65 years old | 2022.06.21 | 3 years | 2016.06.21 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Master of Accounting and Information Technology, National Chung Cheng University<br>Chairman of Grand Fortune Securities Investment Advisory Co., Ltd.<br>President of Grand Fortune Securities Co., Ltd.<br>Executive Vice President of Taiwan International Securities Co., Ltd.<br>Director of Welldone Company. | Independent Director of Everfocus Electronics Corp.<br>Chairman of Tungying International Co., Ltd.<br>Director of Welldone Company. | None | None | None | |

## 2.Major shareholders of institutional shareholders:

April 14, 2024

| Name of institutional shareholder | Primary shareholders of institutional shareholders |
|---|---|
| Chiu Chiang Investment Co., Ltd. | Chen Tse-Yu (48.82%), Chen Liang-Hua (35.02%), Chen Shi-Yi (4.97%), Hsu Wei-Tzu (4.64%), Chang Chun-Fei (3.80%), Li, Ya-Ming (2.74%). |
| Qiqingxin Investment Co., Ltd. | Chi Kuei-Hua (100%) |
| Jyh Tai Investment Co., Ltd. | Chiu Chiang Investment Co., Ltd. (100%) |
| Shinn Bang Investment CO., Ltd. | Pan Wu-Hsiung (36.90%), Wu Ting-Ying (26.09%), Pan Shao-Ping (25.99%), Pan Hsin-Pin (11.02%). |

3.Disclosure of professionalism of directors and independence of independent directors:

| Criteria / Name | Professionalism and experience (Note 1) | Independence (Note 2) | Number of other public companies with the position of independent director |
|---|---|---|---|
| Chiu Chiang Investment Co., Ltd.<br>Representative:<br>Chen Shi-Yi | Master of Business Administration, California State University, USA<br>Currently, Chairman of Hong Tai Electric Industrial Co., Ltd., Chairman of a subsidiary Safety Investment Co., Ltd., and director of Etron Technology, Inc, director of Shen Chin Yuan Co., Ltd., director of Southern Star Investment Co., Ltd. with experiences in different industries and various fields in different markets, commercial, legal, finance, accounting, and other work experiences required to support corporate operations, as well as familiarity with industry trends and leadership capabilities.<br>Without any of the conditions under Article 30 of the Company Act. | Not applicable | None |
| Qiqingxin Investment Co., Ltd.<br>Representative:<br>Chen Chih | Master of Electrical Engineering, University of Southern California<br>Current Vice Director at the Operation and Distribution Planning Center, iCatch Technology Inc., with leadership in professional fields and commercial, management, and other work experiences required to support corporate operations.<br>Without any of the conditions under Article 30 of the Company Act. | Not applicable | None |
| Jyh Tai Investment Co., Ltd.<br>Representative:<br>Chen Liang-Hua | Master of Business Administration, University of California - San Bernardino, USA<br>With international perspectives and experience with overseas investment markets as well as commercial, legal, finance, accounting, and other work experiences required to support corporate operations.<br>Without any of the conditions under Article 30 of the Company Act. | Not applicable | None |
| Shinn Bang Investment CO., Ltd.<br>Representative:<br>Pan Shao-Ping | Business Administration of the THUNDERBIRD School of Global Management<br>Having worked for the Company for years and served multiple positions, with commercial, management, finance, accounting or other work experiences required to support corporate operations.<br>Without any of the conditions under Article 30 of the Company Act. | Not applicable | None |

<table>
<tr><th>Criteria<br>Name</th><th>Professionalism and experience<br>(Note 1)</th><th>Independence<br>(Note 2)</th><th>Number of other public companies with the position of independent director</th></tr>
<tr><td>Independent Director<br>Chao Jang, Jing<br>(Convener)</td><td>Master of in Economics, California State University, USA<br>Currently, Convener of the Company’ s Audit Committee and Compensation and Remuneration Committee, with commercial, legal, financial, accounting, and other experiences required to support corporate operations, an international CPA, holder of a national certificate after having passed a national exam.</td><td rowspan="2">Fulfillment of respective independence criteria below for the two years prior to inauguration and during service:<br>(1) Not an employee of the Company or any of its affiliates.<br>(2) Not a director or supervisor of the Company of any of its affiliates (unless it is served by an independent director set up by the Company and its parent company, subsidiaries, or subsidiaries that belong to the same parent company in compliance of the Securities and Exchange Act or local regulations)<br>(3) Not a natural person shareholder who, in person or in someone else’ s name, or whose spouse or underage child holds more than 1% of the Company's outstanding shares or is a Top-10 natural-person shareholder of the Company.<br>(4) Not the spouse or a relative within the second degree of kinship, or a direct blood relative within a third degree of kinship of the manager listed in (1) or the person listed in (2) or (3).<br>(5) Not a director, supervisor, or employee of the institutional shareholder that directly holds at least 5% of outstanding shares of the Company, is one of the Top 5 shareholders of the Company or has a representative to serve as the director or supervisor of the Company in compliance with Article 27 Paragraph 1 or 2 of the Company Act (unless it is served by an independent director set up by the Company and its parent company, subsidiaries, or subsidiaries that belong to the same parent company in compliance of the Securities and Exchange Act or local regulations).<br>(6) Not a director, supervisor, or employee of another company that holds a majority of the Company’ s director seats or shares with voting rights and is controlled by a single</td><td>None</td></tr>
<tr><td>Independent Director<br>Chih Yuan Lu</td><td>PhD in Physics, Columbia University, USA<br>Deputy General Director of ERSO, ITRI<br>Current Chairman and Chief Executive Officer of Ardentec Technology Inc. and member of the Company’ s Audit Committee and Compensation and Remuneration Committee with commercial, legal, finance, accounting, and other work experiences required to support corporate operations,with international perspectives and capable of determining competition on the global professional market, and innovation and leadership, a state scholar at the industrial, governmental, academic, and research levels at the same time in the semi-conductor sector.</td><td>None</td></tr>
</table>

| | | | |
|---|---|---|---|
| Independent Director Hsueh Yu Lo | Master of Accounting and Information Technology, National Chung Cheng University<br>Chairman of Grand Fortune Securities Investment Advisory Co., Ltd.<br>Currently, Member of the Company’s Audit Committee and Compensation and Remuneration Committee, with commercial, legal, financial, accounting, and other experiences required to support corporate operations, specializing in corporate finance and accounting affairs, abundant experience in industrial planning. | person (unless it is served by an independent director set up by the Company and its parent company, subsidiaries, or subsidiaries that belong to the same parent company in compliance of the Securities and Exchange Act or local regulations).<br>(7) Not a director, supervisor, or employee of a company or institution that has the same chairman, president, or the equivalent position holder as the Company or is owned by the spouse of the person holding the said position (unless it is served by an independent director set up by the Company and its parent company, subsidiaries, or subsidiaries that belong to the same parent company in compliance of the Securities and Exchange Act or local regulations).<br>(8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have a financial or business relationship with the company. (Unless the said specific company or institution holds at least 20% and no more than 50% of outstanding shares of the Company and it is served by an independent director set up by the Company and its parent company, subsidiaries, or subsidiaries that belong to the same parent company in compliance of the Securities and Exchange Act or local regulations).<br>(9) Not the owner, a partner, director, supervisor, manager, or the spouse of a professional, sole proprietorship, partner, company, or institution providing auditing service to the Company or any of its affiliates or other related services such as commerce, legal affairs, finance, and accounting with accumulated rewards over the past two years yet to exceed NTD 500,000. This, however, does not include members of the Compensation and Remuneration Committee, the Public Acquisition Review Committee, or the Special Merger and Acquisition Committee that function in compliance with applicable laws and regulations such as the Securities and Exchange Act or the Business Mergers And Acquisitions Act.<br>(10) Not the spouse or a relative within the second degree of kinship of other directors.<br>(11) Without any of the conditions under Article 30 of the Company Act.<br>(12) Not a governmental, juridical person or its representative as defined under Article 27 of the Company Act. | 1 |

4.Diversification and independence of the Board of Directors:

According to Article 20 of the Company's "Corporate Governance Best-Practice Principles", the composition of the Board of Directors shall be determined by taking diversity into consideration and preparing a suitable diversification policy reflective of its own operation, the operational pattern, and developmental demand. Members of the Board of Directors shall possess the required skills for them to fulfill their duties and in order to accomplish corporate governance, the Board of Directors as a whole shall possess the following capabilities (1) operational judgment, (2) accounting and financial analysis, (3) business management, (4) crisis management, (5) industrial knowledge, (6) international market perspective, (7) leader, and (8) decision-making.

Currently, the Company's Board of Directors consists of 7 directors, including 3 independent directors and among them is one female director, accounting for 14.3% of all directors. Ages of the directors are 71 to 80 years old (28.6%), 61 to 70 years old (28.6%), 41 to 50 years old (28.6%), and 31 to 40 years old (14.3%); the mean age of all directors is about 59 years old.

| Title | Name | Gender | Diversification | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Operational judgment | Financial and accounting analysis | Business management | Crisis management | Industrial and academic knowledge | International horizon | Leadership | Decision-making ability | Industrial experience/professional skills |
| Representative of Chiu Chiang Investment Co., Ltd. | Chairman Chen Shi-Yi | Male | V | V | V | V | V | V | V | V | Wire/cable |
| Representative of Qiqingxin Investment Co., Ltd. | Director Chen Chih | Male | | | V | | V | V | | | Technology |
| Representative of Jyh Tai Investment Co., Ltd. | Director Chen Liang-Hua | Male | V | V | V | | | V | | | Finance and investment |
| Representative of Shinn Bang Investment Co. Ltd. | Director Pan Shao-Ping | Male | V | V | V | V | | | | | Finance and accounting |
| Independent Director | Chao Jang, Jing | Female | V | V | V | V | V | V | V | V | Finance and accounting |
| Independent Director | Chih Yuan Lu | Male | V | V | V | V | V | V | V | V | Semi-conductor sector |
| Independent Director | Hsueh Yu Lo | Male | V | V | V | V | | | | V | Finance and investment |

| Diversification | Fulfillment of substantial management goals | so far |
|---|---|---|
| Gender | Including at least 1 female director | Fulfilled |
| Expertise or background | At least 1 with the eligibility of an CPA | Fulfilled |

5.Independence of Board of Directors:

The Board of Directors of the 23rd intake of the Company consists of 4 general directors and 3independent directors.

Among the members of the Board of Directors, except for Chairman Chen Shi-Yi and Director Chen Liang-Hua, who are of the first degree of kinship, the other (5) directors are free of the conditions specified in Article 26-3 Paragraphs 3 and 4 of the Securities and Exchange Act.

All independent directors meet regulatory requirements.

Note 1: Professionalism and experience: Specify the professionalism and experience of individual directors and supervisors. If a member of the Audit Committee possesses accounting or financial expertise, for example, the accounting or financial background and work experience as well as the conductions in respective sub-paragraphs of Article 30 of the Company Act shall be specified.

Note 2: The independent directors shall describe their independence, including but not limited to whether the directors and their spouses and relatives within second degree serve as directors, supervisors, or employees of the Company or any of its affiliates; the number and proportion of shares of the Company held by the directors and their spouses and relatives within second degree (or in the name of others); whether serving as a director, supervisor, or employee of a company with which the Company has a specific relationship (refer to Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). Amount of remuneration received for providing business, legal, financial, accounting, and other services to the Company or its affiliates in the last two years.

## (II)Profile of President, Vice Presidents, Senior Vice Presidents, Department Heads and Heads of Branches:

April 14, 2024

| Title | Nationality | Name | Gender | Date elected (inaugurated) | Number of shares held | | Shares held by spouse and underage children | | Shares held in someone else's name | | Main experience (education) | Current position held in another company | Manager who is a spouse or a relative within the second degree of kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | | | Title | Name | Relationship | |
| President | R.O.C | Li Wen-Pin | Male | 2021.09.07 | 1,010,000 | 0.32% | 0 | 0% | 0 | 0% | Department of Electrical Engineering, National Cheng Kung University<br>Assistant Vice President & Vice President of the Power Cable Division of Hong Tai Electric Industrial Co., Ltd. | None | None | None | None | |
| Chief Strategy Officer/<br>Vice President | R.O.C | Chen Liang-Hua | Male | 2021.09.14 | 22,884,153 | 7.24% | 6,884,746 | 2.18% | 0 | 0% | Master of Business Administration, University of California - San Bernardino, USA<br>RHB Hong Kong Limited (RHB Hong Kong) (Former Vice President of Capital Market Department of OSK Securities) | Chairman of Chiu Chiang Investment Co., Ltd.<br>Director of Safety Investment Co., Ltd. (Institutional Representative)<br>Supervisor of Raytek Semiconductor, Inc. (Institutional Representative)<br>Chairman of Jyh Tai Investment Co., Ltd. (Institutional Representative)<br>Director of EYS3D Microelectronics, Co. (Institutional Representative)<br>Director of Great Team Backend Foundry, Inc.<br>Director of South Ocean Holdings Ltd. (Institutional Representative)<br>Director of Moneywin International Ltd. (Institutional Representative)<br>Supervisor of Lianfa Metal Enterprise Co., Ltd. (Institutional Representative)<br>Supervisor of Shiliangze Investment Co., Ltd. | None | None | None | |
| Chief Operation Officer/<br>Vice President<br>(Head of Finance and Accounting) | R.O.C | Pan Shao-Ping | Male | 2021.09.07 | 2,613,593 | 0.83% | 0 | 0% | 0 | 0% | Business Administration of the THUNDERBIRD School of Global Management<br>Assistant Vice President of the Auditing Office of Hong Tai Electric Industrial Co., Ltd. | Supervisor of Shinn Bang Investment Co. Ltd.<br>Supervisor of Safety Investment Co., Ltd.<br>Director of Moneywin International Ltd. (Institutional Representative) | None | None | None | |

## III.Remuneration paid to Directors (including Independent Directors), Supervisors, President, and Vice Presidents in Recent Years:

(I)Remuneration for general directors and independent directors (overview and range, with disclosure of the name):

Unit: NTD thousand

| Title | Name | Remuneration for directors | | | | | | | | Sum of A+B+C+D and its ratio to after-tax net profit (Note 10) | | Related remuneration for those who are also employees of the Company | | | | | | | | Sum of A+B+C+D+E+F+G and it ratio to after-tax net profit (Note 10) | | Remuneration received from reinvestments other than subsidiaries or the parent company (Note 11) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Compensation (A) (Note 2) | | Severance pay and pension (B) | | Remuneration for directors (C) (Note 3) | | Business expenses (D) (Note 4) | | | | Salaries, bonuses and allowances (E) (Note 5) | | Severance pay and pension (F) | | Remuneration for employees (G) (Note 6) | | | | | | |
| | | The Company | All companies in the financial statements (Note 7) | The Company | All companies in the financial statements (Note 7) | The Company | All companies in the financial statements (Note 7) | The Company | All companies in the financial statements (Note 7) | The Company | All companies in the financial statements (Note 7) | The Company | All companies in the financial statements (Note 7) | The Company | All companies in the financial statements (Note 7) | The Company | | All companies in the financial statements (Note 7) | | The Company | All companies in the financial statements (Note 7) | |
| | | | | | | | | | | | | | | | | Cash value | Stock value | Cash value | Stock value | | | |
| Chairman | Chiu Chiang Investment Co., Ltd. epresentative: Chen Shi-Yi | 0 | 0 | 0 | 0 | 22,772 | 22,772 | 480 | 480 | 23,252<br>3.6998% | 23,252<br>3.6998% | 10,671 | 10,671 | 274 | 274 | 1,908 | 0 | 2,677 | 0 | 36,105<br>5.7449% | 36,874<br>5.8673% | None |
| Vice President | Shinn Bang Investment Co. epresentative: Pan Shao-Ping | | | | | | | | | | | | | | | | | | | | | |
| Director | Qiqingxin Investment Co., Ltd. epresentative: Chen Chih | | | | | | | | | | | | | | | | | | | | | |
| Vice President | Jyh Tai Investment Co., Ltd. epresentative: Chen Liang-Hua | | | | | | | | | | | | | | | | | | | | | |
| ndependent Director | Chao Jang, Jing | 1,920 | 1,920 | 0 | 0 | 1,650 | 1,650 | 360 | 360 | 3,930<br>0.6253% | 3,930<br>0.6253% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,930<br>0.6253% | 3,930<br>0.6253% | None |
| ndependent Director | hih Yuan Lu | | | | | | | | | | | | | | | | | | | | | |
| ndependent Director | Hsueh Yu Lo | | | | | | | | | | | | | | | | | | | | | |

1. Please clarify the payment policy, system, criteria, and structure of remuneration for independent directors and the association between factors such as responsibilities assigned, risks, and time spent, among others, and the value of the rewards pdaid:
   Article 19 of the Company's Articles of Incorporation stipulates that directors of the Company may receive compensation unaffected by profits or losses according to their involvement in and their contributions to the Company's operation.x The industrial standards may be referred to. Such compensation is determined by the Board of Directors as authorized after it is deliberated by the Compensation and Remuneration Committee.
   Article 21 of the Company's Articles of Incorporation stipulates that: no more than 3% of the annual earnings shall be the remuneration for directors.
2. Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as a non-employee consultant of the parent company/all companies covered in the financial statements/investees) rendered to the Company: 0

Remuneration bracket table

| Bracket by which remuneration is paid to individual directors of the Company | Name of Director | | | |
|---|---|---|---|---|
| | Sum of the first four types of remuneration (A+B+C+D) | | Sum of the first seven types of remuneration (A+B+C+D+E+F+G) | |
| | The Company (Note 8) | All companies in the financial statements (Note 9)H | The Company (Note 8) | All companies in the financial statements (Note 9)I |
| Below $1,000,000.00 | | | | |
| $1,000,000 (inclusive) to $2,000,000 (exclusive) | Independent Director: Chao Jang, Jing<br>Independent Director:Lu Chih -Yuan<br>Independent Director: Lo Hsueh- Yu | Independent Director: Chao Jang, Jing<br>Independent Director:Lu Chih -Yuan<br>Independent Director: Lo Hsueh- Yu | Independent Director: Chao Jang, Jing<br>Independent Director:Lu Chih -Yuan<br>Independent Director: Lo Hsueh- Yu | Independent Director: Chao Jang, Jing<br>Independent Director:Lu Chih -Yuan<br>Independent Director: Lo Hsueh- Yu |
| $2,000,000 (inclusive) to $3,500,000 (exclusive) | | | General director: Jyh Tai Investment - Chen Liang-Hua<br>General director: Shinn Bang Investment - Pan Shao-Ping | General director: Jyh Tai Investment - Chen Liang-Hua<br>General director: Shinn Bang Investment - Pan Shao-Ping |
| $3,500,000 (inclusive) to $5,000,000 (exclusive) | | | | |
| $5,000,000 (inclusive) to $10,000,000 (exclusive) | General director: Chiu Chiang Investment - Chen Shih-Yi<br>General director: Qiqingxin Investment - Chen Chih<br>General director: Jyh Tai Investment - Chen Liang-Hua<br>General director: Shinn Bang Investment - Pan Shao-Ping | General director: Chiu Chiang Investment - Chen Shih-Yi<br>General director: Qiqingxin Investment - Chen Chih<br>General director: Jyh Tai Investment - Chen Liang-Hua<br>General director: Shinn Bang Investment - Pan Shao-Ping | General director: Qiqingxin Investment - Chen Chih<br>General director: Jyh Tai Investment - Chen Liang-Hua<br>General director: Shinn Bang Investment - Pan Shao-Ping | General director: Qiqingxin Investment - Chen Chih<br>General director: Jyh Tai Investment - Chen Liang-Hua<br>General director: Shinn Bang Investment - Pan Shao-Ping |
| $10,000,000.00 (inclusive) to $15,000,000 (exclusive) | | | General director: Chiu Chiang Investment - Chen Shih-Yi | General director: Chiu Chiang Investment - Chen Shih-Yi |
| $15,000,000.00 (inclusive) to $30,000,000 (exclusive) | | | | |
| $30,000,000.00 (inclusive) to $50,000,000 (exclusive) | | | | |
| $50,000,000.00 (inclusive) to $100,000,000 (exclusive) | | | | |
| Greater than NT$100,000,000 | | | | |
| Total | 7 | 7 | 7 | 7 |

(II)Remuneration for supervisors (overview and range, with disclosure of the names):

Directors were re-elected on June 21, 2016 and the Audit Committee was set up; there are no supervisors any more.

(III) Remuneration for the General Manager and Vice General Manager (overview and range, with disclosure of the names): Unit: NTD thousand

| Title | Name | Salary (A) (Note 2) | | Severance pay and pension (B) | | Bonuses and allowances, etc. (C) (Note 3) | | Employee remuneration (D) (Note 4) | | | | Sum of A+B+C+D and its ratio to after-tax net profit (%)(Note 8) | | Remuneration received from reinvestments other than subsidiaries or the parent company (Note 9) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies in the financial statements (Note 5) | The Company | All companies in the financial statements (Note 5) | The Company | All companies in the financial statements (Note 5) | The Company | | All companies in the financial statements (Note 5) | | The Company | All companies in the financial statements | |
| | | | | | | | | Cash value | Stock value | Cash value | Stock value | | | |
| Chairman | Chen Shi-Yi | 10,966 | 10,966 | 553 | 553 | 11,283 | 12,061 | 3,365 | 0 | 3,365 | 0 | 26,167<br>4.1636% | 26,945<br>4.2874% | None |
| Vice CEO (Retired on 2023.09.06) | Pan Chun-Hsiung | | | | | | | | | | | | | |
| President | Li Wen-Pin | | | | | | | | | | | | | |
| President of the Division (Retired on 2023.10.31) | Chang Yung-Cheng | | | | | | | | | | | | | |
| Vice President | Chen Liang-Hua | | | | | | | | | | | | | |
| Vice President | Pan Shao-Ping | | | | | | | | | | | | | |

Remuneration bracket table

| Bracket by which remuneration is paid to individual General Managers and Vice General Managers of the Company | Name of General Manager and Vice General Manager | |
|---|---|---|
| | The Company (Note 6) | All companies in the financial statements (Note 7)E |
| Below $1,000,000.00 | | |
| $1,000,000 (inclusive) to $2,000,000 (exclusive) | Chang Yung-Cheng | Chang Yung-Cheng |
| $2,000,000 (inclusive) to $3,500,000 (exclusive) | Chen Liang-Hua,Pan Shao-Ping, | Chen Liang-Hua,Pan Shao-Ping, |
| $3,500,000 (inclusive) to $5,000,000 (exclusive) | Pan Chun-Hsiung | Pan Chun-Hsiung |
| $5,000,000 (inclusive) to $10,000,000 (exclusive) | Chen Shi-Yi, Li Wen-Pin | Chen Shi-Yi, Li Wen-Pin |
| $10,000,000.00 (inclusive) to $15,000,000 (exclusive) | | |
| $15,000,000.00 (inclusive) to $30,000,000 (exclusive) | | |
| $30,000,000.00 (inclusive) to $50,000,000 (exclusive) | | |
| $50,000,000.00 (inclusive) to $100,000,000 (exclusive) | | |
| Greater than NT$100,000,000 | | |
| Total | 6 | 6 |

(IV)Names of managers to whom employee remuneration is distributed and distribution status:

Unit: NTD thousand

| | Title (Note 1) | Name (Note 1) | Stock value | Cash value | Total | Ratio of the sum to after-tax net profit (%) |
|---|---|---|---|---|---|---|
| Manager | Chairman | Chen Shi-Yi | 0 | 3,365 | 3,365 | 0.5354% |
| | Vice CEO (Retired on 2023.09.06) | Pan Chun-Hsiung | | | | |
| | President | Li Wen-Pin | | | | |
| | President of the Division (Retired on 2023.10.31) | Chang Yung-Cheng | | | | |
| | Vice President | Chen Liang-Hua | | | | |
| | Vice President | Pan Shao-Ping | | | | |

Note 1:The name and title of the individual shall be disclosed yet distribution of profits may be disclosed in an overview.

Note 2:It is the employee remuneration (including stock and cash) distributed to managers through the Board of Directors in recent years. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculate proportionally. After-tax net profit refers to that in the most recent year. When the International Financial Reporting Standard is already adopted, after-tax net profit refers to that shown in the individual financial statement of the most recent year.

Note 3:The scope of applicability for managers is based on the Taiwan-Finance-Securities-III-0920001301 letter dated March 27, 2003 and is defined as follows:

(1)President and equivalent
(2)Vice President and equivalent
(3)Senior Vice President and equivalent
(4)Head of Finance Department
(5)Head of Accounting Department
(6)Other people entitled to corporate administration and with the right to sign on behalf of the Company

Note 4:If directors, general managers, and vice general managers receive employee remuneration (including stock and cash), besides Exhibits 1-2, this table needs to be completed, too.

(V) Related information of remuneration paid to the directors, supervisors, president, and vice presidents of the Company by the Company and all companies included in the consolidated statement over the past two years:

1.Analysis of the ratio to after-tax net profit:

| Title | 2023<br>Ratio of the sum of remuneration paid to the directors, supervisors, president, and vice presidents of the Company by the Company and all companies included in the consolidated statement | 2022<br>Ratio of the sum of remuneration paid to the directors, supervisors, president, and vice presidents of the Company by the Company and all companies included in the consolidated statement |
|---|---|---|
| Director | 6.49% | 8.81% |
| Supervisor | 0% | 0% |
| President and Vice President | 4.26% | 8.31% |

Note: After-tax net profit refers to that in the most recent year. When the International Financial Reporting Standard is already adopted, after-tax net profit refers to that shown in the individual financial statement of the most recent year.

2.Correlation among the remuneration payment policy, standards and combination, remuneration establishment procedures, and management efficacy and risks in the future:

(1)Remuneration for directors:

Articles of Incorporation 21 of the Company stipulates that no more than 3% of annual earnings, if any, shall be set aside to be the remuneration to directors. With reference to the Company’s operational strategy, operating performance, future developments, and the industrial setting as well as their involvement in and contribution to corporate operations, directors are provided with reasonable remuneration. In addition, in accordance with the "Board of Directors Performance Evaluation Guidelines", a board performance evaluation is conducted at the end of each year. The directors' self-assessment items include: the six aspects of the mastery of Company goals and duties, awareness of director responsibilities, degree of participation in company operations, internal relationship management and communication, profession and continuing education of directors, and internal control. The "Board of Directors Performance Evaluation Results" for each year will be provided to the Compensation and Remuneration Committee as a reference for individual director's compensation, which will be reviewed by the Compensation and Remuneration Committee on a regular basis. A proposal will be made and submitted to the Board of Directors for approval before it is enforced.

The operating performance in 2023 increased compared to that in 2022, with an increase of approximately 77% in EPS (earnings per share after tax). Therefore the remuneration for directors in 2023 also increased compared to that in 2022.

(2)Remuneration for managers:

The overall compensation of the Company's managers is approved by the Compensation and Remuneration Committee at the time of appointment. The composition of the compensation mainly consists of salaries, bonuses, employee compensation, etc., taking into account their duties, market salary levels, etc., to ensure that the compensation of the Company's management is competitive in the industry in order to retain outstanding management talent. According to Article 21 of the Company's Articles of Incorporation, if the Company was profitable during the year, 2%-8% of the profit may be allocated as remuneration for employees. In addition to compensation, the distribution of rewards take into account employees' contribution, including: 1. Contribution of each business unit to the Company's profit and loss statement and its target achievement rate. 2. Overall management operations and risk control capabilities. 3. Contribution to the future development of the Company. The subsequent calculation is reviewed by the Compensation and Remuneration Committee and the proposal is submitted to the Board of Directors for approval before implementation in order to reward the managers' efforts and hard work.

The Company's remuneration package, which is determined in accordance with the rules and regulations of the Compensation and Remuneration Committee, consists of cash compensation, stock options, stock dividends, retirement or termination benefits, various allowances, and other substantial incentives. The scope is in line with the directors' and managers' remuneration as set out in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

## IV.Operational Status of Corporate Governance:

(I)Information on the Operational Status of the Board of Directors:

The Board of Directors met 6 times over the past year (2023) (A) and attendance (seating) of directors in the meetings is shown below:

| Title | Name (Note 1) | Actual attendance (seated) frequency 【B】 | Attendance by proxy | Ratio of Actual Attendance (%) [B/A] (Note 2) | Remarks |
|---|---|---|---|---|---|
| Chairman | Chiu Chiang Investment Co., Ltd. Representative: Chen Shi-Yi | 6 | 0 | 100% | |
| Director | Qiqingxin Investment Co., Ltd. Representative: Chen Chih | 6 | 0 | 100% | |
| Director | Jyh Tai Investment Co., Ltd. Representative: Chen Liang-Hua | 6 | 0 | 100% | |
| Director | Shinn Bang Investment CO., Ltd. Representative: Pan Shao-Ping | 6 | 0 | 100% | |
| Independent Director | Chao Jang, Jing | 6 | 0 | 100% | |
| Independent Director | Lu Chih-Yuan | 6 | 0 | 100% | |
| Independent Director | Lo Hsueh-Yu | 6 | 0 | 100% | |

Other details to be documented:

I. The date and session number of the meeting of the Board of Directors, proposal contents, opinions of all Independent Directors, and Action’s reactions towards Independent Director’s opinions shall be specified in case of the following conditions in respect of the operation of the Board of Directors:

(I)Matters specified in Article 14-3 of the Securities and Exchange Act: The Company has the Audit Committee in place; the requirement under Article 14-3 of the Securities and Exchange Act does not apply according to Article 14-5 of the Securities and Exchange Act.

(II)Besides those stated above, other matters decided through the Board of Directors meeting, for which Independent Directors expressed opposition or qualified opinions that were recorded or declared in writing: None

II. For the enforcement of recusal upon conflicts of interest among directors, the name of the director, details of the proposal, reason for the recusal, and participation in the voting process or not shall be described:

In the 10th meeting of the Board of Directors of the 23rd intake on December 22, 2023, the distribution of annual bonuses to managers of the Company was discussed. Chairman Chen Shi-Yi, Director Chen Liang-Hua, and Director Pan Shao-Ping were stakeholders and, in honor of the recusal principle in case of conflicting interests, did not take part in the discussion and voting session and were disallowed to exercise voting rights on behalf of other directors. The proposal was approved by Chao Jang, Jing, the acting chairman appointed by the chairman and an independent director, after consultation with the other attending directors without objection.

III. TWSE/TPEx listed companies shall disclose the evaluation cycle and duration, and scope, approach, and content of the evaluation, among other information, of the reviews performed independently by the Board of Directors or peer reviews and complete the implementation status of Board of Directors reviews in Exhibit 2 (2):

| Evaluation cycle | Evaluation period | Scope of evaluation | Method of evaluation | Details of evaluation |
|---|---|---|---|---|
| Once a year | January 1, 2023 through December 31, 2023 | 1.Board of Directors as a whole<br>2.Composition<br>3.Functional committee | Self-evaluation inside the Board of Directors | Board of Directors Performance Evaluation:<br>1.Participation in Company operations<br>2.Improving decision-making quality of the Board of Directors<br>3.Composition and structure of the Board of Directors<br>4.Election and continuing education of the directors<br>5.Internal control |
| | | | | Board Directors Performance Evaluation:<br>1.Familiarity with the goals and missions of the Company<br>2.Recognition of duties as Directors<br>3.Participation in Company operations<br>4.Management of internal relations and ommunication<br>5.Directors' professionalism and continuing education<br>6.Internal control |
| | | | | Functional committee performance evaluation:<br>1. Participation in Company operations<br>2. Awareness of the responsibilities of functional committee<br>3. Improving decision-making quality of functional committee<br>4. Composition of functional committee and selection of its members<br>5. Internal control |
| At least once every three years | January 1, 2022 through December 31, 2022 | 1.Board of Directors as a whole<br>2.Composition<br>3.Functional committee | The assessment was performed by the authorized external professional independent institution "EY Business Advisory Services Inc." | Evaluated domain:<br>1.Board of Directors structure and procedure<br>2.Members of the Board of Directors<br>3.Legal entity and organizational structure<br>4.Roles and responsibilities<br>5.Behavior and culture<br>6.Director training and development<br>7. Risk control supervision<br>8. Filing, disclosure, and performance supervision - 8 domains in total (Note) |

Notes: The external evaluator conducted the evaluation through questionnaires, written review, and site visits that covers 3 major constructs, namely the structure, membership, procedure and information of the Company's Board of Directors and 8 major domains, namely the Board of Directors structure and procedure, members of the Board of Directors, legal entity and organizational structure, roles and responsibilities, behavior and culture, director training and development, risk control supervision, and filing/disclosure and performance supervision.

IV. Reinforced assessments of functional objectives of the Board of Directors and implementation status of the objectives of the specific year and the most recent year:

(I) In order to consolidate corporate governance and to promote the functionality of the Company's Board of Directors, define performance goals, and reinforce the operation of the Board of Directors, the self-assessment is performed each year and an external assessment is performed by a professional independent contractor at lease once every three years (which already took place in 2022). The self-assessment performed of the members of the Board of Directors and functional committees as a whole in 2023 rendered optimal results and no major items requiring improvement. Results of the internal assessments were brought forth in the Board of Directors meeting on March 22, 2024. Related information has been uploaded to the Market Observation Post System, too.

(II) Since the re-election during the shareholders' meeting in June 2016, the Audit Committee has been in place. It consists of all independent directors and meets at least once quarter to review financial reports of the Company, the hiring (dismissal) and compensation of CPAs, the effectiveness of internal control and applicable regulatory rules. The Audit Committee met 5 times in 2023. Related people were seated during meetings to answer questions and discuss related operations. Communications have been going on well. Annual work highlights are as follows:

1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. Implementation or amendment of guidelines for major financial operations including asset acquisition and disposal, trading derivatives, lending funds to other parties, and making of endorsement and guarantees for other parties pursuant to Article 36-1 of the Securities and Exchange Act.
4. Matters in which a director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. The offering, issuance, or private placement of equity-type securities.
8. The hiring or dismissal of a certified public accountant, or their compensation.
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual and semiannual financial statements.

11.Other material matters as may be required by this Corporation or by the competent authority.

(III)Proactively provide information on various continuing education courses and encourage directors to participate in corporate governance courses to enhance the role as Board members. In 2023, 7 directors participated in continuing education for a total of 59 hours, with an average of 8.4 hours of study per director.

(IV)Amendments to the Company's "Corporate Governance Best Practice Principles" to prohibit insiders of the Company from trading in securities using unpublished information in the market. The Company's directors are prohibited from trading in shares during the closed periods of 30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of the quarterly financial report.

Notes1: When directors and supervisors are corporations, the name of the institutional shareholder, its representative, and the name shall be disclosed.

Note 2:

(1)In the event that directors or supervisors resign before the end of a fiscal year, the date of resignation shall be indicated in the remarks field. The ratio of attendance (seated) in person (%) is calculated by the number of Board of Directors meetings held during service and the attendance (seated) in person.

(2)In the event that directors or supervisors are re-elected before the end of a fiscal year, both the new and old directors and supervisors shall be listed and whether one is new or old or is serving a second term and the date of the re-election shall be indicated in the remarks field. The ratio of attendance (seated) in person (%) is calculated by the number of Board of Directors meetings held during service and the actual attendance in person.

(II) Operations of the Audit Committee:

The Committee met 5 times (A) over the past year (2023) and attendance (seating) of independent directors in the meetings is shown below:

| Title | Name | Attendance in person (B) | Attendance by proxy | Ratio of attendance in person (%) (B/A) (Note) | Remarks |
|---|---|---|---|---|---|
| Independent Director | Chao Jang, Jing | 5 | 0 | 100 | |
| Independent Director | Lu Chih-Yuan | 5 | 0 | 100 | |
| Independent Director | Lo Hsueh-Yu | 5 | 0 | 100 | |

Other details to be documented:

I. When the operation of the Audit Committee is found with one of the following conditions, the date, session No., details of proposals, objection, qualified opinion or significant recommendation from independent directors, decisions made by the Audit Committee, and how the Company addressed opinions from the Audit Committee in the Audit Committee meeting shall be stated.

(I)Matters specified in Article 14-5 of the Securities and Exchange Act.

| Audit Committee | Agenda and follow-up | Matters specified in Article 14-5 of the Securities and Exchange Act | Objection, qualified opinion or significant recommendation from independent directors |
|---|---|---|---|
| Fourth meeting of the Board of Directors of the third intake on March 24, 2023 | 1. 2022 Individual Financial Statement and Consolidated Financial Statement. | V | None |
| | 2. 2022 Business Report. | V | None |
| | 3. Distribution of 2022 Earnings. | V | None |
| | 4. 2022 Review Report from the Audit Committee. | V | None |
| | 5. 2023 CPA Replacement, Delegation Reward and Suitability/Independence Assessment | V | None |
| | 6. 2022 “Internal Control System Effectiveness Evaluation” and “Internal Control System Statement”. | V | None |
| | Decisions made on March 24, 2023 by the Audit Committee: The proposal was approved unanimously by all attending members as is and was submitted to the Board of Directors for reference. | | |
| | How the Company addressed opinions from the Audit Committee: The proposal was approved unanimously by all attending directors as is. | | |

<table>
<tr><th>Audit Committee</th><th>Agenda and follow-up</th><th>Matters specified in Article 14-5 of the Securities and Exchange Act</th><th>Objection, qualified opinion or significant recommendation from independent directors</th></tr>
<tr><td rowspan="3">Fifth meeting of the Board of Directors of the third intake on May 5, 2023</td><td>1. Consolidated Financial Statement for the first quarter of 2023.</td><td>V</td><td>None</td></tr>
<tr><td colspan="3">Decisions made on May 5, 2023 by the Audit Committee: The proposal was approved unanimously by all attending members as is and was submitted to the Board of Directors for reference.</td></tr>
<tr><td colspan="3">How the Company addressed opinions from the Audit Committee: The proposal was approved unanimously by all attending directors as is.</td></tr>
<tr><td rowspan="3">Sixth meeting of the Board of Directors of the third intake on August 9, 2023</td><td>1. Consolidated Financial Statement for the second quarter of 2023.</td><td>V</td><td>None</td></tr>
<tr><td colspan="3">Decisions made on August 9, 2023 by the Audit Committee: The proposal was approved unanimously by all attending members as is and was submitted to the Board of Directors for reference.</td></tr>
<tr><td colspan="3">How the Company addressed opinions from the Audit Committee: The proposal was approved unanimously by all attending directors as is.</td></tr>
<tr><td rowspan="3">Seventh meeting of the Board of Directors of the third intake on November 10, 2023</td><td>1. Consolidated Financial Statement for the third quarter of 2023.</td><td>V</td><td>None</td></tr>
<tr><td colspan="3">Decisions made on November 10, 2023 by the Audit Committee: It was approved unanimously by all attending members to be filed for reference and was brought forth to during the Board of Directors meeting.</td></tr>
<tr><td colspan="3">How the Company addressed opinions from the Audit Committee: The proposal was approved unanimously by all attending directors as is.</td></tr>
<tr><td rowspan="3">Eighth meeting of the Board of Directors of the third intake on December 22, 2023</td><td>1.2024 Internal Audit Plan.</td><td>V</td><td>None</td></tr>
<tr><td colspan="3">Decisions made on December 22, 2023 by the Audit Committee: The proposal was approved unanimously by all attending members as is and was submitted to the Board of Directors for reference.</td></tr>
<tr><td colspan="3">How the Company addressed opinions from the Audit Committee: The proposal was approved unanimously by all attending directors as is.</td></tr>
</table>

<table>
<tr><th>Audit Committee</th><th>Agenda and follow-up</th><th>Matters specified in Article 14-5 of the Securities and Exchange Act</th><th>Objection, qualified opinion or significant recommendation from independent directors</th></tr>
<tr><td rowspan="8">Ninth meeting of the Board of Directors of the third intake on March 22, 2024</td><td>1.2023 Individual Financial Statement and Consolidated Financial Statement.</td><td>V</td><td>None</td></tr>
<tr><td>2.2023 Business Report.</td><td>V</td><td>None</td></tr>
<tr><td>3.Distribution of 2023 Earnings.</td><td>V</td><td>None</td></tr>
<tr><td>4.2023 Review Report from the Audit Committee.</td><td>V</td><td>None</td></tr>
<tr><td>5.2024 CPA Replacement, Delegation Reward and Suitability/Independence Assessment</td><td>V</td><td>None</td></tr>
<tr><td>6.2023 “Internal Control System Effectiveness Evaluation” and “Internal Control System Statement”.</td><td>V</td><td>None</td></tr>
<tr><td colspan="3">Decisions made on March 22, 2024 by the Audit Committee: The proposal was approved unanimously by all attending members as is and was submitted to the Board of Directors for reference.</td></tr>
<tr><td colspan="3">How the Company addressed opinions from the Audit Committee: The proposal was approved unanimously by all attending directors as is.</td></tr>
<tr><td rowspan="3">Tenth meeting of the Board of Directors of the third intake on May 10, 2024</td><td>1.Consolidated Financial Statement for the first quarter of 2023.</td><td>V</td><td>None</td></tr>
<tr><td colspan="3">Decisions made on May 5, 2023 by the Audit Committee: The proposal was approved unanimously by all attending members as is and was submitted to the Board of Directors for reference.</td></tr>
<tr><td colspan="3">How the Company addressed opinions from the Audit Committee: The proposal was approved unanimously by all attending directors as is.</td></tr>
</table>

(II) In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors. There was no conflict of interest.

II.Details, including names of independent directors, proposals, reasons for conflict of interest, and voting, of circumstances where independent directors recuse themselves due to conflict of interest: There was no conflict of interest.

III. Communications between the independent directors and the head of internal audit and the CPAs (on important matters concerning the Company's financial and business conditions, the approach and the outcome, etc.)

(I)Internal Audit Supervisor: The Audit Officer periodically submits the audit report to be reviewed by respective independent directors on a monthly basis and calls for internal control deficiency reflection workshops each year to discuss related internal control issues.The Audit Officer attended and was seated in all five Board of Directors meetings in 2023 where he/she reported to independent directors in person the audit status and how improvements were being tracked.

The Audit Officer attended and was seated in two of the Audit Committee meetings in 2023 where he/she reported to the independent directors in person results of internal control self-assessments and the procedure for preparing the Internal Audit Plan.

| Date | Summary of communication highlights | Opinions from independent directors | Remarks |
|---|---|---|---|
| 2023/03/23 | 1. Summary Report of Deficiencies Found in 2022 Internal Control Self-assessment and Audit. | No other opinions from independent directors | Internal Control Deficiency Reflection Workshop **(separate meeting)** |
| 2023/03/24 | 1. Report on 2022 Internal Control Self-assessment Findings.<br>2. Formulation of internal control system declaration | The proposal was approved as is unanimously. | Audit Committee |
| 2023/03/24<br>2023/05/05<br>2023/08/09<br>2023/11/10<br>2023/12/22 | 1. Report on implementation status of audits and tracking of improvements each month. | No other opinions from independent directors | Board of Directors |
| 2023/12/22 | 1. Report on the preparation of the 2024 Internal Audit Plan. | The proposal was approved as is unanimously. | Audit Committee |

(II)CPAs:

1.One separate communication with CPAs took place at least once a year.

2. The Audit Committee invited accountants to attend and engage in face-to-face discussions with independent directors on matters including the accounting system, internal controls, operational status, and the results of financial statement audits/reviews

3. Independent directors may communicate with the CPAs directly if necessary and may call for a meeting at any time in case of any major abnormality.

| Date | Summary of communication highlights | Opinions from independent directors | Remarks |
|---|---|---|---|
| 2023/03/24 | 1. 2022 Parent Company-only and Consolidated Financial Statements and Expected Audit Opinions<br>2. Prior Consent of CPAs' Independence and Non-Assurance Services<br>3. Implementation and Outcome of Internal Control Tests<br>4. Key Audit Matters<br>5. Analysis of Major Financial Data<br>6. Description on Audit Quality Indicators (AQI) | Noted; no other recommendations | Audit Committee |

| Date | Summary of communication highlights | Opinions from independent directors | Remarks |
| --- | --- | --- | --- |
| 2023/05/05 | 1.Review of the Financial Statements for the first quarter of 2023<br>Related laws and regulations that are updated | Noted; no other recommendations | Audit Committee |
| 2023/08/04 | 1.Review of the Financial Statements for the second quarter of 2023<br>Related laws and regulations that are updated | Noted; no other recommendations | Audit Committee |
| 2023/11/10 | 1.Independence of CPAs<br>2.Analysis of Major Financial Data<br>3.Securities regulations that are updated<br>4.Tax regulations that are updated | Noted; no other recommendations | Separate workshop between independent directors and CPAs |
| 2023/11/10 | 1.Review of the Financial Statements for the third quarter of 2023<br>2.Related laws and regulations that are updated | Noted; no other recommendations | Audit Committee |
| 2023/12/22 | 1.Scope of audit and strategies adopted for 2023 Financial Statements<br>2.Implementation strategy for the internal control test<br>3.Key Audit Matters<br>4.Audit item and schedule<br>5.CPAs' change of schedule | Noted; no other recommendations | Audit Committee |

IV.Overview and highlights of tasks performed throughout the year:

(I)The Audit Committee works mainly to supervise the following:

1.Adequate expression of the Company’s financial statements.

2.Selection (Dismissal) and independence and performance of CPAs.

3.Effective implementation of corporate internal control.

4.Corporate compliance with related laws and regulations and rules.

5.Control over current or potential risks for the Company.

(II)The Audit Committee met 5 times in total in 112. Highlights of tasks already completed this year are as follows:

1.Assessment of the effectiveness of the internal control system.

2.Annual and quarterly financial statements.

3.Delegation and compensation of CPAs.

4.Suitability and independence of CPAs.

5.Other material matters as may be required by this Corporation or by the competent authority.

Notes:

*In the event that independent directors resign before the end of a fiscal year, the date of resignation shall be indicated in the remarks field. The ratio of attendance in person (%) is calculated by the number of Audit Committee meetings held during service and the attendance in person.

*In the event that independent directors are re-elected before the end of a fiscal year, both the new and old independent directors shall be listed and whether one is new or old or is serving a second term and the date of the re-election shall be indicated in the remarks field. The ratio of attendance in person (%) is calculated by the number of Audit Committee meetings held during service and the attendance in person.

(III)Corporate governance status and departure from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons:

| Assessment Item | Operational status (Note) | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I.Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies? | V | | The Company prepared its corporate governance principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and disclosed them on the Market Observation Post System and the Company's website. | Compliant. |
| II.Shareholding structure and hareholders' rights | | | | |
| (I)Does the company establish internal operating procedures for handling shareholder suggestions, questions, disputes or lawsuits and implement the procedures? | V | | (I)The Company has a responsible unit for stock affairs and a spokesperson system to address related issues. For legal questions, if any, they will be handled by the Legal Office. | Compliant. |
| (II)Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders? | V | | (II)The Company does have a list of major shareholders that have control over the Company and the ultimate owners of these major shareholders and disclose it as required by law. | Compliant. |
| (III)Has the company established and implemented risk management and firewall mechanisms with its associated enterprises? | V | | (III)1.The finance of the Company and that of each of the affiliates are separate from each other.<br>2.The Company follows applicable laws and regulations and has prepared the "Regulations for the Supervision and Management of Subsidiaries" and the "Regulations Governing Transactions with Related Parties" and enforces them. | Compliant. |
| (IV)Has the company established internal rules against insiders trading with undisclosed information? | V | | (IV) The Company has prepared the "Regulations Governing the Prevention against Insider Trading" to prevent against insider trading. | Compliant. |
| III.Composition and Duties of the Board of Directors | | | | |
| (I)Does the Board of Directors have a diversification policy, substantial management objectives in place and enforce them? | V | | (I)The Corporate Governance Best Practice Principles of the Company have already defined the diversification policy with regard to the composition of the Board of Directors. During the 2022 re-election of directors, the Company honored that diversification essence while recommending and electing directors and enforced the gender equity policy to include female directors.<br>(Independent) Directors of the Company specialize in their respective fields and contribute to the Company's developments and operations to a certain extent. | Compliant. |

| Assessment Item | Operational status (Note) | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (II)In addition to establishing a Compensation and Remuneration Committee and an Audit Committee, which are required by law, is the Company willing to also voluntarily establish other types of functional committees? | V | | (II)The Company has set up the Compensation and Remuneration Committee and the Audit Committee as required by law and the remainder of corporate governance is the responsible of each department reflective of its function. Other functional committees will be set up following evaluation as needed in the future. | No major difference. |
| (III)Does the Company devise Board of Directors Performance Evaluation Guidelines and the evaluation method, periodically perform the evaluation each year and submit findings from the performance evaluation to the Board of Directors, and apply them while deciding the compensation and remuneration for individual directors and whether or not to continue nominating and electing a specific director? | V | | (III) The Company has defined its Rules for Performance Evaluation of the Board of Directors and related evaluations are performed as required by the Rules. | Compliant. |
| (IV)Does the Company periodically evaluate the level of independence of the CPA? | V | | (IV) The Audit Committee of the Company evaluates the independence and suitability of the CPAs annually. In addition to requesting the CPAs to provide a "Declaration of Independence" and "Audit Quality Indicators (AQIs)", it also evaluates their independence and suitability in accordance with the criteria set out in the evaluation report (refer to the attached table on page 48). The Company confirmed that the CPAs have no other financial interests and business relationships with the Company except for the fees of certification and tax cases, and that there are no second-degree relationships between the CPAs and the management. The CPAs and the firm have a certain level of audit experience, training hours, and quality control with reference to the AQIs. The evaluation in 2023 was discussed by the Audit Committee and the Board of Directors on March 24, 2023. It was resolved that the appointed CPAs had passed the evaluation of suitability and independence and were qualified to act as the Company's CPAs. | Compliant. |

| Assessment Item | Operational status (Note) | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| IV.Does the Company listed on the TWSE or TPEx have a suitable number of competent corporate governance staff in place to take charge of corporate governance-related affairs (including without limitation providing information necessary for directors and supervisors to perform their duties, helping directors and supervisors comply with laws and regulations, organizing board meetings and general shareholders' meetings, handling business registration and any change of registration, and compiling minutes of board meetings and general shareholders' meetings)? | V | | 1. The Director of the Secretary's Office of the Company's Board of Directors serves as the Corporate Governance Officer.<br>2. The Company has the Secretariat of the Board in place to provide directors with the data required for them to perform duties, address matters related to Board meetings and shareholders' meetings and prepare meeting minutes as required by law, and have a responsible unit to take care of registrations for the Company. | Compliant. |
| V.Has the Company established channels for communicating with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a dedicated stakeholder area on the company website, as well as appropriately responded to important corporate and social responsibility issues of concern to stakeholders? | V | | The Company has set up an exclusive section on its website for stakeholders and one for investors to adequately respond to important issues concerning stakeholders. The Company also reported on communication with stakeholders at the meeting of the Board of Directors on November 10, 2023. | Compliant. |
| VI.Has the Company hired a professional agency to handle tasks and issues related to holding the shareholder's meeting? | V | | The Company authorizes the professional agency, Grand Fortune Securities Co., Ltd., to take care of respective stock affairs and there are the Regulations on Shareholders Service in place to govern related affairs. | Compliant. |
| VII. Disclosure of Information<br>(I)Has the Company established a corporate website to disclose information regarding the Company's financial, business and corporate governance status?<br>(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)?<br>(III)Does the Company announce and file annual financial statements within two months after the end of each fiscal year and announce and file financial statements for the first, second, and third quarters and operations in each month before the given deadline? | V<br>V<br>V | | (I)The Company already disclosed its financial operation and corporate governance information on its official website (www.hong-tai.com.tw).<br>(II) The Company has assigned professionals to take charge of the collection and disclosure of information about the Company and has enforced the spokesperson system. In 2023, it also held the institutional investor conference and released related data as required.<br>(III) The Company announces self-audited annual financial information 75 days after the end of each fiscal year and announces and files financial statements for the year and first, second, and third quarters and revenue in each month before the given deadline. Advancing the announcement of annual statements to within two months will be evaluated as needed. | Compliant.<br>Compliant.<br>Compliant |

| Assessment Item | Operational status (Note) | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| VIII. Does the Company have other information that contributes to better understanding of its corporate governance standing (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, training completed by directors and supervisors, implementation of risk management policies and risk evaluation criteria, implementation of customer policies, liability insurance policies purchased for directors and supervisors)? | V | | 1. Currently, the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies established by the competent authority are referred to in principle and applicable laws and regulations are followed.<br>2. The Company spontaneously arranges respective directors to receive continuing education relevant to corporate governance, finance, commerce, auditing, or law, among others, and disclose the information and upload it at the same time.<br>3. The Company has already included the purchase of liability insurance for directors as part of its Articles of Incorporation and purchases liability insurance for its directors and important staff each year that is worth USD 5,000,000.00 in order to protect the rights of all shareholders and to reduce the operational risk for the Company.<br>The latest insurance covers from August 21, 2023 to August 21, 2024 and was brought forth during the Board meeting on August 9, 2023 and was approved. Its implementation was presented during the Board meeting on November 10, 2023.<br>4. The Company prepares respective systems and measures, such as the Employee Retirement System, group insurance for employees and their dependents, and employee educational training that takes place periodically or from time to time.<br>5. The Company also sets up Investor Service on its website to facilitate inquiries from shareholders and updates it adequately.<br>6. Supplier Relations: The Company has been maintaining optimal relations with its suppliers. | Compliant. |

| Assessment Item | Operational status (Note) | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | 7. Stakeholders' Rights: Stakeholders may communicate bilaterally with the Company and provide the Company with advice in order to protect the legitimate benefits that both parties are entitled to.<br>8. Attendance of Directors in Board Meetings: The Company notifies all directors of news about Board meetings as required and their attendance and seating in the meetings have been optimal. Such information is disclosed and uploaded concurrently.<br>9. Implementation of Risk Management Policies and Risk Assessment Criteria: The internal control system and respective important management regulations of the Company need to be approved through Board meetings and be enforced accordingly and the Risk Management Meeting is called for periodically.<br>10. Implementation of Customer Policies: Customer satisfaction surveys are conducted in respective business locations from time to time by respective departments and the customer complaint management mechanism is established accordingly to protect the rights of customers. | |
| IX. Please describe improvements in terms of the results of the Corporate Governance Evaluation System in recent years and propose areas and measures to be given priority where improvement will be needed. (Not required if the Company is not included in the assessment)<br>The Company was rated among Top 51-65% in 2023. In the future, for items with points lost, efforts will be continued to evaluate room for improvement in order to reinforce its corporate governance capability and to enhance information transparency for the sake of ensuring the rights of shareholders. | | | | |

Note 1: With "Yes" or "No" checked, the operational status shall be specified in the "Summary" field.

(IV)Composition, Duties, and Operation of the Compensation and Remuneration Committee:

1.Profile of Compensation and Remuneration Committee Members:

<table>
<tr><th>Identification Type (Note 1)</th><th>Criteria / Name</th><th>Professionalism and experience (Note 2)</th><th>Independence (Note 3)</th><th>Number of other public companies in which the member also serves as a member of their compensation and renumeration committee</th></tr>
<tr><td>Independent Director (Convener)</td><td>Chao Jang, Jing</td><td>Master of in Economics, California State University, USA<br>Currently, Convener of the Company’s Audit Committee and Compensation and Remuneration Committee, with commercial, legal, financial, accounting, and other experiences required to support corporate operations, an international CPA, holder of a national certificate after having passed a national exam.</td><td rowspan="2">Fulfillment of respective independence criteria below for the two years prior to inauguration and during service:<br>(1) Not an employee of the Company or any of its affiliates.<br>(2) Not a director or supervisor of the Company of any of its affiliates (unless it is served by an independent director set up by the Company and its parent company, subsidiaries, or subsidiaries that belong to the same parent company in compliance of the Securities and Exchange Act or local regulations)<br>(3) Not a natural person shareholder who, in person or in someone else’s name, or whose spouse or underage child holds more than 1% of the Company’s outstanding shares or is a Top-10 natural-person shareholder of the Company.<br>(4) Not the spouse or a relative within the second degree of kinship, or a direct blood relative within a third degree of kinship of the manager listed in (1) or the person listed in (2) or (3).<br>(5) Not a director, supervisor, or employee of the institutional shareholder that directly holds at least 5% of outstanding shares of the Company, is one of the Top 5 shareholders of the Company or has a representative to serve as the director or supervisor of the Company in compliance with Article 27 Paragraph 1 or 2 of the Company Act (unless it is served by an independent director set up by the Company and its parent company, subsidiaries, or subsidiaries that belong to the same parent company in compliance of the Securities and Exchange Act or local regulations).<br>(6) Not a director, supervisor, or employee of another company that holds a majority of the Company’s director seats or shares with voting rights and is controlled by a single person (unless it is served by an independent director set up by the Company and its parent company,</td><td>None</td></tr>
<tr><td>Independent Director</td><td>Lu Chih-Yuan</td><td>PhD in Physics, Columbia University, USA<br>Deputy General Director of ERSO, ITRI<br>Current Chairman and Chief Executive Officer of Ardentec Technology Inc. and member of the Company’s Audit Committee and Compensation and Remuneration Committee with commercial, legal, finance, accounting,</td><td>None</td></tr>
</table>

<table>
<tr>
<td></td>
<td></td>
<td>and other work experiences required to support corporate operations,with international perspectives and capable of determining competition on the global professional market, and innovation and leadership, a state scholar at the industrial, governmental, academic, and research levels at the same time in the semi-conductor sector.</td>
<td rowspan="2">subsidiaries, or subsidiaries that belong to the same parent company in compliance of the Securities and Exchange Act or local regulations).<br>(7) Not a director, supervisor, or employee of a company or institution that has the same chairman, president, or the equivalent position holder as the Company or is owned by the spouse of the person holding the said position (unless it is served by an independent director set up by the Company and its parent company, subsidiaries, or subsidiaries that belong to the same parent company in compliance of the Securities and Exchange Act or local regulations).<br>(8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have a financial or business relationship with the company. (Unless the said specific company or institution holds at least 20% and no more than 50% of outstanding shares of the Company and it is served by an independent director set up by the Company and its parent company, subsidiaries, or subsidiaries that belong to the same parent company in compliance of the Securities and Exchange Act or local regulations).<br>(9) Not the owner, a partner, director, supervisor, manager, or the spouse of a professional, sole proprietorship, partner, company, or institution providing auditing service to the Company or any of its affiliates or other related services such as commerce, legal affairs, finance, and accounting with accumulated rewards over the past two years yet to exceed NTD 500,000. This, however, does not include members of the Compensation and Remuneration Committee, the Public Acquisition Review Committee, or the Special Merger and Acquisition Committee that function in compliance with applicable laws and regulations such as the Securities and Exchange Act or the Business Mergers And Acquisitions Act.<br>(10) Not the spouse or a relative within the second degree of kinship of other directors.<br>(11) Without any of the conditions under Article 30 of the Company Act.<br>(12) Not a governmental, juridical person or its representative as defined under Article 27 of the Company Act.</td>
<td></td>
</tr>
<tr>
<td>Independent Director</td>
<td>Lo Hsueh-Yu</td>
<td>Master of Accounting and Information Technology, National Chung Cheng University<br>Chairman of Grand Fortune Securities Investment Advisory Co., Ltd.<br>Currently, Member of the Company’s Audit Committee and Compensation and Remuneration Committee, with commercial, legal, financial, accounting, and other experiences required to support corporate operations, specializing in corporate finance and accounting affairs, abundant experience in industrial planning.</td>
<td>1</td>
</tr>
</table>

2.Operation of Compensation and Remuneration Committee:

(1)The Company's Compensation Committee is comprised of three persons.

(2)Current Term for the Members: August 5, 2022 through June 21, 2025.

(3)Attendance: From January 1 to December 31, 2023, the Compensation and Remuneration Committee met 2 times in total; all members attended the meetings in person.

The Compensation an Remuneration Committee met 2 times in 2023; the mean attendance rate was 83%. Attendance of members is shown below:

| Title | Name | Attendance in person | Attendance by proxy | Actual attendance |
|---|---|---|---|---|
| Committee Member (Convener) | Chao Jang, Jing | 2 | 0 | 2 |
| Committee Member | Lu Chih-Yuan | 2 | 0 | 2 |
| Committee Member | Lo Hsueh-Yu | 1 | 0 | 1 |

3.Responsibilities of the Compensation and Remuneration Committee

Committee members must exercise the care of a prudent administrator to fulfill the following duties, and offer recommendations for discussion by the Board of Directors.

(1)Defines and regularly reviews policies, systems, standards, and structures related to the performance evaluation and the salary and compensation of directors, supervisors, and managers.

(2)Periodically evaluate and determine the Company's remuneration to directors and managers.

4.Information on Compensation and Remuneration Committee Meetings

Information about the Company's compensation and remuneration discussed and evaluated during the meetings of the Company's Compensation and Remuneration Committee over the past year is as follows:

| Date of Meeting | Agenda and follow-up | Results of resolutions | The Company's handling of the opinions of the Remuneration Committee members. |
|---|---|---|---|
| 2023.05.05 | 1. Report decisions made of matters discussed in the previous meeting and the implementation status.<br>2. Review the proposal on distribution of "agreed performance prize" to managers for 2022.<br>3. Review the proposal on the distribution of remuneration to directors and that to managers/employees for 2022.<br>4. Periodically reflect upon and evaluate policies, systems, criteria, and structures of compensation and remuneration to directors and managers. | After it was discussed by the members, the case was approved as is. | It was submitted to the Board of Directors and approved by all attending directors. |

| Date of Meeting | Agenda and follow-up | Results of resolutions | The Company's handling of the opinions of the Remuneration Committee members. |
|---|---|---|---|
| 2023.12.22 | 1. Report decisions made of matters discussed in the previous meeting and the implementation status.<br>2. Review the proposal on distribution of year-end bonus to managers for 2023.<br>3. Review the Company's salary adjustment policy for 2024.<br>4. Periodically reflect upon and evaluate policies, systems, criteria, and structures of compensation and remuneration to directors and managers. | After it was discussed by the members, the case was approved as is. | It was submitted to the Board of Directors and approved by all attending directors. |

5.Other details to be documented:

(1)If the Board of Directors did not adopt or revise the recommendations of the compensation committee, it should describe the date of the Board meeting, term of the Board, agenda item, resolutions adopted by the Board, and actions taken by the Company in response to the opinion of the compensation committee (If the compensation and remuneration approved by the Board of Directors is superior to that advised by the Compensation and Remuneration Committee, the differences and the underlying causes shall be specified): None.

(2)If a member opposes a resolution the Compensation and Remuneration Committee has adopted or has reservations with a written record or a statement, the date and session of the meeting, the resolution, opinions of all the members, and the handling of their opinions shall be indicated: None.

(V)Composition, Duties, and Operation of the Compensation and Remuneration Committee:

Not available now.

## 2023 Annual Evaluation Form for the Independence and Suitability of CPAs

Date Evaluated: **2023/3/13**

**Cause of Evaluation:** ☐ First ■ Routine

### (I) Profile:

| | | | |
|---|---|---|---|
| **Name of CPA:** | Hsieh Sheng-An and Chang Chih-Ming | **Name of Firm:** | Ernst & Young |
| **Major Education and Experience:** | Professionalism: CPA of ROC | | |

### (II) Details of evaluatio

Defined according to Article 47 of the Certified Public Accountant Act and the Communique 10 of the Fundamental Principles of the Practice of a Certified Public Accountant:

| Item | Result |
|---|---|
| 1. Absence of replacement for seven years up to the latest certification. At least a two-year interval after rotations before returning to office. | ■YES ☐NO |
| 2. Major financial interest with the client. | ■YES ☐NO |
| 3. Inappropriate or close business relationship with the client. | ■YES ☐NO |
| 4. Receipt of any gifts of material value by CPAs from the Company and the Company's directors and managers. | ■YES ☐NO |
| 5. Holding of shares of the Company and its affiliates. | ■YES ☐NO |
| 6. Mutual financing or guarantee with the Company and its affiliates. | ■YES ☐NO |
| 7. Relationship with the Company or its affiliates in terms of joint investment or sharing of interests. | ■YES ☐NO |
| 8. Frequent position with fixed salary held in the Company or its affiliates. | ■YES ☐NO |
| 9. Managerial function exercised involving the decision-making process of the Company or its affiliates. | ■YES ☐NO |
| 10. Part-time involvement in other businesses that may lead to loss of independence. | ■YES ☐NO |
| 11. Relationship with the Company's management as spouse, direct blood relative, or indirect blood relation within the second degree of kinship. | ■YES ☐NO |
| 12. Compliance with the independence requirements of the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 and receipt of a "Declaration of Independence" issued by CPAs. | ■YES ☐NO |
| 13. Provision of Audit Quality Indicators (AQI) information for the most recent year. | ■YES ☐NO |
| 14. Punishment or undermined independence so far | ■YES ☐NO |

### (III)Work Performance and Plan:

| Item | Result |
|---|---|
| 1. Completion of **financial** and tax certifications of the Company for all periods on schedule. | ■YES ☐NO |
| 2. Completion of financial and tax certifications of the subsidiaries and investees for all periods on schedule. | ■YES ☐NO |
| 3. Providing the Company with financial and tax compliance consultation services from time to time. | ■YES ☐NO |

### (IV)Evaluation Outcome:

Upon assessment, it is confirmed that CPAs Hsieh Sheng-An and Chang Chih-Ming meet the requirements of independence and suitability, and are capable of providing the Company with timely and appropriate financial and tax advice and certifications sufficient to qualify as the Company's CPAs.

**Evaluated by: Pan Shao-Ping at the Management Service Department**

(VI) Differences in Promoting Sustainable Development and Departure from the Sustainable Development Best Practice Principles for TWSE/TPEx-listed Companies and Reasons:

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I.Has the Company created a governance structure for promoting sustainable developments and set up a unit to (exclusively or also) take charge of promoting sustainable developments and the Board of Directors is to authorize high-ranking management to address it and how does the Board of Directors provide supervision? | V | | I.The Company has formed its Sustainable Development Promotion Group that is led by the President and supervised by the Board of Directors. Under it are the Sustainable Project Division, Corporate Governance Division, Environmental Sustainability Division, and Social Care Division to embark on respective tasks, keep track of sustainable developments around the world, and analyze sustainability issues concerning governance, environment, and society. Product innovations and services at the core of its operation are combined while strategic sustainable directions are defined and projects are promoted to ensure that the sustainability strategy is fully implemented in the day-to-day operations of the Company.<br>Projects promoted are further divided to ESG disclosure and carbon inventory checks. The former has to do with the release of the ESG Report each year and gathering information on requirements of respective competent authorities while the latter deals with the planning and implementation of carbon inventory checks and carbon verification that concern greenhouse gases.<br>Reporting to the Board of Directors takes place at least once a year; strategic directions of the Group in sustainability and net | Compliant. |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | zero are clarified and discussed. The implementation status and the progress in the preparation of the ESG Report were already reported to the Board of Directors on August 9, 2023. The Board of Directors reviews relevant progress, provides supervision and suggestions, and urges the management team to make adjustments when necessary. | |
| II.Does the Company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of materiality? | V | | II.The information disclosed herein covers the performance of main sites of the Company from January 2023 through December 2023. The risk assessment is focused mainly on the Company and primarily in the region of Taiwan.<br>The Company's relevant sustainability topics include GRI Standards, SASB standards and SDGs. Following evaluation by external experts and discussions in respective departmental meetings of the Company, the significance and possibility of impacts of the issues were explored through prior operational experiences. The 11 material sustainability issues of the Company were analyzed and sorted out/combined. Details are provided in (V) Risk Assessment on pages 66-69. | Compliant. |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| III.Environmental Issues<br>(I)Has the Company established a proper environmental management system based on the characteristics of the industry? | V | | (I)Taking advantage of its existing ISO 14000 Environmental Management System in 2023, the Company sets the targets, objects, and solutions of environmental management and accordingly continues with waste reduction, prevention against pollution, and recycling of resources throughout its manufacturing process. In addition, by means of the periodic internal audit and management review procedures, achievements in implementation are evaluated and the goal of sustainable environmental development is fulfilled.<br>Since the electronic material division was terminated in the second half of 2023, ISO 14000 certification was discontinued. Whether other related systems will be introduced in the future will be evaluated separately. | Compliant. |
| (II)Is the Company committed to improving the energy efficiency and using recycled materials which have a low impact on the environment? | V | | (II)The Company is devoted to improving the efficiency of energy used during production and continues with its energy conservation and carbon reduction move. In honor of corporate social responsibilities and the purpose of green production and sustainable management, the international energy management system has been applied in respective plants. This management standard and approach, once defined, will serve as the framework for a necessary procedure of the Company to be | Compliant. |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | followed by the Company. Without affecting existing operations, the energy use efficiency can be enhanced to the best extent possible. Although it is impossible for the Company to use renewable materials in production due to the unique manufacturing process of the industrial sector it is in, the primary material is copper, which may be used and manufactured repeatedly and is the material that may be recycled and is utilized the most frequently among all non-renewable raw materials and regular materials; it plays an important role in the regenerative cycle. For the sake of reducing pollution, in its manufacturing process, the Company seeks the maximum efficiency in the use of raw materials and supplies and energies and resources in order to bring down the volume and conserve energy. Meanwhile, toxic materials are avoided or reduced to minimize toxic discharge from the source. As far as products are concerned, research and development are continued to comply with the international green product standards and impacts on the environment are examined. In the prevention against pollution, respective pollution preventive equipment is properly operated and emissions are comprehensively monitored. Generated waste is processed as required by law and recycling for reutilization is prioritized to be resource-oriented and to reduce waste. | |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (III) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action? | V | | (III) The Company must fulfill its corporate social responsibilities in order to continue to exist in the industry given the extreme weathers caused by global warming and the rising awareness of environmental protection, energy-saving, safety and health, and conservation. Also in response to the impacts brought about by climate change, impacts of the climate change risk on governance, strategies, risk management, indicators and goals are identified and evaluated with reference to the TCFD (Task Force on Climate-related Financial Disclosures) structure. Based on assessment findings, the management strategy and greenhouse gas inventory check/carbon reduction plans are defined and enforced following approval by the Board of Directors to hopefully reduce energy consumption and carbon emissions, improve carbon reduction management performance, and consolidate corporate sustainable development goals.<br>A primary potential risk posed | Compliant. |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | by climate change for the Company is interruption in the supply chain, rising costs of raw materials and supplies, and natural disasters such as floods because of typhoons, etc. The Company also proactively explores new sources, organizes educational training on industrial safety, and utilizes energy more efficiently by building solar power-generating equipment in response. | |
| (IV) Does the Company take inventory of its greenhouse gas emissions, water consumption, and the total weight of waste in the last two years, and draw up policies on greenhouse gas reduction, water reduction, or waste management? | V | | (IV)The Company keeps track of greenhouse gas emissions, amount of water used, and the weight of waste each year and discloses statistical data over the past 2 to 3 years in its ESG Report. The data on greenhouse gas emissions, water consumption and weight of waste are summarized in the table below. For more details, please refer to the Company's ESG Sustainability Report. | Compliant. |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | (tables below) | |

| Year | Parent company Greenhouse gas emissions (tons CO2) | |
|---|---|---|
| 2022 | Scope 1 | 1,450.65 |
| | Scope 2 | 10,846.96 |
| | Total | 12,297.11 |
| 2023 | Scope 1 | 767.90 |
| | Scope 2 | 8,969.96 |
| | Total | 9,737.86 |

| Year | Parent company Water consumption (million liters) | |
|---|---|---|
| 2022 | Water intake | 67.77 |
| | Water discharge | 26.87 |
| | Water consumption | 40.90 |
| 2023 | Water intake | 58.90 |
| | Water discharge | 31.66 |
| | Water consumption | 27.24 |

| Year | Weight of waste of parent company (Ton) | |
|---|---|---|
| 2022 | Hazardous waste | 131.67 |
| | Non-hazardous waste | 257.23 |
| | Total | 388.90 |
| 2023 | Hazardous waste | 52.20 |
| | Non-hazardous waste | 237.45 |
| | Total | 289.64 |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | As global low-carbon economic developments are the trends, enterprises are playing a more and more important role in the management of environmental risk. To fulfill its responsibilities as a corporate citizen, the Company will continue to enforce the greenhouse gas reduction policy at the corporate and supply chain levels with substantial energy-saving and carbon reduction and water-saving measures.<br>Related energy conservation and carbon reduction policies defined by the Company include the following: (1) enhanced energy use efficiency, reduced waste of resources, and promotion of environmental greenery on premises, (2) promotion of respective waste reduction and recycling projects, (3) introduction of green raw materials and supplies and environmentally-friendly processes and technologies, and (4) evaluation of suppliers on environmental protection.<br>And, for the various types of waste that will impact the environment, to abide by governmental regulatory requirements, to prevent against air pollution, and to protect the living environment and public health, contracts are signed with legal professional clearance service providers as required by law for removing and recycling the waste and related data of waste are precisely collected and monitored. | |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| IV.Social Issues<br>(I)Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? | V | | (I)The Company has the human rights policy statement in place and it is available on the official corporate website to declare that the Company follows applicable labor laws and regulations while protecting the legitimate rights of employees and respecting the internationally accepted basic human rights of workers; no conditions that jeopardize the fundamental rights of workers are allowed. The human resources policy of the Company also respects the protection of fundamental rights of workers with adequate management approaches and procedures in place.<br>Substantial practices of the Company in the protection of human rights include: Communicate the Company's human rights policy, set up the sexual harassment filing and investigation committee, periodically arrange doctors and nurses to provide advisory service in the premises (number of consultations in 2023: 111), safety training, and periodically provide in-service employees with free health exams in accordance with the law (number of health checkups in 2023: 265), among others. | Compliant. |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
| --- | --- | --- | --- | --- |
| | Yes | No | Summary | |
| | | | In 2023, there were a total of 14 sessions, 283 participants, and 630 hours of education and training on human rights protection (including: human rights policy advocacy, labor safety education, health management and mental health, etc.) | |
| (II)Does the Company establish and implement reasonable employee benefits (including remuneration, leave, and other benefits), and ensure that business performance and results are reflected adequately in employee remuneration? | V | | (II)The Company has established a reasonable compensation system, including that it is specified in the Company's Articles of Incorporation that 2% to 8% of earnings, if any, shall be set aside as the remuneration to employees. There are also regulations governing the distribution of various types of prizes, the regulations governing the distribution of various types of prizes, the Employee Promotion and Transfer Guidelines, and the employee performance valuation guidelines, among other specifically effective reward and punishment systems, and combine them with the Corporate Social Responsibilities Policy. In the allocation of the pension fund under the old system, professional actuaries are to issue the actuarial report in order to protect the rights of colleagues in the future when | Compliant. |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | they claim their pension fund. The ratio to be set aside for the pension fund under the new system is 6%; the Company has set it aside completely.<br>The Company has an Employee Welfare Committee in place and the welfare fund set aside for 2023 by the Company totaled NT$6.22 million. It was meant as Employee travel subsidies, birthday and three-festival gift money, wedding, child birth, and funeral allowances, among others.<br>Talent is an important asset of the Company. In addition to promotion planning based on performance, development potential, organizational needs and career development intentions every year, salary adjustments are also made from time to time based on the Company's profitability, industry prospects and market salary surveys in order to maintain salary competitiveness to attract and retain talent.<br>The Company adheres to the philosophy of sharing operating achievements with its employees. Each year, the Company grants annual bonuses, employee compensation and quarterly competition bonuses based on the overall operating performance, achievement of team goals, and individual employee contributions and performance. | |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (III) Does the Company provide a safe and healthy working environment and provide employees with regular safety and health training? | V | | (III) The Company provides employees with a safe and healthy workplace that has necessary health and first-aid facilities available and is devoted to reducing risk factors for the safety and health of employees in order to prevent against occupational hazards. Meanwhile, educational training on safety and health is provided periodically to employees. Related educational trainings of 2023 (including: safety and health trainings, fire prevention and safety trainings, toxic chemical disasters impromptu drills, among others). For other related information, refer to Point 7. | Compliant. |
| (IV) Has the Company established an effective career development and capability training program for employees? | V | | (IV) The Company provided various types of internal and external trainings to meet different needs, including orientation, professional skills, managerial ability, to help colleagues learn and grow continuously in a variety of ways. In addition, for important successors and potential prioritized cadres, the Company provides them with in-service training and send them to receive external training, have them to rotate among duties, or assign them with projects as needed in order to effectively improve their occupational capabilities. | Compliant. |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (V)Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling, among others, of products and services, and does it establish relevant consumer or customer protection policies and grievance procedures? | V | | (V)Respective plants of the Company have been certified for the ISO 9001 series of international quality; the marketing and labeling of all products of the Company are based on applicable laws and regulations and international standards. The sales department of the Company, besides proactively addressing complaints filed by customers, spontaneously conducts customer satisfaction survey each year to know the issues and to protect the rights of customers.<br>In addition, the Company has the "Personal Data Protection Management Guidelines" in place to ensure that the privacy of colleagues and customers is not disclosed. | Compliant. |
| (VI) Does the Company establish supplier management policies, which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights? | V | | (VI) The Company has the Supplier Management Guidelines and the Supplier Management Procedure in place. Suppliers need to be investigated, evaluated and qualified before official business relationships begin. During investigation and evaluation, records of suppliers in terms of prior impacts on the environment or society will be paid attention to. The Company requires that major suppliers sign the Agreement for joint devotion to the enhancement of corporate social responsibilities, the environment, and integrity. If suppliers violate the Agreement with significant impacts, the Company will no longer renew the Agreement with the specific supplier. | Compliant. |

<table>
<tr><th rowspan="2">Action Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>V.Does the Company prepare sustainability reports and other reports that disclose non-financial information with reference to international reporting standards or guidelines? Are confirmatory or endorsing opinions from a qualifying third-party obtained for the afore-said report?</td><td>V</td><td></td><td>V.At present, the Company refers to the following while preparing its ESG Report, which is yet to be authenticated by a third party:<br>1.GRI Standards Reference Table.<br>2. Sustainability Accounting Standards Board (SASB) Reference Table.<br>3. TCFD climate-related financial information disclosure.<br>4. Taiwan Stock Exchange Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies.</td><td>No major difference.</td></tr>
<tr><td colspan="5">VI. If the Company has established its own sustainable development principles based on the “Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies”, please specify the differences between how it actually takes place and what is defined in the Principles: The Company has its Corporate Social Responsibility (CSR) Code of Conduct in place and no major differences are found so far.</td></tr>
<tr><td colspan="5">VII. Other key information useful for explaining status of corporate social responsibility practices:<br>(I)The Company, in honor of its corporate social responsibility, donated a total of NTD 1,000,000 throughout 2023 to charity groups, organizations for the disadvantaged, and anti-pandemic units, including:
<table>
<tr><th>Recipient</th><th>Amount (NTD)</th></tr>
<tr><td>Huashan Social Welfare and Charity Foundation</td><td rowspan="15">$1,000,000 in total</td></tr>
<tr><td>Prader Willi Syndrome Association Taiwan</td></tr>
<tr><td>The Garden of Hope Foundation</td></tr>
<tr><td>Taiwan Fund for Children and Families</td></tr>
<tr><td>Taoyuan Heart Light Education Institute for the Mentally-Impaired</td></tr>
<tr><td>Taoyuan White Kite Orphanage</td></tr>
<tr><td>Taoyuan Holistic Life Education Association</td></tr>
<tr><td>Taoyuan Guanyin Garden of Love</td></tr>
<tr><td>ROC Retired Fire Fighters Association</td></tr>
<tr><td>Parents’ Association for Persons with Intellectual Disability</td></tr>
<tr><td>Autism Society of Taiwan</td></tr>
<tr><td>Taoyuan Indigenous Peoples Development Foundation</td></tr>
<tr><td>Mennonite Social Welfare Foundation</td></tr>
<tr><td>CNS Certification Mark Association</td></tr>
<tr><td>Taiwan Electric Power Association</td></tr>
</table>
</td></tr>
</table>

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |

(II) Protection of Employee Personal Safety and Workplace and Implementation:

1.Policy Goal for Operating Environment Measurements

The related environmental measurement policies prepared for the Company's Occupational Safety and Health Management System are stated below, which not only help outsiders and the employees know the attitude and commitment of the specific business in ensuring safety and health in the workplace but also fulfill the attachment of employees to the Company by involving everyone; they are the highest directives of the specific business in environmental monitoring.

(1)Policy Statement

Comply with laws and regulations and customers' or other relevant requirements; answer to the green environmental protection movement around the world; and create a sound workplace.

Continue to improve, prevent against pollution, and prevent against risk factors for minimized costs associated with risk control.

Create the environmental/occupational safety and health management system/organization and operating system to improve performance in environmental protection/occupational safety and health.

(2)Goal

To meet basic requirements under laws and regulations governing occupational safety and health:

Keep track of the pattern of work in the operating environment and evaluate the hazardous condition that workers are exposed to (or of energy) in order to improve the field environment and to prevent against occupational disasters.

(3)Organization and Responsibilities of Members

Before the Workplace Monitoring Plan (including the sampling strategy) is defined, the Safety and Health Office shall form a "Workplace Monitoring Group". The Workplace Monitoring Group shall be capable of performing the following duties:

1. Deciding the purpose of environmental determination and the exposure management target
2. Planning and performing environmental measurements
3. Discussing environmental measurement findings

2.Performance in Industrial Safety

The Company has prepared its annual extensive occupational safety audit group action plan. The President serves as the convener and the Management Service Department is the steering unit. The Safety and Health Office and department heads form the audit group. The Safety and Health Office compiles reports on matters pending improvement and submit them to the President and respective departments for the improvements to be made, works around on a daily basis for industrial safety audits, and discusses improvements in the quarterly industrial safety committee meetings in order to protect staff safety and health.

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |

| Occupational Safety and Health Audits | |
|---|---|
| 1. Extended Occupational Safety Joint Audit Group | At least once a year |
| 2. Occupational Safety Rounds Management | At least twice a day |
| 3. Factory Affairs Department Rounds Management | At least once a week |
| 4. Supervisor Field Trip Management | At least once a day |

3.Equipment Management

The Company classifies equipment and manages it accordingly. All hazardous machinery and equipment are controlled as required by law and careful maintenance is performed on the machinery and equipment to ensure their safe operations. Hazardous machinery and equipment of Hong Tai Electric Industrial Co., Ltd. includes 4 sets of fixed cranes and 2 sets of high-pressure gas-specific equipment totaling 6 units. 4 of them were inspected throughout 2023.

4.2023 Professional Occupational Safety and Health Licenses

| License holder | Quantity | License holder | Quantity |
|---|---|---|---|
| Occupational safety and health administrator | 2 | Fire prevention manager | 2 |
| Class A occupational safety and health operation supervisor | 2 | Dust operation supervisor | 2 |
| Class B occupational safety and health operation supervisor | 1 | Oxygen-deprived operation supervisor | 1 |
| Operator of a stacker with a weight capacity of 1 ton and above | 40 | Ionizing radiation operator | 2 |
| Operator of a fixed crane with a weight capacity of 3 tons and above | 15 | Energy manager | 1 |
| Boiler operator | 1 | Class B air pollution controller | 1 |
| Organic solvent operation supervisor | 1 | Waste clearance professional technician | 1 |
| First-aid staff | 7 | | |
| High pressurized gas-specific equipment operator | 4 | | |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |

Hours of training on occupational safety and health completed over the past three years and headcount

| Year | Headcount | Hours |
|---|---|---|
| 2021 | 213 | 698.5 |
| 2022 | 356 | 1,215 |
| 2023 | 228 | 776 |

5.Performance in Industrial Safety

| Disability-related injuries suffered by employees of the Company over the past three years | | |
|---|---|---|
| Plant / Year | Death | Disability |
| 2021 | 0 | 0 |
| 2022 | 0 | 0 |
| 2023 | 0 | 1 |

6. For the implementation of respective ESG items of the Company, refer to the Company's website at http:http://www.hong-tai.com.tw -> Company Profile -> ESG Report.

(III)Ethical Corporate Management Policy and Solution:

(1) In honor of its belief in ethical corporate management, the Company prepared the Guide to the Moral Behavior of Company's Management and related regulations and policies, signed agreements externally, all of which are based on the principles of integrity and reciprocity and include reasonable contents, and proactively puts its commitment to ethical corporate management into action.

(2) Major suppliers of the Company have signed the Commitment to Ethical Conduct. For employees that interact with outsiders, there are strict work regulations for them to follow and also the monitoring and auditing mechanisms to prevent against unethical conducts.

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (3) For parties that it does business with, the Company has the evaluation mechanism in place. Upon signing of an agreement, the principles of integrity and reciprocity are honored, too, to render reasonable contents and the agreement requirements are proactively fulfilled.<br>(4) The Company constantly instills ideas about ethical corporate management in its supervisors at all levels and has precisely implemented the policy about recusal in case of conflicting interests. In cases of conflicts of interest, one may report it to the Audit Office or the President's Office directly.<br>(5) The Company encourages its employees to report on illegal acts, and the whistleblower will be rewarded if it is found to be true. To report illegal acts, one can do so directly to the supervisor he/she reports to or to the Audit Office or the President's Office according to the "Whistleblowing Standards". Such reports will be treated highly confidential in order to protect against improper treatment borne by the whistleblower for reporting. | | | | |

<table>
<tr><th rowspan="2">Action Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
</table>

(IV)Risk Assessment

| Major Issue | Item | Strategy |
|---|---|---|
| E - Environment | Energy | 1.Recycling of resources: Recycle resources for use to reduce waste of resources.<br>2.Continuous improvement: Continue to improve the environmental management system for enhanced environmental performance.<br>3.Work with the Bureau of Energy under the Ministry of Economic Affairs as exploring sources of income and reducing expenses is a duty expected of a business. |
| | Emission | 1.Environmental management: HONG TAI is devoted to reducing “impacts on the environment as a result of its corporate activities, products, and services” and abides by the following environmental policies accordingly.<br>2.Compliance with regulatory requirements: Comply with regulatory requirements on environmental management such as air pollution, water pollution, waste, toxic chemicals, and noise control.<br>3.Fulfillment of obligations: Fulfill obligations expected of HONG TAI, including commitments to customers, government agencies, the management, and employees, among other stakeholders.<br>4.Prevention against pollution: Select suitable raw materials/regular materials or processes to avoid or reduce environmental pollutions; Set up pollution prevention equipment or adopt appropriate measures to avoid or reduce environmental pollution.<br>5.Energy conservation and waste reduction: Reduce the use of energy and the amount of waste generated. |
| | Waste | The Company follows domestic and international laws and regulations in its operations and pays attention to developmental trends of domestic and international policies as well as regulatory changes at all times in order to adjust related operational strategies and to fulfill sustainable management goals. |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |

| Major Issue | Item | Strategy |
|---|---|---|
| E - nvironment | Customer service management | Satisfy customers' requirements, implement practical and pragmatic management, pursue system excellence, and create win-win situation for both supply and demand. |
| | Occupational safety and health | 1. Promote the safe culture at HONG TAI and consolidate basic education on occupational safety.<br>2. Define the safety operating criteria and precisely abide by safety and health requirements.<br>3. Reinforce supervisor dynamic management to eliminate potential hazardous factors.<br>4. Improve environmental machinery equipment and work all out in the pursuit of essential safety.<br>5. Perform precise spontaneous inspections to resolve equipment abnormalities and failures.<br>6. Reinforce fire prevention safety measures to make the best of fire prevention features.<br>7. Request safety and health facilities from contractors for improved safety at work of contractors. |
| S - Society | Innovative product and technology | Innovation and advancement, integrity and honesty, sustainable management. Quality Policy --- The quality policy featuring [Quality of HONG TAI assures customers] is a substantial extension of the Company's management belief. While pursuing corporate sustainable management, getting to the bottom of everything and constantly improving the overall corporate quality management are the only way to hopefully best protect the quality of products and services provided to customers and fulfillment of customers' needs is the underlying theme of corporate operation. Environmentally-friendly policy ---- For the sake of continuous management and to answer to the green tendency, besides comprehensive lead-free products, the Company promotes HSF (hazardous substances-free) management of its products. Their control is in compliance with international regulatory requirements. The hazardous substance process management (HSPM) was enforced in compliance with IECQ QC080000 in 2009 and the IECQ QC080000 certificate was received in December 2009. |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |

| Major Issue | Item | Strategy |
|---|---|---|
| S - Society | Customer health and safety | The power business of the Company constantly advances by adjusting the insufficient through its customer satisfaction survey system. Optimal customer relations are maintained reciprocally. |
| | Labor-management and worker/employer relations | 1. Release human rights policy declaring that efforts will be made so that everyone is entitled to fair and respectful treatment.<br>2. Set up the Employee Welfare Committee to maximize employee welfare.<br>3. Periodically hold the labor-management meeting; any issue on labor-management relations is sufficiently discussed and communicated between the labor representatives and the management. The right of labor representatives to negotiate work conditions is respected.<br>4. Create a channel to facilitate periodic communications and dialogs with employees because they are entitled to gain information and express opinions regarding the operational and management activities and decisions of the Company. Employees shall also be notified in a reasonable way of operating activities that may bring about significant impacts.<br>5. Set up as required by law the Labor Retirement Reserve Supervisory Committee to take charge of managing the retirement reserve. |

| Action Item | Implementation Status | | | Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
| --- | --- | --- | --- | --- |
| | Yes | No | Summary | |

| Major Issue | Item | Strategy |
| --- | --- | --- |
| G - Governance | Economic performance | 1.Compliance with regulatory requirements: Comply with regulatory requirements on environmental management such as air pollution, water pollution, waste, toxic chemicals, and noise control.<br>2.Fulfillment of obligations: Fulfill obligations expected of HONG TAI, including commitments to customers, government agencies, the management, and employees, among other stakeholders.<br>3.Prevention against pollution: Select suitable raw materials/regular materials or processes to avoid or reduce environmental pollutions; Set up pollution prevention equipment or adopt appropriate measures to avoid or reduce environmental pollution.<br>4.Energy conservation and waste reduction: Reduce the use of energy and the amount of waste generated.<br>5.Recycling of resources: Recycle resources for use to reduce waste of resources.<br>6.Continuous improvement: Continue to improve the environmental management system for enhanced environmental performance.<br>7.Protect the industry under the belief in “integrity and honesty”. Improve competitive advantages on the market with the commitment to “innovation and advancement”.<br>8.Diversified operation: Form international investment strategic alliance in order to improve competitive advantages on the market. |
| | Anti-corruption | Ethical corporate management, eradication of bribery, banned acceptance of gifts. |
| | Regulatory Compliance | The Company follows the requirements of the Air Pollution Control Act. We follow regulatory requirements, fulfill our obligations, prevent against pollution, conserve energy and reduce waste, and recycle resources. |

(VII) Implementation status of climate-related information:

| Item | Implementation Status |
|---|---|
| 1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities. | Hong Tai Electric Industrial Co., Ltd. must fulfill its corporate social responsibilities in order to continue to exist in the industry given the extreme weathers caused by global warming and the rising awareness of environmental protection, energy-saving, safety and health, and conservation. Also in response to the impacts brought about by climate change, impacts of the climate change risk on governance, strategies, risk management, indicators and goals are identified and evaluated with reference to the TCFD (Task Force on Climate-related Financial Disclosures) structure. Based on assessment findings, the management strategy and greenhouse gas inventory check/carbon reduction plans are defined and enforced following approval by the Board of Directors to hopefully reduce energy consumption and carbon emissions, improve carbon reduction management performance, and consolidate corporate sustainable development goals. |
| 2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term). | 1.Risk impacts:<br>Short-term:<br>(1) Legal compliance costs, fines and penalties, and contractual liquidated damages: Necessary operating expenditure costs in compliance with laws and regulations result in inventory losses of slow-moving products due to changes in the product market mechanism.<br>Medium to long term:<br>(1)Employees: Physical and mental risks caused by the heat of the factory in summer, or incidents that affect attendance, absence, and employee disability and injury.<br>(2)Machinery and equipment: There is a risk of failure due to the heat of the factory in summer, or asset damage due to damage or scrapping.<br>(3)Climate: Heavy rains cause flooding in factories and waterlogged roads, droughts render factory equipment inoperable, and increased frequency and severity of strong typhoons cause damage to electrical equipment. Damage to products due to extreme climate events that impact supplier operations and production.<br>(4)Supply interruption results in delayed production capacity, loss of customers, and loss of profits. Continuous rise in average temperature results in an increase in energy consumption.<br>(5)Energy resources (water, electricity and gas): Changes in Taiwan's energy structure results in supply price increases or shortages. Increase in greenhouse gas emission costs (e.g., additional carbon fees due to regulations).<br>(6)Raw materials: Operating costs resulting from loss of quality, delivery time, or price increase due to weather conditions.<br>(7)Loss of semi-finished products: Losses on scrapping due to abnormal supply of utilities.<br>2.Opportunity impacts:<br>(1)Reduce supply voltage losses from 161kV to 345kV high voltage cables.<br>(2)Offshore wind power generation cables.<br>(3)The demand for aluminum conductor wind and rain cables for power towers increases due to strong winds and rains.<br>(4)Significant increase in the amount of cables used for various construction projects that are susceptible to environmental damage.<br>(5)Solar power/energy storage market.<br>(6)Differentiation to enhance competitiveness and expansion of new energy business. |

| Item | Implementation Status |
|---|---|
| 3. Describe the financial impact of extreme weather events and transformative actions. | In the short term, regulatory adjustments may result in a significant change in market demand, leading to an increase in costs or an increase in the unsaleable rate of products, thereby exerting an impact on various aspects such as a decrease in revenue and cash income and an increase in operating expenses.<br>The various impacts of climate change in the medium and long term will not significantly affect the Company's finances in the short term. In the future, they may involve employee health, equipment problems and the use of energy resources, resulting in increased operating expenses and capital expenditure. |
| 4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system. GHG emissions, product requirements and supervision, low-carbon t management | The Company refers to the TCFD framework as the basis for our assessment. Through the climate change management process, our dedicated energy management specialists assess the climate-related risks and opportunities based on the impact and potential likelihood of occurrence on the Company’s operations through the climate change management process. |
| 5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described. | The Company does not yet use scenario analysis. |
| 6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks. | The Company does not have any related transformation plan. |
| 7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated. | The Company currently does not use internal carbon pricing. After executing the greenhouse gas inventory project, the Company will first understand the internal carbon emissions, formulate carbon reduction strategies accordingly, and then plan and select management tools such as carbon pricing based on actual needs. |
| 8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified | The Company will launch a greenhouse gas inventory project in stages from 2024 to 2025. We will first establish basic data distribution, and then promote relevant management plans in a pragmatic manner. |

(VIII)Differences in the fulfillment of ethical corporate management and deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons:

| Assessment Item | Status | | | Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I.Establishment of ethical corporate management policy and approaches<br>(I)Has the Company prepared its ethical corporate management policy that has been approved by the Board of Directors and stated in its Memorandum or external correspondence about its policies and practices regarding ethical corporate management? Are the Board of Directors and high-ranking management members committed to fulfilling this commitment? | V | | (I)In honor of its belief in ethical corporate management, the Company prepared the Guide to the Moral Behavior of Company's Management and related regulations and policies, signed agreements externally, all of which are based on the principles of integrity and reciprocity and include reasonable contents, and proactively puts its commitment to ethical corporate management into action. | No major difference. |
| (II)Does the Company have mechanisms in place to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business? Does the Bank implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies? | V | | (II)Major suppliers of the Company have signed the Commitment to Ethical Conduct. For employees that interact with outsiders, there are strict work regulations for them to follow and also the monitoring and auditing mechanisms to prevent against unethical conducts. | No major difference. |

| Assessment Item | Status | | | Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (III)Does the Company have the operating procedure, behavioral guide, disciplinary system in case of violation, and complaint-filing system included as part of its proposal on the prevention against unethical behaviors and enforce them and periodically discuss about how to correct the aforementioned proposal? | V | | (III) Since it was established, the Company has been adhering to its belief in honesty and integrity. Practices to prevent against unethical behaviors have long been included as part of respective regulations and systems and been enforced. | No major difference. |
| II.Fulfillment of Ethical Corporate Management<br>(I)Does the Company evaluate the integrity records of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners? | V | | (I)All counterparties of the Company need to sign the Commitment to Ethical Conduct for the time being in order to ensure compliance with the principles of integrity and reciprocity in transactions and there is the evaluation mechanism in place to help fulfillment of the agreement in integrity. | Compliant |
| (II)Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors that periodically (at least once a year) reports the ethical corporate management policy and programs against unethical behaviors to the Board of Directors while monitoring its implementation? | | V | (II)The Company constantly reminds its supervisors at all levels of ideas about ethical corporate management. Although no exclusive unit to take charge of ethical corporate management has been set up yet, no major violations in ethical corporate management have occurred. | No full-time (part-time) units have been set up for ethical corporate management at the moment yet. |

| Assessment Item | Status | | | Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (III)Has the Company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications? | V | | (III)The Company specifically enforces policies on recusal upon conflicting interests. For events involving conflicts of interest, besides reporting them to the supervisor, one can also report them to the Audit Office or the President's Office. | No major difference. |
| (IV)Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or engage CPAs to perform the audits? | V | | (IV) The Company has established an effective accounting system and internal control system with internal audit units and audits are carried out in compliance with the audit plan. Under special circumstances, exceptional audits will be arranged. In addition, the authorized accounting firm also audits the implementation of related internal control procedures each year to ensure consolidation of related systems. | Compliant. |
| (V)Did the Company periodically provide internal and external training programs on ethical corporate management? | V | | (V)Believing in "integrity and diligence, innovation and advancement", besides new hires who are instilled with applicable ideas, the Company frequently communicates the said belief through various meetings and communication channels. | Compliant. |

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Status</th><th rowspan="2">Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>III.Implementation of the Company's Whistleblowing System<br>(I)Has the Company established concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused?</td><td>V</td><td></td><td>(I)In order to protect the interests of the Company as a whole, strengthen corporate social responsibility, and effectively combat internal illegal acts, the Company has set up the Whistleblowing Standards to enable internal and external personnel to report any illegal acts or behavior that jeopardizes the Company's interests through channels. If a whistleblower's disclosure is substantiated, he/she may be rewarded depending on the circumstances.<br><table><tr><th>Related items</th><th>Acceptance unit</th><th>Contact method</th></tr><tr><td>Shareholders and Spokesperson</td><td>Spokesperson</td><td>sp@hong-tai.com.tw</td></tr><tr><td>Internal and external illegal acts</td><td>Audit Office</td><td>audit@hong-tai.com.tw</td></tr><tr><td>Internal illegal acts</td><td>President Office</td><td>pp@hong-tai.com.tw</td></tr></table></td><td>Compliant.</td></tr>
<tr><td>(II)Has the Company established standard operating procedures for investigating reported cases, subsequent measures to be taken once investigation is completed, and the related confidentiality mechanism?</td><td>V</td><td></td><td>(II)The Company's Whistleblowing Standards set forth the procedures and protection principles as follows:<br>1.Procedures:<br>(1)When reporting through the above channels, the whistleblower should provide specific evidence and records of the violation in writing or electromagnetic records to facilitate verification. The whistleblower shall assist the Company in the</td><td>Compliant.</td></tr>
</table>

| Assessment Item | Status | | | Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | investigation of his/her report and provide his/her name, ID number, service unit, contact address and telephone number in order to avoid improper blackmail.<br>(2)If the whistleblower fails to provide the above information, or if the contents of the report are confirmed to be factually incorrect or meaningless for examination, the report may not be accepted.<br>(3)The acceptance unit shall investigate the reported case in detail, with the assistance of other relevant departments if necessary. Upon completion of the investigation, a written report on the investigation shall be submitted and reported to the President, Chairman, or the Board of Directors, depending on the severity of the case.<br>(4)If the reported case involves a director or manager, it shall be reported to the independent directors.<br>(5)If it is proved that the reported person has violated the relevant laws and regulations or the Company's regulations, appropriate penalties shall be imposed in accordance with the Company's management regulations. If necessary, the case may be referred to the | |

| Assessment Item | Status | | | Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | judicial authorities for investigation or to seek damages through legal proceedings.<br>2.Whistleblower protection principles:<br>(1)The Company has the responsibility to protect the whistleblower. The identity of the whistleblower shall be kept confidential. The related personnel shall not disclose the identity information of the whistleblower or his/her relatives in any form. However, this does not apply when the whistleblower has given his or her consent.<br>(2)No improper measures (e.g., dismissal, demotion, reduction of salary, prejudice to his/her rights under law, contract, or custom, or other disadvantages) shall be taken against the whistleblower or his/her relatives due to the disclosure of illegal acts. However, the whistleblower may be excluded from the scope of protection, if he/she understands that the report is untrue or aims to obtain improper benefits.<br>(3)If a whistleblower's disclosure is substantiated, he/she may be rewarded depending on the circumstances. If there is any false accusation, concealment, insult or intentional disturbance, the Company will impose punishment according to the relevant rules and regulations. | |

| Assessment Item | Status | | | Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (III)Did the Company adopt measures for protecting the whistle-blower against improper treatment? | V | | (III)It is clearly specified in the Whistleblowing Standards that confidentiality measures shall be taken and no improper measures shall be taken against the whistleblower and his/her relatives, in order to protect against improper treatment borne by the whistleblower for reporting. | Compliant. |
| IV. Reinforced Disclosure of Information<br>Has the Company disclosed information about its Ethical Corporate Management Principles and the implementation efficacy on its website and the Market Observation Post System? | | V | The Company will prepare details about disclosure of the Ethical Corporate Management Principles on its website. | The Company has not prepared its Ethical Corporate Management Principles; there are no major differences in the remainder. |
| V. If the Company has established its own Ethical Corporate Management Principles based on the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies”, please specify the differences between how it actually takes place and what is defined in the Principles: Despite the lack of Ethical Corporate Management Principles in place, the Company constantly reminds its supervisors at all levels of the concept about ethical corporate management and promotes it on relevant occasions and channels. | | | | |
| VI. Other important information that helps with a better understanding of the Company’s implementation of ethical corporate management (e.g. the Company reflects upon and revises the Ethical Corporate Management Principles that it has prepared): None. | | | | |

(IX)To inquire about the Corporate Governance System Principles and applicable laws and regulations:

1.The Company has prepared the "Corporate Governance Best Practice Principles: that include the following applicable regulations and guidelines:

(1)Rules of Procedure for Shareholders' Meetings.
(2)Rules of Procedure for Board of Directors' Meetings.
(3)Board Director Election Regulations.
(4)Procedure for Handling the Acquisition or Disposal of Assets.
(5)Procedure for Handling Endorsements/Guarantees.
(6)Operating Procedure for Lending to Others.
(7)Regulations on the Supervision and Management of Subsidiaries.
(8)Regulations on the Disclosure of Transactions with Related Parties.
(9)Regulations on the Management of Financial and Non-financial Information.
(10)Guide to the Moral Behavior of Company's Management.
(11)Operating Procedure for Handling Material Internal Information.
(12)Sustainable Development Best-Practice Principles.
(13)Regulations Governing the Prevention against Insider Trading.
(14)Compensation and Remuneration Committee Organic Rules and Management Regulations.
(15)Regulations Governing Stock Affairs.
(16)Audit Committee Organic Rules.
(17)Internal Audit Management Guidelines.
(18)Intellectual Property Right Management Guidelines.
(19)Personal Data Protection Management Guidelines.
(20)Operating Procedure for Self-evaluation of Internal Control.
(21)Standard Operating Procedure for Addressing Board Directors' Requirements.
(22)Board of Directors Performance Evaluation Guidelines.
(23)Risk Management Policy and Procedural Guidelines.

2. For inquiries: Investor Service -> Corporate Governance on the Company's website http://www.hong-tai.com.tw.

3. Other significant information which may improve the understanding of the status of corporate governance may be disclosed and found as follows, too:

(1) The Operating Procedure for Handling Material Internal Information that is prepared in order to manage material internal information of the Company and the precautions have already been placed in "News" of the Company's Intranet to be followed by all staff and to prevent against violations or incidence of insider trading again.

(2) For insiders such as newly hired directors and managers of the Company, upon their inauguration, they receive the applicable laws and regulations on insider stock options of TWSE-listed Companies and precautions as well as communication materials for directors and supervisors and regulations governing the obligations of directors and supervisors of the latest version as compiled by the Taiwan Stock Exchange to facilitate compliance by insiders.

(3) Market Observation Post System: http://newmops.tse.com.tw.

(X)Other significant information which may improve the understanding of the status of corporate governance: Related continuing education completed by the directors and managers of the Company over the past year on topics relevant to corporate governance is as follows:

2023

| Title | Name | Date of Continuing Education | Organizer | Course Title | Completed Hours |
|---|---|---|---|---|---|
| Legal Representative of Chairman | Chen Shi-Yi | 2023.05.04 | Taiwan Investor Relations Institute | Core ESG Issues to be Concerned about by the Board of Directors and Management | 2 |
| | | 2023.06.12 | Chinese National Association of Industry and Commerce | Generative AI War Room - Gain an Insight in Opportunities and Capture Business Opportunities | 3 |
| | | 2023.07.04 | Taiwan Stock Exchange | 2023 Cathay Sustainable Finance and Climate Change Summit | 6 |
| | | 2023.08.14 | Taipei Foundation of Finance | Corporate Governance - Tax Money Laundering Risk Prevention - Eight National Money Laundering Risk Patterns | 3 |
| | | 2023.09.04 | Financial Supervisory Commission | 14th Taipei Corporate Governance Forum | 6 |
| | | 2023.09.20 | Taiwan Investor Relations Institute | Can Enterprises Innovate and Break through Their Profitability in the Era of Digital Economy? | 3 |
| Representative of Institutional Director | Chen Chih | 2023.10.24 | Taiwan Corporate Governance Association | AI Applications, Law and Auditing | 3 |
| | | 2023.11.21 | | Awareness of Directors and Executives of Listed Companies on Current Supervision by Competent Authorities | 3 |
| Representative of Institutional Director | Chen Liang-Hua | 2023.10.04 | Chinese National Association of Industry and Commerce | How an Enterprise Responds to International Anti-Tax Avoidance Measures | 3 |
| | | 2023.10.06 | | Practical AI Applications and Legal Analysis | 3 |
| Representative of Institutional Director | Pan Shao-Ping | 2023.07.13 | Taiwan Stock Exchange and Taipei Exchange | Seminar on Sustainable Development Action Plan of Listed Companies | 3 |
| | | 2023.09.18 | Taipei Foundation of Finance | Low Carbon Transformation Pathway Planning - Carbon Rights and Carbon Pricing | 3 |
| Independent Director | Chao Jang, Jing | 2023.04.27 | Taiwan Corporate Governance Association | Enterprise M&A Practices and Case Studies | 3 |
| | | 2023.10.26 | | How an Enterprise Strengthens Strategy Execution | 3 |
| Independent Director | Chih Yuan Lu | 2023.04.27 | Taiwan Corporate Governance Association | Enterprise M&A Practices and Case Studies | 3 |
| | | 2023.10.26 | | How an Enterprise Strengthens Strategy Execution | 3 |
| Independent Director | Hsueh Yu Lo | 2023.03.27 | Chinese National Association of Industry and Commerce | Corporate Resilience and Taiwan Competitiveness | 3 |
| | | 2023.04.27 | Taiwan Stock Exchange and Taipei Exchange | Seminar on Sustainable Development Action Plan of Listed Companies | 3 |
| Head of Finance and Accounting | Pan Shao-Ping | 2023.08.24-2023.08.25 | ROC Accounting Research and Development Foundation | Continuing Education for Issuers, Brokers, and Heads of Accounting of Stock Exchanges | 12 |

(XI) For the implementation status of the internal control system, the following shall be disclosed:

1.Internal Control System Declaration:

Hong Tai Electric Industrial Co., Ltd.

Internal Control System Declaration

Date: March 22, 2024

For the 2023 Internal Control System of the Company, it is declared hereby as follows according to the results of self-evaluation:

I. The Company explicitly knows that establishing, implementing, and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and such a system has been established in the Company. It aims to reasonably ensure fulfillment of goals such as effective and efficiency operation (including profitability, performance, and protection of data security), reliable, timely, and transparent reports, and compliance with applicable regulations and related laws.

II. The internal control system is subject to innate restrictions. Regardless how sound is the design, an effective internal control system can at most reasonably ensure fulfillment of the three goals mentioned above; nevertheless, the effectiveness of the internal control system may change with the environment and the circumstances. However, self-supervision measures were implemented within the Company's internal control system to facilitate immediate rectification as soon as flaws are identified.

III. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Monitoring. Each element further contains several items. For more information on the abovementioned items, please refer to the Regulations.

IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31, 2023 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of reporting, and compliance with applicable laws and regulations, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.

VI. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or omission related to the public statement above is subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This Declaration was approved by the Board of Directors" Meeting of the Company held on March 22, 2024, where 0 of the 7 attending directors expressed dissenting opinions; all affirmed the content of this Declaration.

Hong Tai Electric Industrial Co., Ltd.

Chairman: Chen Shi-Yi

President: Li Wen-Pin

2.If the Company engages a CPA in the review of its internal control system, the CPA audit report shall be disclosed: Not applicable.

(XII)Penalty on the Company and its Personnel or Punishment Imposed by the Company on Personnel in Violation of Internal Control System Regulations, Major Deficiencies, and Improvement: It did not happen.

(XIII)Key resolutions passed through shareholders' meetings and Board of Directors' meetings:

1.Resolutions reached in 2023 general shareholders' meeting and their enforcement

| Date of Meeting | Category | Important Resolutions | Implementation Status |
|---|---|---|---|
| 2023.06.15 | General Shareholders' Meeting | 1. Ratified 2022 Business Report, Parent Company-only Financial Statements, and Consolidated Financial Statements.<br>2.Ratified 2022 earnings distribution proposal.<br>3. Through the case of lifting restrictions on corporate directors' representative's non-compete clauses. | All proposals have been embarked on according to the results reached and in compliance with applicable requirements. Earnings for this year were completely distributed on July 28, 2023; a total of \$474,120,095 (\$1.5 per share) was distributed as cash dividends. |

2.Resolutions reached through Board of Directors' meetings throughout 2023 and up to May 10, 2024

| Date of Meeting | Category | Important Resolutions |
|---|---|---|
| 2023.03.10 | Board of Directors | 1.Approved 2022 Self-prepared Consolidated Financial Information.<br>2.Approved lifting of the business strife limitation for representatives of institutional directors.<br>3.Approved the establishment of date, venue, proposals, and book closure date of the 2023 General Shareholders' Meeting. |
| 2023.03.24 | Board of Directors | 1.Approved distribution of 2022 remuneration to employees and that to directors.<br>2.Approved 2022 Individual Financial Statement and Consolidated Financial Statement.<br>3.Approved 2022 Business Report<br>4.Approved 2022 earnings distribution proposal.<br>5.Approved the 2023 CPA Replacement, Delegation Reward and Suitability/Independence Assessment.<br>6.Approval of 2022 "Internal Control System Effectiveness Evaluation" and "Internal Control System Declaration". |
| 2023.05.05 | Board of Directors | 1.Approved Consolidated Financial Statements for the first quarter of 2023.<br>2.Approved the termination of the copper clad laminate business.<br>3.Approved intended authorization from the Board of Directors to the Chairman over extension of contracts with the following banks to facilitate allocation of funds.<br>4.Approved the resolution reached through the second meeting of the Compensation and Remuneration Committee of the fifth intake. |

| | | |
|---|---|---|
| 2023.08.09 | Board of Directors | 1.Approved 2023 Second Quarter Consolidated Financial Statement.<br>2.Approved 2023 budget revision.<br>3.Approved intended authorization from the Board of Directors to the Chairman over extension of contracts with the following banks to facilitate allocation of funds.<br>4.Approval of extended liability insurance coverage for directors and important cadres.<br>5.Approved the establishment of a branch in Jiali, Tainan.<br>6.Approved the retirement of Manager Mr. Pan Chun-Hsiung. |
| 2023.11.10 | Board of Directors | 1.Approved Consolidated Financial Statements for the third quarter of 2023.<br>2.Approved the revision of the "Corporate Governance Best-Practice Principles".<br>3 Approved the revision of the "Regulations Governing the Prevention against Insider Trading".<br>4.Approved the dismissal of manager.<br>5.Approved the project of investing and reconstructing the high-voltage cable production inspection and factory facilities in Guanyin Plant. |
| 2023.12.22 | Board of Directors | 1.Approved 2024 Internal Audit Plan.<br>2.Approved intended authorization from the Board of Directors to the Chairman over the application for new limits with Yuanta Bank's Northern Regional Center I.<br>3.Approved 2023 budget revision.<br>4.Approved appropriation of 2023 year-end bonus.<br>5.Approved 2024 budget report.<br>6.Approved 2024 Operational Plan.<br>7.Approved the resolution reached through the third meeting of the Compensation and Remuneration Committee of the fifth intake. |
| 2024.03.08 | Board of Directors | 1.Approved 2023 Self-prepared Consolidated Financial Information.<br>2.Approved the establishment of date, venue, proposals, and book closure date of the 2024 General Shareholders' Meeting. |
| 2024.03.22 | Board of Directors | 1.Approved distribution of 2023 remuneration to employees and that to directors.<br>2.Approved 2023 Individual Financial Statement and Consolidated Financial Statement.<br>3.Approved 2023 Business Report<br>4.Approved 2023 earnings distribution proposal.<br>5.Approved the 2024 CPA Replacement, Delegation Reward and Suitability/Independence Assessment.<br>6.Approval of 2023 "Internal Control System Effectiveness Evaluation" and "Internal Control System Declaration".<br>7.Promotion of Manager Li, Wen-Pin, and dismissal of the concurrent position as the President of the South Africa division.<br>8.Position Change of Manager Mr. Chen Liang-Hua.<br>9.Position Change of Manager Mr. Pan Shao-Ping. |
| 2024.05.10 | Board of Directors | 1.Approved Consolidated Financial Statements for the first quarter of 2024<br>2. Proposal to authorize the Chairman of the Board to renew credit lines with the following banks to facilitate fund allocation<br>3. Proposal on the distribution of executive compensation and salary compensation policy. |

(XIV)The directors expressed/did not express dissenting opinions regarding important resolutions approved by the Board of Directors, supported by records or written declarations; the contents are primarily: No directors expressed dissenting opinions regarding important resolutions approved by the Board of Directors.

(XV)Resignation and dismissal of related people in the Company (including the Chairman, President, Chief Accounting Officer, Chief Financial Officer, Internal Audit Supervisor, Corporate Governance Supervisor, and Chief R&D Officer, etc.):

| Title | Name | Date Inaugurated | Date Dismissed | Reason for resignation or dismissal |
|---|---|---|---|---|
| Vice CEO | Pan Chun-Hsiung | 2021.09.07 | 2023.09.07 | Expiration of term of office |

Remarks: Vice CEO Pan, Chun-Hsiung was reappointed as senior advisor upon the expiration of his term of office.

## V. Information on Fees to CPA:

(I)If the Accounting Form is replaced and the audit fees paid in the year of the said replacement dropped compared to those in the preceding year, the amount involved in, the ratio of, and the cause of reduction of the audit fees shall be disclosed: None.

(II)When audit fees drop by at least 10% from the preceding year, the amount involved in, the ratio of, and the cause of reduction of the audit fees shall be disclosed: None.

(III)Information on Fees to CPA in 2023:

Unit: NTD thousand

| Name of Accounting Firm | Name of CPA | Duration of Audit Performed by CPA | Audit Fee | Non-audit Fee | Remarks |
|---|---|---|---|---|---|
| Ernst & Young | Hsieh Sheng-An | 2023/1/1-2023/12/31 | 2,670 | 0 | |
| | Chang Chih-Ming | | | | |

Note 1:In the event that the CPA or the Accounting Firm is replaced in this year for the Company, the duration of the audit performed by each of them shall be listed separately and reason for the replacement shall be specified in the Remarks field. Meanwhile, information on audit and non-audit fees paid shall be disclosed sequentially.

Note 2:For non-audit fees, please list them by the service item. If the amount under “Others” as part of non-audit fees reaches 25% of the sub-total of non-audit fees, the service contents shall be listed in the Remarks field.

## VI. Information on Replacement of CPA:

I. About the former CPAs

<table>
<tr><td>Date of replacement</td><td colspan="4">Approved by the Board of Directors on March 24, 2023</td></tr>
<tr><td>Reason for replacement and description</td><td colspan="4">In order to comply with the requirements of Statement of Auditing Standards No. 46 and the internal risk control of Ernst & Young, a rotation of CPAs is conducted to comply with the regulations.</td></tr>
<tr><td rowspan="3">Termination by principal or CPAs or rejection of appointment</td><td colspan="2">Party to Contract / Circumstance</td><td>CPA</td><td>Principal</td></tr>
<tr><td colspan="2">Voluntary termination of appointment</td><td colspan="2" rowspan="2">Not applicable</td></tr>
<tr><td colspan="2">Rejection of (continuous) appointment</td></tr>
<tr><td>Opinion and reasons for audit report other than unqualified audit report issued within the last two years</td><td colspan="4">None</td></tr>
<tr><td rowspan="7">Differences in opinion with the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="2">Scope of audit or procedures</td></tr>
<tr><td></td><td colspan="2">Other</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Description: None</td></tr>
<tr><td>Other Disclosures (Additional disclosures under Article 10, Subparagraph 6, Items 1-4 to 1-7 of the Standards)</td><td colspan="4">None</td></tr>
</table>

II. About the successor CPAs

| | |
|---|---|
| Name of Firm | Ernst & Young |
| Name of CPA | CPA Hsieh Sheng-An<br>CPA Chang Chih-Ming |
| Date of appointment | Approved by the Board of Directors on March 24, 2023 |
| Issues and results of pre-appointment consultations on accounting treatments or accounting principles for specific transactions and opinions that may be issued on financial reports | None |
| Written opinion on differences of opinion between the successor CPAs and the former CPAs | None |

III. The former CPAs' response to matters in Article 10, Subparagraph 6, Item 1 and Item 2-3 of the Standards: None.

**VII. If the Company's Chairman, President, and managers in charge of finance or accounting affairs worked for the firm that the CPAs belong to or one of its affiliate in the most recent year, the name, title, and duration of such employment shall be disclosed:** It did not happen.

## VIII. Share transfer by directors, supervisors, managers and shareholders holding more than 10% equity and change in the pledged shares:

(I)Change in shares held by the director/supervisor/manager/major shareholder:

| Title | Name | 2023 | | The year up to April 14 | |
|---|---|---|---|---|---|
| | | Increase (decrease) in shares held | Increase (decrease) in pledged shares | Increase (decrease) in shares held | Increase (decrease) in pledged shares |
| Chairman | Chiu Chiang Investment Co., Ltd. | 0 | 0 | 0 | 0 |
| | Representative: Chen Shi-Yi | 0 | 0 | 0 | 0 |
| Director | Jyh Tai Investment Co., Ltd. | 0 | 0 | 0 | 0 |
| | Representative: Chen Liang-Hua | 0 | 0 | 0 | 0 |
| Director | Qiqingxin Investment Co., Ltd. | 0 | 0 | 0 | 0 |
| | Representative: Chen Chih | (126,000) | 0 | 0 | 0 |
| Director | Shinn Bang Investment CO., Ltd. | 0 | 0 | 0 | 0 |
| | Representative: Pan Shao-Ping | 0 | 0 | 0 | 0 |
| Independent Director | Chao Jang, Jing | 0 | 0 | 0 | 0 |
| Independent Director | Lu Chih-Yuan | 0 | 0 | 0 | 0 |
| Independent Director | Lo Hsueh-Yu | 0 | 0 | 0 | 0 |
| Vice CEO | Pan Chun-Hsiung (Note 1) | 0 | 0 | 0 | 0 |
| President | Li Wen-Pin | 0 | 0 | 0 | 0 |
| President of the Division | Shen Chen-Chiang(Note 2) | 0 | 0 | 0 | 0 |
| President of the Division | Chang Yung-Cheng (Note 3) | 0 | 0 | 0 | 0 |
| Vice President | Chen Liang-Hua | 0 | 0 | 0 | 0 |
| Head of Finance and Accounting | Pan Shao-Ping | 0 | 0 | 0 | 0 |
| Corporate Governance Officer | Kao Hsiu-Yu | 0 | 0 | 0 | 0 |

Note 1: (Retired on 2023.09.06).
Note 2: (Retired on 2023.01.01)
Note 3: (Retired on 2023.10.31)

(II)Information on Related Party as Counterparty of Share Transfer: None.

(III)Information on Related Party as Counterparty of Pledged Shares: None.

## IX. Information on the inter-relationship among Top ten shareholders who are related, the spouse, or the relative within the second degree of kinship of one another:

As of April 14, 2024

| Name | Shareholding in Person | | Shares held by spouse and underage children | | Total shares held in someone else's name | | Titles, names and relationships among Top ten shareholders who are related, the spouse, or the relative within the second degree of kinship. | | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Name | Relationship | |
| Shiliangze Investment Co., Ltd. Representative: Hsu Wei-Tzu | 23,730,000 | 7.51% | 29,268,899 | 9.26% | 0 | 0 | Chen Shi-Yi<br>Chen Liang-Hua<br>Chen Tse-Yu | First degree of kinship<br>The representative of the Company, Hsu Wei-Tzu is the spouse of the party to the left.<br>First degree of kinship | |
| Chen Liang-Hua | 22,884,153 | 7.24% | 6,884,746 | 2.18% | 0 | 0 | Chen Shi-Yi<br>Hsu Wei-Tzu<br>Chen Tse-Yu | First degree of kinship<br>Spouse<br>First degree of kinship | |
| Chiu Chiang Investment Co., Ltd. Representative: Chen Liang-Hua | 15,734,514 | 4.98% | 6,884,746 | 2.18% | 0 | 0 | Chen Shi-Yi<br>Hsu Wei-Tzu<br>Chen Tse-Yu | First degree of kinship<br>The representative of the Company, Chen Liang-Hua is the spouse of the party to the left<br>First degree of kinship | |
| Chen Shi-Yi | 13,622,563 | 4.31% | 2,159,485 | 0.68% | 0 | 0 | Chen Liang-Hua<br>Hsu Wei-Tzu<br>Chen Tse-Yu | First degree of kinship<br>First degree of kinship<br>Second degree of kinship | |
| Jyh Tai Investment Co., Ltd. Representative: Chen Liang-Hua | 11,650,029 | 3.69% | 6,884,746 | 2.18% | 0 | 0 | Chen Shi-Yi<br>Hsu Wei-Tzu<br>Chen Tse-Yu | First degree of kinship<br>The representative of the Company, Chen Liang-Hua is the spouse of the party to the left<br>First degree of kinship | |
| Chen Tse-Yu | 6,184,746 | 1.96% | 0 | 0 | 0 | 0 | Chen Liang-Hua<br>Hsu Wei-Tzu<br>Chen Shi-Yi | First degree of kinship<br>First degree of kinship<br>Second degree of kinship | |
| Chen Jia-Mei | 6,151,092 | 1.95% | 0 | 0 | 0 | 0 | Qiqingxin Investment Co., Ltd. Person-in-Charge Chi Kuei-Hua | Second degree of kinship | |

| Name | Shareholding in Person | | Shares held by spouse and underage children | | Total shares held in someone else's name | | Titles, names and relationships among Top ten shareholders who are related, the spouse, or the relative within the second degree of kinship. | | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Name | Relationship | |
| Qiqingxin Investment Co., Ltd. Representative: Chi Kuei-Hua | 6,000,000 | 1.90% | 4,405,232 | 1.39% | 0 | 0 | Chen Jia-Mei | Second degree of kinship | |
| Shinn Bang Investment CO., Ltd. Representative: Pan Wu-Hsiung | 5,390,500 | 1.71% | 2,529,020 | 0.8% | 0 | 0 | - | - | |
| Chang Lung-Tsai | 5,369,000 | 1.70% | - | - | - | - | | | |

## X.Number of Shares Held by and Consolidated Comprehensive Shareholding Ratio Among the Company, the Directors, Supervisors, and Managers of the Company, and Businesses Directly or Indirectly Controlled by the Company of the Same Reinvested Business:

General shareholding ratio

2024/03/31 Unit: Share; %

| Reinvested Business | Investment by the Company | | Investments by directors, supervisors, managers, and businesses controlled directly or indirectly | | Comprehensive investment | |
|---|---|---|---|---|---|---|
| | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio |
| Safety Investment Co., Ltd. | 8,795,890 | 99.95% | 822 | 0.01% | 8,796,712 | 99.96% |
| Hong Hong Engineering Co., Ltd. | 3,575,880 | 86.00% | 582,120 | 14.00% | 4,158,000 | 100.00% |
| British Virgin Islands Moneywin International Ltd. | 4,430,860 | 100.00% | 0 | 0% | 4,430,860 | 100.00% |
| South Ocean Holdings LTD. | 56,270,187 | 27.68% | 6,222,630 | 3.06% | 62,492,817 | 30.74% |

# D. Fundraising

## I. Capital and Shares:

### (I) Capital stock:

1. Source of capital stock:

| Month Year | Issue price | Approved capital stock | | Paid-up capital stock | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of shares | Amount | Number of shares | Amount | Source of capital stock ($) | Shares acquired by non-cash properties | Other |
| 1993.10 | 10 | 80,000,000 | 800,000,000 | 80,000,000 | 800,000,000 | Capital increase in cash: 80,000,000<br>Capital increase by earnings: 120,000,000 | None | |
| 1994.04 | 10 | 150,000,000 | 1,500,000,000 | 120,000,000 | 1,200,000,000 | Capital increase in cash: 200,000,000<br>Capital increase by capital reserve: 80,000,000<br>Capital increase by earnings: 120,000,000 | None | |
| 1995.04 | 10 | 150,000,000 | 1,500,000,000 | 144,000,000 | 1,440,000,000 | Capital increase by capital reserve: 180,000,000<br>Capital increase by earnings: 60,000,000 | None | |
| 1996.05 | 10 | 160,000,000 | 1,600,000,000 | 158,400,000 | 1,584,000,000 | Capital increase by capital reserve: 144,000,000 | None | |
| 1997.05 | 10 | 300,000,000 | 3,000,000,000 | 228,000,000 | 2,280,000,000 | Capital increase in cash: 300,000,000<br>Capital increase by capital reserve: 158,400,000<br>Capital increase by earnings: 237,600,000 | None | |
| 1998.04 | 10 | 380,000,000 | 3,800,000,000 | 273,600,000 | 2,736,000,000 | Capital increase by capital reserve: 228,000,000<br>Capital increase by earnings: 228,000,000 | None | |
| 1999.06 | 10 | 380,000,000 | 3,800,000,000 | 300,960,000 | 3,009,600,000 | Capital increase by capital reserve: 136,800,000<br>Capital increase by earnings: 136,800,000 | None | |
| 2000.04 | 10 | 380,000,000 | 3,800,000,000 | 316,508,000 | 3,165,080,000 | Capital increase by earnings: 150,480,000<br>Transfer of employee bonus: 5,000,000 | None | |
| 2001.04 | 10 | 388,000,000 | 3,880,000,000 | 332,139,050 | 3,321,390,500 | Capital increase by earnings: 156,310,500 | None | |
| 2003.12 | 10 | 398,000,000 | 3,980,000,000 | 329,863,063 | 3,298,630,630 | Capital reduction by treasury stocks: 22,759,870 | None | |
| 2009.01 | 10 | 398,000,000 | 3,980,000,000 | 324,151,063 | 3,241,510,630 | Capital reduction by treasury stocks: 57,120,000 | None | |
| 2016.04 | 10 | 398,000,000 | 3,980,000,000 | 316,080,063 | 3,160,800,630 | Capital reduction by treasury stocks: 80,710,000 | None | |

2. Type of Share:

April 14, 2024/Unit: share

| Type of share | Approved capital stock | | | Remarks |
|---|---|---|---|---|
| | Outstanding share (Note) | Unissued share | Total | |
| Ordinary shares (listed stocks) | 316,080,063 | 81,919,937 | 398,000,000 | Including employee warrants that may be issued in the quantity of 10,000,000 |

3. Information on shelf registration: None.

(II)Shareholder structure:

April 14, 2024

| Shareholder structure / Quantity | Government agency | Financial institution | Other corporations | Foreign institutions and foreigners | Individuals | Total |
|---|---|---|---|---|---|---|
| Number of Shareholders | 0 | 2 | 174 | 83 | 37,932 | 38,191 |
| Number of shares held | 0 | 229,630 | 69,918,238 | 57,812,312 | 188,119,883 | 316,080,063 |
| Shareholding ratio | 0.00% | 0.07% | 22.12% | 18.29% | 59.52% | 100.00% |

(III)Decentralization of shares:

1. Common stock

April 14, 2024

| Shareholding range | Number of shareholders | Number of shares held | Shareholding ratio |
|---|---|---|---|
| 1 to 999 | 17, 182 | 980, 216 | 0. 31% |
| 1,000 to 5,000 | 16, 831 | 34, 157, 377 | 10. 82% |
| 5,001 to 10,000 | 2, 284 | 19, 093, 298 | 6. 04% |
| 10,001 to 15,000 | 556 | 7, 166, 397 | 2. 27% |
| 15,001 to 20,000 | 412 | 7, 843, 555 | 2. 48% |
| 20,001 to 30,000 | 339 | 8, 951, 220 | 2. 83% |
| 30,001 to 40,000 | 162 | 5, 920, 034 | 1. 87% |
| 40.001 to 50,000 | 101 | 4, 779, 344 | 1. 51% |
| 50,001 to 100,000 | 158 | 12, 032, 794 | 3. 81% |
| 100,001 to 200,000 | 66 | 9, 430, 024 | 2. 98% |
| 200,001 to 400,000 | 40 | 10, 917, 872 | 3. 45% |
| 400,001 to 600,000 | 17 | 8, 062, 867 | 2. 55% |
| 600,001 to 800,000 | 5 | 3, 500, 000 | 1. 11% |
| 800,001 to 1,000,000 | 3 | 2, 889, 700 | 0. 91% |
| 1,000,001 and above | 35 | 180, 355, 365 | 57. 06% |
| Total | 38, 191 | 316, 080, 063 | 100. 00% |

2. preferred stock:None

## (IV)List of major shareholders:

April 14, 2024

| Name of Major Shareholders \ Shares | Number of shares held | Shareholding ratio |
|---|---|---|
| Shiliangze Investment Co., Ltd. | 23,730,000 | 7.51% |
| Chen Liang-Hua | 22,884,153 | 7.24% |
| Chiu Chiang Investment Co., Ltd. | 15,734,514 | 4.98% |
| Chen Shi-Yi | 13,622,563 | 4.31% |
| Jyh Tai Investment Co., Ltd. | 11,650,029 | 3.69% |
| Chen Tse-Yu | 6,184,746 | 1.96% |
| Chen Jia-Mei | 6,151,092 | 1.95% |
| Qiqingxin Investment Co., Ltd. | 6,000,000 | 1.90% |
| Shinn Bang Investment CO., Ltd. | 5,390,500 | 1.71% |
| Chang Lung-Tsai | 5,369,000 | 1.70% |

## (V)Market price per share, net worth, earnings, and dividends-related information for the last two years:

Unit: NTD

| Item \ Year | | | 2022 | 2023 | As of the year up to March 31, 2024 |
|---|---|---|---|---|---|
| Market price per share | Maximum | | 33.15 | 31.75 | 32.75 |
| | Minimum | | 13.35 | 16.15 | 25.60 |
| | Average | | 21.12 | 23.57 | 29.36 |
| Net worth per share | Before distribution | | 22.48 | 23.89 | -- |
| | After distribution | | 20.98 | 21.89 | -- |
| Earnings per share | Weighted average shares | | 316,080 thousand shares | 316,080 thousand shares | 316,080 thousand shares |
| | Earnings per share (before retroactive adjustment) | | 1.12 | 1.99 | Not applicable |
| | Earnings per share (after retroactive adjustment) | | -- | -- | |
| Dividend per share | Cash dividend | | 1.50 | *2.00 | |
| | Stock dividend | Stock dividend from retained earnings | 0 | 0 | |
| | | Stock dividend from capital reserve | 0 | 0 | |
| | Accumulated unpaid dividend | | 0 | 0 | |
| Return on investment analysis | PE ratio | | 18.86 | 11.84 | |
| | Price-dividend ratio | | 14.08 | 11.79 | |
| | Cash dividend yield | | 7.10% | 8.49% | |

*It is the amount approved by the Board of Directors and reported during the general shareholders' meeting.

Note 1: Price-earnings (P/E) ratio = Average market price of the year / Earnings per share.

Note 2: Price-dividend (P/D) ratio = Average market price of the year / Cash dividends per share.

Note 3: Cash dividend yield rate = Cash dividend per share / Average market price of the year.

Note 4: If it is specified in the criteria for issuing equity securities that dividends yet to be distributed for the year may be carried over to and distributed in the year with earnings, accumulative dividends yet to be paid up to the year shall be disclosed separately.

Note 5: For the net worth per share and earnings per share, the data of the latest quarter that have been audited (approved) by the CPA(s) up to the date the Annual Report was printed shall be provided; for the other fields, data of the year up to the date the Annual Report was printed shall be provided.

(VI)Dividend Policy and Implementation Status:

1.Dividend Policy:

(1)rticles of Incorporation:

After accounts are finalized at the end of the year, in cases of earnings, the Company shall allocate the portion required to offset deficits and pay all taxes first and then set aside 10% to be the legal reserve unless the accumulated legal reserve has reached the capital size of the Company. Meanwhile, after the special reserve is set aside or reversed as required by law, the remainder, along with the undistributed earnings at start of term, shall be the accumulated distributable earnings. The Board of Directors will prepare the assignment proposal and bring it forth in the shareholders' meeting for a decision before it is enforced.

For the distribution of earnings as indicated in the preceding paragraph, the Board of Directors, with attendance of two-thirds and more of all directors and approval from a majority of attending directors, decides on the release of all or part of the dividends to be assigned, along with the proposals on the distribution of legal reserve and capital reserve, in cash and presented it in the shareholders' meeting.

Part of the Company's products belong to the traditional industry and the corporate life cycle is gradually reaching "maturity" while part of them belong to an emerging industry whose life cycle is at the growth stage. The Company's policies on distribution of dividends must take into consideration the Company's demand for funds in the future and its long-term financial plan while at the same time addressing the interests of shareholders and shall not be lower than 20% of disposable earnings for the specific year in principle. Cash dividends assigned with earnings, in particular, may not be less than 10% of the overall dividends. In cases of non-frequent material income for the earnings of the specific year, however, part or all of the said income may be retained in the distribution of dividends and the ratios indicated in the foregoing paragraph do not apply.

(2)Dividend distribution to be proposed to the shareholders' meeting:

2023 Earnings Distribution: It was decided by the Company's Board of Directors on March 22, 2024 that a total of $632,160,126 ($2.0 per share) would be distributed as cash dividends to shareholders, accounting for 100.6% of the annual earnings and 100% of cash dividends. It will be presented during the 2024 General Shareholders' Meeting, too.

2.With imminent major changes to the dividend policy expected, it shall be stated:None.

(VII) The effects of the stock dividends proposed during the shareholders' meeting on the Company's business performance and earnings per share: No stock dividends were intended in the current shareholders' meeting to be distributed and hence it is not applicable.

(VIII)Remuneration to employees and directors:

1.Percentages or ranges of remuneration to employees and directors under the Articles of Incorporation:

In cases of profits for the year, the Company shall set aside 2% to 8% as remuneration to employees and no more than 3% to be that to directors. With accumulated deficits remaining, however, the portion required to offset the deficits shall be retained first.

Where remunerations for employees are in stock cash and the parties to whom such stock or cash may be issued to may include employees of affiliated companies meeting certain criteria, the criteria and the distribution method are to be decided by the Board of Directors as authorized.

By profitability for the year as indicated in Paragraph 1, it refers to the profits before the remunerations for employees and those for directors are subtracted from the pre-tax profits for the year.

Remunerations for employees and those for directors shall be assigned on the basis of a decision supported by a majority of directors attending the board meeting who represent two-thirds or more of all directors and shall be presented in the shareholders' meeting.

2.Basis for estimating the amount of remuneration of employees and directors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current term:

(1)The remuneration to employees and directors is estimated as required by the Company's Articles of Incorporation. It was recognized as operating expenses for the specific term.

(2)Both the remuneration to employees and that to directors approved by the Company's Board of Directors are to be distributed in cash.

(3)When the actual amount distributed differs from the estimated amount, on the other hand, it is recognized as income of the following year.

3. Distribution of remuneration from earnings of 2023 as approved by the Board of Directors in 2024:

Remuneration distributed in cash to employees totals $48,843,219 and that to directors $24,421,610.

4.Actual remuneration distributed to employees and that to directors from earnings of 2022 gal of the Company:

| Item | Remuneration distributed to employees and that to directors from earnings of 2022 | | Difference | Cause of difference |
|---|---|---|---|---|
| | Finalized and approved in the shareholders' meeting | Finalized and approved in the Board of Directors' meeting | | |
| Remuneration to employees in cash ($) | 30,509,324 | 30,509,324 | None | - |
| Remuneration to directors ($) | 15,254,662 | 15,254,662 | None | - |

(IX).Buyback of corporate shares by the Company: None.

**II. Issuance of corporate bonds**:

(I)Information of corporate bonds: None.

(II)Information of convertible corporate bonds: None.

(III)Information of exchangeable corporate bonds: None.

(IV)Information of shelf-registration issued corporate bonds: None.

(V)Information of corporate bonds with warrants: None.

**III. Preferred Stock (with Warrant):** None.

**IV.Global Depository Receipt (DDR):** None.

**V.Employee Stock Option:** None.

**VI.Restricted Stock Awards:** None.

**VII.Mergers, Acquisitions or Issuance of New Shares for Acquisition of Shares of Other Companies:** None.

**VIII.Implementation of Capital Allocation Plan:** As of the date the Annual Report was printed, the Company did not have any capital allocation plan that was not completed or was completed but the efficacy was yet to surface.

# E. Business Overview

**I. Business Activities:**

(I)Business Scope:

1.Key Businesses:

(1)manufacturing, processing, and distribution of various electrical wires, cables, bare copper wires, bare copper stranded wires, auto wires, TV antennas, nickel plated wires, plastics, rubber, wires/cables, cross-linked polyethylene, cross-linked PE power cables, control cables, termite resistant cables, gopher-protected cables, aluminum cables, welding cables, heat resistant and combustion-resistant wires/cables, low-smoke halogen-free cables, pre-made branch cables, lead-free cables, FS-STP communication cables, F/S-JF-LAP communication cables, E1, T1 indoor cables, optic fiber cables, communication devices.

(2)Manufacturing and distribution of communication cables, solar power system-exclusive TUV, UL, EN, and IEC wires/cables.

(3)Distribution of the above-listed various relevant machines.

(4)Design, construction, maintenance, and provision of quality control and technical service for various power and telecommunication projects, communication devices, and solar power systems.

(5)Agency and dealership for imports and exports concerning each of the above-listed businesses.

2.Consolidated Revenue Breakdown:

| Product | 2023 | |
|---|---|---|
| | Amount of Sales ($1,000) | Ratio of Sales % |
| Power cable | 4,692,817 | 75.75 |
| Bare copper wire | 184,965 | 2.99 |
| Communication cable | 25,193 | 0.41 |
| Copper clad laminate | 128,700 | 2.08 |
| Prepreg | 44,586 | 0.72 |
| Other | 1,118,764 | 18.05 |
| Total | 6,195,025 | 100.00 |

3. Products currently available at the Company:

(1)600V-161kV cross-linked PE power cable
(2)Plastic wire/cable
(3)Low-smoke and non-toxic cable
(4)Heat-resistant cable
(5)Control cable
(6)Termite resistant cable
(7)Bare copper wire
(8)Rubber wire/cable
(9)Environmentally friendly wire/cable
(10)Lead-free PVC wire
(11)Combustion resistant cable
(12)Pre-made branch cable
(13)Gopher resistant cable
(14)Smart cable
(15)Solar power system-exclusive TUV, UL, EN, and IEC cable
(16)Wind power generation land cable

(II)Industry Overview:

Taiwan businesses are returning and bring about engineering projects; safety stocks and turnover are improved to proactively secure purchase orders and deliver on time.

The government promotes railway and highway constructions one after another in order to boost domestic demand, which contributes to an increase in the revenue of the wire/cable and mechanical/electrical engineering industries.

Emerging and developing countries are attracting investments in constructions in all walks of life like magnets. There is intensive devotion to various types of services, forming an extension of the product market.

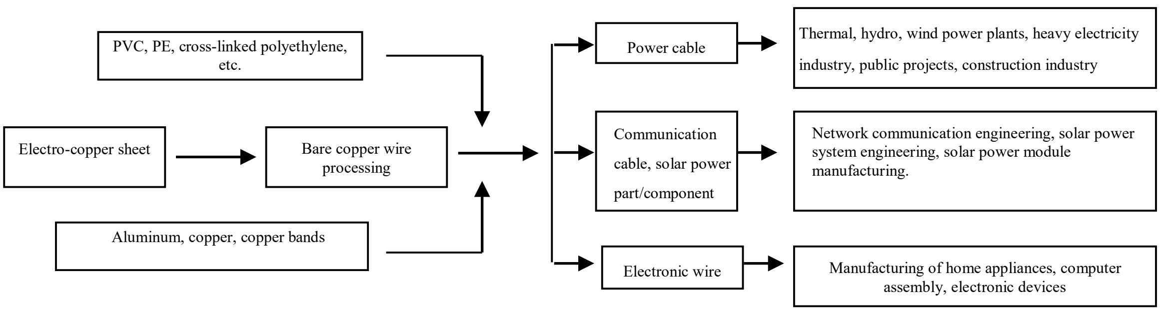
The Taiwan Power Company is introducing power development plans. New generators are added to thermal power plants in order to meet the demand for gradual discontinuation of nuclear power generation.

Offshore wind power and solar power cables are making profits due to fluctuating prices of copper, reinforcing the consolidation of the hedging mechanism for raw materials and supplies.

To meet the demand on the international market as a result of globalization, customers are provided with service by sales representatives in their locality to improve international competitive advantages. The Company also proactively build production and distribution sites in Southeast Asia, Mainland China, the Oceania, and Africa.

1.Relationships with suppliers in the industry's supply chain:

Domestic wires and cables and their technicality are comparable to world levels. Currently, except for copper that needs to be imported, the up-mid-down-stream structure of the cable industry is quite thorough. Manufacturers import electro-copper sheets that are made into bare copper wires first and then into various types of wires and cables as is shown below:




The wire and cable industry in Taiwan mainly consists of small-to-medium-sized enterprises and their products can be divided primarily to copper/aluminum wires, power cables, communication cables, electronic wires, and enameled wires, etc. After years of improvements in production technology and equipment engineering capability, wires and cables are now quite mature products. The structure of the wire and cable industry in our country is shown in Table (1). From the upstream that is primarily the supply of raw materials such as copper and aluminum melting, bare optical fiber drawing, and the supply of various types of insulating materials or coatings, to the midstream that features the processing and manufacturing of wires and cables of varying specifications through different production procedures, and the downstream application in power, communication, and home appliance, and electronics industries, among others, it is a complete industrial system.

Table (1) Structure of the wire and cable industry in our country

| Industrial structure | Description |
|---|---|
| Upstream | Supply of primary raw materials such as copper, aluminum, bare optical fiber, and insulating coatings. |
| Midstream | Processing and manufacturing of wires and cables. |
| Downstream | Application in power, communication and home appliances, and electronics industries, among others. |

In light of the balance between supply and demand on the market and the investment performance, the Company signs long-term supply contracts for primary raw materials with the upstream suppliers to ensure steady sources of raw materials. With rooted trust from the upstream primary raw material suppliers and the end-users of wires and cables in the downstream through vertical integration, the wire and cable business of the Company has formed its own complete industrial chain.

2.Future Development Trends of and Competition for Products:

(1)Future Development Trends:

A.Development of 345kV ultra-high voltage cables:

As the cable technology and manufacturing method constantly evolve and improve, in light of the more and more common use of 69kV and 161kV alternating PE cables and the high level of socioeconomic development and the quality of life constantly reaching new heights, to address the needs of urbanization and modernization, as part of its effort to seek accession to the World Trade Organization (WTO), the government is gradually opening up its domestic market to the world and the competition to deal with in the future will gradually become more complex. For offshore wind power, between 2026 and 2035, the period where 1.5GW a year will be combined in the grid, developers have now included 345kV as one of the solutions being evaluated. To realize sustainable corporate development, the development of 345kV ultra-high-voltage alternating PE cables is being evaluated to cope with the changes on the market in the future.

B.230kV ultra-high voltage XLPE cables:

Offshore wind energy is expected to contribute 1.5GW and above of capacity each year, that is, 15GV in total over 10 years in order to ensure stable and safe transmission quality. The requirement for land cables is increased accordingly. The 230kV ultra-high voltage XLPE cables are developed to address the demand on the market and customers' needs with improved production technology.

C.Development of connector cables:

In response to the 2050 net-zero emissions "electrification and decarbonization of transportation" goal, the market share of electric vehicles will definitely increase. It is expected that there will be more demand for connector cables. We will invest in development and obtain product certification as soon as possible to secure the market share.

(2)Competition:

A.To answer to the globalization trend, we are exploring the international market. Despite the competition from Mainland China, Japan, Korea, and local businesses, products of Hong Tai is well recognized for their quality; we are proactively coping with competition and working all out to secure purchase orders.

B.Given the flourishing demand on the market, shortage will occur in the near future and hence safety stocks are increased to proactively secure purchase orders and improve profitability.

(III) Overview of Technology and R&D:

1.R&D expenditure in the year up to the date the Annual Report was printed:

Unit: NTD thousand

| Year | 2022 | 2023 | April 30, 2024 |
|---|---|---|---|
| R&D Amount | 19,354 | 12,736 | 3,280 |

2. Technologies and products successfully developed:

(1)Lead-free low-smoke low-halogen LSLH-FPVC wires and cables for iron and steel plants.

(2)69kV cross-linked PE termite resistant cables.

(3)PVC gopher and termite dual-resistance cables.

(4)25kV high-voltage weathering-resistant wires and cables.

(5)AVS automobile thin low-voltage electrical wires.

(6)DC cables.

(7)Medium-voltage frequency-conversion cables.

(8)Ultra-high-voltage water-resistant cables.

(9)Smart cables.

(10)105°C heat-resistant cross-linked cables.

(11)Thin 380°C heat-resistant cables.

(12)LSFH gopher and termite dual-resistance cables.

(13)TUV, UL, EN, and IEC solar power cables.

(14)Wind power generation land cables.

(15)Development of second source for key raw materials to improve the overall competitive advantages of the Company.

(IV)Short-term and long-term business development:

1. Short-term plan:

(1)To expand brand publicity and distribution channels.

(2)To strengthen the quantity of purchase orders received on special cables such as low-smoke, toxin-free, environmentally-friendly, and gopher and termite resistant ones.

(3)To continue to reinforce the effort to secure public projects, such as thermal and water power plants, MRT, railways.

(4)To proactively fight for constructions of high-tech electronics plants to improve brand publicity and increase the customer base.

(5)The addition of power generators to thermal power plants of Taiwan Power Company has driven up the demand for ultra-high-voltage cables and EPR cables and such demand will continue to grow steadily in the future.

(6)To strengthen involvement in the system improvement plan of TRA for its electric traction line.

(7)To proactively strengthen the promotion and development of new products and explore integrated structure, petrochemical, and new energy development projects.

(8)To continue to reinforce the partnership and strategic alliance between the design unit and the heavy electricity industry and seek domestic major public construction cases.

(9)To flexibly apply the promotional strategy to improve the market share.

(10)To proactively secure cases on replacement of obsolete electrical equipment in petrochemical and steel and iron plants as their demand for special cables and ultra-high-voltage ones is increased.

(11)To seek domestic urban renewal cases in the future to bring up the demand for the construction wires/cables.

(12) To join efforts with counterparties in mechanical and electronic products and jointly seek electronics, technology, aviation, and expansion of plants cases.
(13) To set foot in the market for offshore wind power, submarine, and military special cables.
(14) To reinforce the capability of sales representatives to take orders and quickly keep track of sales information on the market for enhanced performance.
(15) To increase the customer base for direct sales and expand marketing channels in central and southern parts of Taiwan.
(16) To continue to take part in domestic and international solar power exhibitions to increase the Company's publicity and to seek domestic and international business opportunities.
(17) To continue to expand the existing customer base and seek supply opportunities for enhanced market share.
(18) To strengthen existing customer service and improve brand publicity and competitive advantages.
(19) To consolidate existing customer distribution networks and explore new ones for products and new customers.
(20) To take root and secure expansion cases in the local electronics and technology industries to increase the sales ratio of ultra-high-voltage products.

2. Long-term plan:
(1)To develop business opportunities for the promotion of new products and sales.
(2)Rails, highways, and green energy are all business opportunities in the future over the long term; stipulate the distribution strategy, strengthen the R&D capability, reduce the cost, and improve the competitive advantages of products.
(3)To nurture and develop new niche-oriented products, improve additional value, and lay the groundwork for sustainable corporate operation.
(4)To explore new sales networks, extend corporate strengths, and expand the market share.
(5)To provide project-based services for wind power generation, solar power, photovoltaic, and related power plant constructions.
(6)To deploy around the world and enter markets in Mainland China, Southeast Asia, Africa, and Oceania and other exports markets.
(7)To continue to develop new products, expand the lead-free line, and combustion-resistant cable products and sell them reflective of the market demand to enhance the market share.
(8)To continue to consolidate the management beliefs: "Hong Tai's quality is the protection for customers"; customer is king, and service orientation.
(9)To improve quality of products, strength customer service, secure existing customers, and develop new customers and distribution networks.
(10) To strength marketing channels for flame-retardant and low-smoke, toxin-free products on the market.
(11) The Company expedites the expansion in sales and marketing to address the demand for introducing special cables onto the market.
(12) To keep track of the international situation and the economic policies of the government in the future at all times, adjust the sales strategy and research and development of new products, and introduce them into the market to improve profitability of products as a countermeasure.
(13) To have someone based in emerging and developing countries to take part in

respective constructions.

(14) To proactively seek domestic and international wire and cable manufacturers for the OEM and increase the use rate of units.

(15) To continue to expand and develop distribution networks.

(16) To reinforce customer satisfaction with the service and effectively keep track of customer's demand.

(17) To reinforce customers' satisfaction with pricing and lead time, among others, for effectively increased satisfaction and accordingly securing existing customers.

(18) To effectively keep track of the dynamics of competition and sales on the market and increase the market share with flexible sales strategies.

(19) To combine strategic partners in the upstream, midstream, and downstream and form a complete sales channel.

(20) To research and develop high niche products of the next generation for enhanced overall profitability.

(21) To proactively develop the market for solar power generation and accordingly improve the Company's image in environmental protection, green energy, energy conservation, and carbon reduction.

(22) To continue reinforcing cross-industrial alliance and jointly develop and secure domestic and international markets for various power transmission and distribution. To increase the market share of relatively high value-added products, such as: gopher and termite-resistant, low-smoke and toxin-free, heat-resistant, and flame-retardant cables.

**II.Overview of Market and Production/Distribution:**

(I)Market analysis:

1.Major products: The sales take place primarily domestically, accounting for 99%. For exports, Asia is the main destination.

2.In terms of market share, it is about 10% for power cables, about 10% for communication cables, about 20% for solar power cables.

3.Supply and demand and growth on the market in the future:

(1)Domestic market:

A.As respective major electronics and iron and steel manufacturers throughout the country continue to expand their plants, their demand for products such as wires and cables is increasing, such as: There is still room for growths in other professional areas such as wind power, solar power photovoltaic, water power generation plants, public constructions, and turnkey projects for ultra-high-voltage substations. TRA, MRT, and ports are the focus of sales, too.

B.Special cables with niche, such as LSFH, FR, HR, green environmentally-friendly lead-free, and ultra-high-voltage cables, combining their existing strengths, will continue to be proactively promoted in the future for increased market shares.

C.As domestic traffic constructions continue to be introduced, the demand for thermal, water, and wind powers is expected to climb.

D.The increased introduction of domestic urban renewal, suitable housing, youth housing, and social housing projects is driving the demand for wires and cables.

E.The continuous efforts devoted to secure new constructions of public and private healthcare facilities and green energy and environmentally-friendly construction projects contribute to the growth in the sales of special cables.

(2)International market:

A.Mainland China, ASEAN, Oceania, and Africa are markets full of potential. The competitive niche is carefully evaluated on the local market and suitable partners are selected to help set up the production and distribution sites to provide service locally for enhanced competitive advantages.

B. The solar power generation industry has been greatly promoted over the past few years in ASEAN, Japan, and India. Such development trend may be taken advantage of and domestic partners may join the effort to explore the market for power cables and related photovoltaic products.

(3)Competitive niche and favorable and unfavorable factors for future developments and response strategies:

Favorable factors:

A.Demand for high-voltage cables from the TaiPower transmission and distribution and power generation plan.

B. Demand for high and low-voltage wires and cables from the addition of units to thermal power plants and improved competitive advantages of rubber wires and cables.

C. Demand for expansion from TRA, MRT, ports, and the iron and steel industry.

D. Demand for power cables driven in the energy industry driven by continuous developments in emerging economies such as the Middle East and ASEAN.

E. Demand for the development of HV, EV, and PHV automobile lines and demand for the development of new products to be used in rail vehicles.

F. Development of green lead-free environmentally-friendly cables that meet the EU criteria to go with demand on the market to take the lead on the market.

G. Continued research and development of new products to be introduced onto the market for quickly enhanced brand and awareness of the products.

H. Continued efforts to drive up the demand for EPR and ultra-high-voltage cables as new units are added to the thermal power plant.

I. Effectively enhanced competitive advantages of products by keeping track of the costs of raw materials and supplies according to the specifications and quantities provided approximately each month in years of distribution.

J. Effectively tracked public and private projects and continued effort to also secure important MRT, thermal power, and wind power cable projects.

K. Promising growths on the market due to improved throughput to address market demand despite the heated demand for solar power cables that is increasing each day.

L. Particular addition of construction staff for ultra-high-voltage cables to facilitate acquisition of projects where labor and materials are combined to effectively avoid competition.

M.Proactive development and growth of industries relevant to the power value chain and the energy value chain and familiar industries based on the years of experience in wires and cables for enhanced opportunities and capabilities to make profits. Then, with the introduced new technologies and developed new products as well as the explored new markets, wait for opportunities to reach out to other businesses or emerging sectors to create corporate value.

Unfavorable factors and response strategies:

A. Prices of copper and related raw materials and supplies are fluctuating drastically to make it more difficult to keep track of the cost and the market and to result in the production and distribution disorder. In the future, production and distribution policies need to be more flexible in order to cope with the changing market at any time.

B. In light of the low barriers for entry to the general cable industry, highly mature products, the numerous small manufacturers, the varying product quality, the undermined gross profits as a result of the price cutting competition, the product structure will be adjusted and special cables, green environmentally-friendly lead-free cables, electric vehicle cables, and ultra-high-voltage cables, among other niche products, will be developed to increase gross profits. Meanwhile, consumers will be proactively educated on adopting products carrying the CNS mark to ensure electrical safety.

(II)Application and production of primary products:

1.Product’s main purpose:

(1)Plastic wire/cable: Indoor and electrical/mechanical wiring in buildings.

(2)600V-161kV cross-linked PE power cable: Transmission and distribution of high/low-voltage power.

(3)Low-smoke and non-toxic cable: Indoor wiring of public buildings with high safety requirements.

(4)Flame-retardant and heat-resistant cable: Powered and alarm equipment wiring of emergency fire prevention systems.

(5)Control cable: Remote control loop wiring of mechanical equipment.

(6)Bare copper wire: Conductor for the manufacturing of various types of wires and cables.

(7)Rubber wire/cable: Wiring of mobile electrical equipment or in a location where tenderness and mobility are required.

(8)Environmentally-friendly electrical wire: Power transmission in places such as buildings, firefighting stations, or train/bus stations.

(9)Lead-free PVC wire/cable: General indoor wiring, electrical appliance and equipment wiring, and wiring or power transmission in public buildings without particular requirements.

(10) Combustion-resistant cable: Fire alarm, emergency power, fire prevention, and illumination systems.

(11) Termite resistant cable: Transmission and distribution in areas with serious termite hazards; when buried underground, it prevents against bites by termites that lead to erosion and damage of the cable.

(12) Pre-branch cable: Power transmission in apartment complex, hotels, buildings, emergency power, tunnel illumination, and machinery.

(13) Gopher resistant wire/cable: The special material and structure prevent against bites by gophers.

(14) Lead-free low-smoke low-halogen LSLH-FPVC wires and cables for iron and steel plants: 90°C lead-free PVC low-smoke low-halogen combustion-retardant for use in iron and steel plants.

(15) Smart cable: Power and information monitoring and transmission of transmission or distribution power grids.

(16) Telecommunication wire/cable: Transmission of information and intelligence with electrical signals sent.
(17) Digital cable: Wiring between telecommunication sockets for digital and analog signal transmission.
(18) Solar power cable: Wiring for solar power generation systems.
(19) Ultra-heat resistant aluminum steel-reinforced conductor: Mainly meant for switching the existing overhead ACSR or ACSR/AW conductor to high-capacity and low-sag ultra-heat-resistant aluminum steel-reinforced conductor.

2.Production:

(1)Wire: bare copper wire, extension, twisting, insulation and extrusion, inspection, packaging.
(2)Cable: bare copper wire, extension, twisting, congregation, strapping, enveloping, inspection, packaging.
(3)Bare copper wire: Extension, inspection, packaging.
(4)Solar power cable: bare copper wire, soldering and twisting, insulation, enveloping, electronic irradiation, inspection, packaging.

(III) Supply of primary raw materials:

1.Copper (electro-copper sheets and bare copper wires): One of the primary raw materials of the Company, the electro-copper sheet, comes from the international market and Japan, among other areas. More than 80% of them are subject to long-term procurement contracts; the supply is not a concern. Bare copper wires, on the other hand, are mainly bought from several suppliers in the country or processed by external contractors; they are adequately controlled.

2.Auxiliary material (PVC powder, plasticizer, and XLPE particle): PVC powder and the plasticizer are mainly supplied by CHINA GENERAL PLASTICS CORP. and NAN YA PLASTICS CORPORATION while the XLPE particles are supplied by world-famous manufacturers in the US, Japan, and Korea, among others. The partnership has been optimal and ongoing for years.

(IV)Consolidated list of primary suppliers and customers over the past two years:

1. Consolidated information of primary suppliers over the past two years:

Unit: NTD thousand

| | 2022 | | | | 2023 | | | | 2024 up to the previous quarter (Note 1) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Total annual net purchase ratio 〔%〕 | Relationship with issuer | Name | Amount | Total annual net purchase ratio 〔%〕 | Relationship with issuer | Name | Amount | Ratio in net purchases of the year up to the previous quarter 〔%〕 | Relationship with issuer |
| 1 | A | 1,507,800 | 30.46 | The Compan is the directo of the said company. | A | 1,444,511 | 31.61 | The Compan is the directo of the said company. | A | 371,967 | 33.00 | The Compan is the directo of the said company. |
| 2 | B | 1,000,633 | 20.22 | None | B | 1,031,216 | 22.57 | None | B | 264,186 | 23.44 | None |
| | | | | | | | | | | | | |
| | Other | 2,441,170 | 49.32 | | Other | 2,093,561 | 45.82 | | Other | 490,934 | 43.56 | |
| | Net purchases | 4,949,603 | 100.00 | | Net purchases | 4,569,288 | 100.00 | | Net purchases | 1,127,087 | 100.00 | |

Note 1: List the names of suppliers accounting for at least 10% of the total purchases over the past two years and the value and ratio of their purchases. When the names of suppliers or counterparts may not be disclosed as agreed in contracts are individuals and non-related parties, however, they may be replaced with a code.

Note 2: As of the date the Annual Report was printed, if the latest financial information of companies that are listed or whose stocks are already being traded at the business locations of securities dealers that has been audited, certified, reviewed, or approved by the CPAs is available, it shall be disclosed as well.

2.Consolidated information of primary customers over the past two years: Unit: NTD thousand

| | 2022 | | | | 2023 | | | | 2024 up to the previous quarter **(Note 1)** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Total annual net purchase ratio 〔%〕 | Relationship with issuer | Name | Amount | Ratio in annual net sales 〔%〕 | Relationship with issuer | Name | Amount | Ratio in net sales of the year up to the previous quarter 〔%〕 | Relationship with issuer |
| 1 | A | 2,044,869 | 32.02 | None | A | 2,359,152 | 38.08 | None | A | 647,138 | 44.40 | None |
| | | | | | | | | | | | | |
| | Other | 4,341,076 | 67.98 | | Other | 3,835,873 | 61.92 | | Other | 810,529 | 55.60 | |
| | Net sales | 6,385,945 | 100.00 | | Net sales | 6,195,025 | 100.00 | | Net sales | 1,457,667 | 100.00 | |

Note 1: List the names of customers accounting for at least 10% of the total sales over the past two years and the value and ratio of their sales. When the names of customers or counterparts may not be disclosed as agreed in contracts are individuals and non-related parties, however, they may be replaced with a code.
Note 2: As of the date the Annual Report was printed, if the latest financial information of companies that are listed or whose stocks are already being traded at the business locations of securities dealers that has been audited, certified, reviewed, or approved by the CPAs is available, it shall be disclosed as well.

(V)Table of production volume and value over the past two years:

| Main product | Unit | 2023 Production capacity | 2023 Production volume | 2023 Production value | 2022 Production capacity | 2022 Production volume | 2022 Production value |
|---|---|---|---|---|---|---|---|
| Power cable | Ton; $1,000 | 27,888 | 16,122 | 3,710,461 | 27,888 | 15,736 | 3,544,139 |
| Bare copper wire | Ton; $1,000 | 1,650 | 799 | 217,748 | 1,650 | 924 | 250,723 |
| Communication cable | Ton; $1,000 | 2,000 | - | - | 2,000 | - | - |
| Copper clad laminate | Thousand pieces; $1,000 | 2,400 | 153 | 112,588 | 2,400 | 678 | 429,728 |
| Prepreg | Thousand meters; $1,000 | 4,800 | 435 | 55,589 | 4,800 | 1,251 | 103,800 |
| Total | | | | 4,096,386 | | | 4,328,390 |

(VI) Table of sales volume and value over the past two years:

| Main product | Unit | 2023 Domestic sales Volume | 2023 Domestic sales Value | 2023 Exports Volume | 2023 Exports Value | 2022 Domestic sales Volume | 2022 Domestic sales Value | 2022 Exports Volume | 2022 Exports Value |
|---|---|---|---|---|---|---|---|---|---|
| Power cable | Ton; $1,000 | 15,972 | 4,692,817 | - | - | 15,541 | 4,888,067 | - | - |
| Bare copper wire | Ton; $1,000 | 639 | 184,965 | - | - | 657 | 183,828 | - | - |
| Communication cable | Ton; $1,000 | 69 | 25,193 | - | - | 89 | 30,642 | - | - |
| Copper clad laminate | Thousand pieces; $1,000 | 251 | 128,700 | - | - | 706 | 456,499 | - | - |
| Prepreg | Thousand meters; $1,000 | 436 | 42,714 | 16 | 1,872 | 1,270 | 128,178 | 13 | 1,358 |
| Other | Unit: $1,000 | - | 1,118,764 | - | - | - | 697,263 | - | 110 |
| Total | | | 6,193,153 | | 1,872 | | 6,384,477 | | 1,468 |

## III.Information of In-service Employees:

Information of in-service employees over the past two years up to April 30, 2024:

| Year | | 2023 | 2022 | As of the year up to April 30, 2024 |
|---|---|---|---|---|
| Number of employees | Managers | 114 | 154 | 115 |
| | Technicians | 52 | 98 | 55 |
| | Operators | 97 | 142 | 106 |
| | Total | 263 | 394 | 276 |
| Mean age | | 44.53 | 43.55 | 44.18 |
| Average years of service | | 9.78 | 10.37 | 9.18 |
| Academic distribution ratio % | Ph.D | 0.38 | 0.25 | 0.36 |
| | Master's Degree | 6.84 | 6.35 | 6.16 |
| | University and College | 29.66 | 29.70 | 31.53 |
| | Senior High School | 54.37 | 56.85 | 53.62 |
| | Below Senior High School | 8.75 | 6.85 | 8.33 |

## IV.Information of Environmental Protection Expenditure:

(I)Application for permits for setting up polluting facilities as required by law:

The Company has applied for the permit for setting up and manipulating fixed sources of pollution and the permit for discharging waste water as required by law. The waste gas furnaces are compliant with regulatory requirements. People to take charge of Grade A and Grade B air pollution are available.

| Item | Issuing competent authority | License No. | Acquired on |
|---|---|---|---|
| Waste Water Discharge Permit | Guanyin Industrial Park Service Center | Guan-Gong-Zi No. 1115083410 | 2022.03.30 |
| Water Pollution Prevention Permit | Taoyuan City Government | Taoyuan Environment Discharge Permit No. H2531-08 | 2023.01.11 |
| Air Pollution Operation Permit | Taoyuan City Government | Operation License No. H7150-00 | 2023.02.13 |
| Air Pollution Specialist | Environmental Protection Administration of the Executive Yuan | (87)EPA Training Certificate No. FB271190 | 1998.10.08 |

(II)Losses due to environmental pollution (including compensation) and total fines during the most recent year up to the date the Annual Report was printed: None.

**V.Labor-Management Relations:**

(I)Implementation of the employee welfare system, continuing education, educational training, the retirement system, and various measures regarding employee code of conduct and ethics and labor-management agreement:

1. Employee benefits:In honor of its management belief “Integrity and Honesty, Innovation and Advancement”, the Company fulfills its obligation to take care of the staff and impose humane management to accordingly fulfill the ultimate goal of improving the quality of life for its employees. The Employee Welfare Committee was established on November 6, 1986. It sets aside the welfare fund to encourage employees to organize various clubs and activities so that they can relax their body and mind, exchange with one another, engage themselves in affectionate communication, their efficacy at work can be improved. Such benefits include the following:
   (1)Leave: Each type of leave is based on the Labor Standards Act.
   (2)Foods & drinks: There is the employee cafeteria in the plant that prepares three meals for employees.
   (3)Insurance: There are the labor insurance, National Health Insurance, group healthcare and accident and travel insurances.
   (4)Prize: There are the performance prize, year-end prize, and employee remuneration.
   (5)Gift money: There are the wedding gift money, child birth gift money, birthday gift money, and three major festival gifts.
   (6)Subsidies for recreational events: There are the subsidies for club events and travels and also the year-end congress.
   (7)Other subsidies: There are the emergency aid, hospitalization, and funeral subsidies that may be applied for.
   (8)Health protection plan for female employees: We arrange nurses to provide on-site services and consultations for pregnant employees, set up lactation rooms, provide family care leave and parental leave, and contract with childcare institutions to provide a safe childcare environment.

2.Employee continuing education and training: The Company is devoted to nurturing talent and emphasizes counseling of new hires. There are devoted counselors to help new hires. In terms of continuing education and training of employees, on the other hand, there are regular and irregular internal educational training and outsourced training courses held for each function. The courses can be divided into: professional functional courses, managerial skill courses, general courses, and quality management courses; they are meant to improve product quality and performance at work and to proactively nurture professionals and help employees acquire professional licenses. Meanwhile, to encourage employees to attend in-service education and learning sessions, they are combined in the employee performance evaluation system, the employee reward evaluation system, the employee promotional system, and professional assignments, among others, for the ultimate purpose of having the right person in the right position doing the right thing.

The results of our company's educational training for the fiscal year 2023 are as follows. The training courses include orientation for new employees, professional training, management skills training, and general education, among others.

| Item | | | Total Cost (thousands of NT dollars) |
|---|---|---|---|
| Number of Classes | sessions | 111 | 298 |
| Total Number of Trainees | persons | 198 | |
| Total Training Hours | hours | 1, 983 | |
| Average Training Hours per Person | hours/person | 10. 02 | |

3. Retirement system: The Company has already set its retirement system as required by law by creating the Supervisory Committee of Labor Retirement Reserve on March 16, 1987. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years (inclusive) and one unit for each additional year thereafter, subject to a maximum of 45 units. The retirement reserve of the Company is set aside and deposited in an exclusive account with the Central Trust of China in accordance wit the Labor Standards Act. The settled balance of the exclusive account as of March 31, 2024 totaled NTD 67.55million. Starting from July 1, 2005, for employees who have chosen the new pension system or are applicable under the new pension system according to the Labor Pension Act, a monthly contribution of 6% of their total wages and salaries will be made to their personal pension account. For those who voluntarily contribute to the pension fund, the contribution rate will be deducted from the employees' monthly salary and paid to their personal pension account at the Bureau of Labor Insurance.
4. Employee code of conduct or ethics: The Company fulfills its corporate social responsibility and its obligation to educate its employees. Highlights of regulations at work are summarized as follows:
   (1)Strictly follow regulatory requirements and practice social ethics and morality.
   (2)Be loyal and honest and follow all operating regulations and procedures of the Company, follow the leadership of supervisors at all levels and the assigned tasks, and accept professional and technical guidance and supervision modestly.
   (3)Demand yourself by not being opportunistic and not finding excuses for what you have done wrong and you shall get along with colleagues and honor the idea of helping and working with one another.
   (4)You shall be thrifty and simple in life and do not make extravagance and waste a habit.
   (5)Precisely keep the workplace and equipment tidy and clean and fulfill your responsibility to treasure and carefully maintain public properties.
   (6)Save whenever you can on raw materials, supplies, and office stationery; do not waste resources.
5. Measures to protect the workplace and personal safety: To ensure that the workplace and the employees are safe, the Company implements the managerial cycle of plan do, check, and act (PDCA) and measures taken to protect employees against accidents and ensure that employees are safe include:
   (1)establishment of the labor safety and health system, enforcement of the disaster prevention plan and formation of the disaster emergency response group, implementation of regular and irregular trainings for the sake of reducing occupational hazards and protecting the safety of employees and the workplace.
   (2)As is required by the Labor Safety and Health Management Code, the Labor Safety and Health Management Committee and exclusive units are set up. They meet periodically to comprehensively reflect upon improvement of labor safety measures.
   (3)As far as the workplace and machinery/equipment are concerned, the Company enforces the 5S, 6S, and PDCA systems. They are periodically maintained and cared for; employees are educated; and they continue to be tracked and inspected to seek improvements, creating a quality people-centered quality workplace and safe procedures for operating the machinery and equipment.
   (4)Various labor safety-related educational training is enforced and internal training and outsourced training are organized periodically and from time to time and are announced and communicated to instill the idea about industrial safety being everyone’s responsibility and to accordingly fulfill the zero hazard goal.

6. Labor-management agreement: The Company values the rights and benefits of its employees and has a variety of reward systems in place. Plants hold labor-management meetings according to the Labor Standards Act and the Labor-Management Meeting Guidelines. Labor-management interactions are harmonious. No labor-management disputes have occurred.

(II)Losses arising as a result of labor-management disputes in the most recent year up to the date the Annual Report was printed and disclose possible estimated amounts and countermeasures now and in the future; if they cannot be reasonably estimated, facts about the impossibility to reasonably estimate shall be clarified:None.

**VI.Information and Communication Security Management:**

(I)Information and communication security risk management framework:

The responsible unit for information and communication security is the information center. It is responsible for planning, implementing, and promoting information and communication security management and communicating awareness of information and communication security to our people from time to time.

The Audit Office is the unit for auditing information security governance. It performs audits periodically to find out implementation deficiencies and asks the auditee to come up with related correction plans and submits them to the Board of Directors as well as follows up on the improvement status periodically in order to minimize internal information and communication security risks.

For the operational model, annual PDCA management is adopted to ensure fulfillment of reliable information and communication and constant reflection and improvement.

(II)Information and communication security policy:

For the sake of maintaining the Company's information and communication security belief, data stored or transmitted by the Company shall be thoroughly protected and safeguarded in order to prevent against destruction, computer viruses, leakage, abuse, and infringement, among others. The policy is described as follows:

1. Information and communication security measures shall meet the requirements of government laws and applicable requirements of the Company's information security policy and internal control regulations. All information security control or procedures shall be developed, revised, and established in compliance with internal information control regulations.
2. All staff and suppliers and customers of the Company, should they need information to be provided by the Company, must follow the required procedure and designated regulations in honor of this policy.
3. Information and asset managers at respective departments of the Company shall be responsible for the information or assets within their field or held by them and have a monitoring procedure in place for the use status so that potential risks of system or unit information abuse may be uncovered at any time; it reinforces the confidentiality, usability, and integrity of the data.
4. All staff shall report safety events, safety weaknesses, and violations of safety policies and procedures through appropriate reporting channels.
5. Work assignment shall take into consideration division of labor; functions and scope of responsibilities shall be separated in order to prevent against unauthorized modification or misuse of information or service.
6. It is strictly prohibited that people install, use, or download illegal or unauthorized software in Company's information equipment.
7. The Company will revise its information security policy periodically and enforce it in order to enhance operational safety of respective information systems.
8. Anyone that jeopardize information security shall be sought after for his/her civil, criminal, and administrative liabilities and be punished accordingly, depending on the circumstances.

(III) Specific Safe Management Plans and Resources Devoted to Information and Communication Security Management:

| Information security management solution | | |
|---|---|---|
| Category | Description | Related measures |
| Access control | User account, access control, and system operation | 1.User account access control and review<br>2.Periodic inventory check of user account permissions |
| Access control | Control over access by staff to internal and external systems and data transmission channels | 1.Internal/external accessible scope-defined control measures<br>2.Operational track record |
| External threat | Internal potential weaknesses, virus attack channels, and protective measures | 1.Host/computer weakness detection and update measures<br>2.File and mail virus protection and malware detection<br>3.Firewall protection and malware detection |
| System usability | System usable status and management in case of discontinued service | 1.System/network usable status monitoring and reporting mechanism<br>2.Information backup measures, local/remote backup mechanism<br>3.Periodic disaster recovery drill |
| Educational training and communication | Communication of information security risk cases from time to time | 1.Communication of information security risk cases from time to time |

| Input of information security management resources | |
|---|---|
| Item | Description |
| Information Security Specialist | Two information security specialists are in place |
| External Firewall | Reinforce the security of external gateways. For the network gateway, the new-generation Layer 7 firewall is adopted. |
| External Network Access Line | Strengthen line security; for external network access lines, reflective of the service difference and importance, line information security service has been applied for with Chunghwa Telecom. It is combined with the new-generation firewall to exercise dual external defense effects. |
| Microsoft Update | The WSUS update system is configured to ensure real-time reinforcement in cases of safety vulnerabilities of the Computer and to also control and prevent against disasters in cases of abnormalities with updated released by Microsoft. |
| Anti-virus System | The latest ApexONE anti-virus system of Trend Micro is configured; it can detect and remove general system viruses and also reinforce website credit rating, detect and keep off suspicious connections, monitor behavior, and control access of surrounding equipment, among others. |
| Terminal computer (PC, NB) | Reinforce terminal computer safety management and gradually eliminate early-stage operating systems; at present, more than 99% of the terminal computers are of Windows 10 or higher-level operating systems. |
| Vulnerability scan (PC, NB, Server) | For user PCs, NBs, servers and network equipment, vulnerability detection scanning and remediation operations are carried out to understand the weaknesses and vulnerabilities in the environment and make improvements to continuously strengthen the information security of the environment. |

(IV) Losses arising as a result of major information and communication security incidents in the most recent year up to the date the Annual Report was printed and the possible impacts and countermeasures; if they cannot be reasonably estimated, facts about the impossibility to reasonably estimate shall be clarified:

No major information and communication security incidents occurred in the most recent year and up to the date the Annual Report was printed.

## VII. Important Contracts: None.

# F. Financial Overview

**I.Condensed Balance Sheets and Statements of Income of the Most Recent Five Years:**

(I)Data in the condensed balance sheet and the statement of income are based on the International Financial Reporting Standards:

1.The individual condensed balance sheet is based on the International Financial Reporting Standards:

Unit: NTD thousand

| Item \ Year | | Financial information of most recent five years (Note 1) | | | | | Financial information of the year up to March 31, 2024 |
|---|---|---|---|---|---|---|---|
| | | 2023 | 2022 | 2021 | 2020 | 2019 | |
| Current asset | | 4,961,326 | 5,285,295 | 5,711,609 | 3,164,866 | 2,715,768 | Not applicable |
| Real estate, plants, and equipment | | 1,273,708 | 1,311,066 | 1,354,759 | 1,475,386 | 1,550,370 | |
| Intangible asset | | - | - | - | - | - | |
| Other asset | | 2,264,942 | 1,608,631 | 1,660,751 | 1,502,350 | 1,574,163 | |
| Total assets | | 8,499,976 | 8,204,992 | 8,727,119 | 6,142,602 | 5,840,301 | |
| Current liability | Before distribution | 797,691 | 914,747 | 729,777 | 613,051 | 946,063 | |
| | After distribution | (Note 2) | 1,388,867 | 1,614,801 | 992,347 | 1,104,103 | |
| Non-current liability | | 151,751 | 186,048 | 181,800 | 234,637 | 239,206 | |
| Total liabilities | Before distribution | 949,442 | 1,100,795 | 911,577 | 847,688 | 1,185,269 | |
| | After distribution | (Note 2) | 1,574,915 | 1,796,601 | 1,226,984 | 1,343,309 | |
| Equity that belongs to the owner of the parent company | | 7,550,534 | 7,104,197 | 7,815,542 | 5,294,914 | 4,655,032 | |
| Capital stock | | 3,160,801 | 3,160,801 | 3,160,801 | 3,160,801 | 3,160,801 | |
| Capital reserve | | 191,704 | 191,704 | 191,704 | 191,704 | 191,704 | |
| Retained earnings | Before distribution | 4,159,736 | 3,931,185 | 4,461,394 | 2,046,211 | 1,506,596 | |
| | After distribution | (Note 2) | 3,457,065 | 3,576,370 | 1,666,915 | 1,348,556 | |
| Other equities | | 38,293 | (179,493) | 1,643 | (103,802) | (204,069) | |
| Treasury stock | | - | - | - | - | - | |
| Non-controlling interest | | - | - | - | - | - | |
| Total equity | Before distribution | 7,550,534 | 7,104,197 | 7,815,542 | 5,294,914 | 4,655,032 | |
| | After distribution | (Note 2) | 6,630,077 | 6,930,518 | 4,915,618 | 4,496,992 | |

Note 1: The financial statements of the Company adopt the International Financial Reporting Standards for the first time since 2013. The annual financial information has been audited and certified by the CPA(s).

Note 2: Approved by the Board of Directors yet was not finalized through the general shareholders' meeting in 2023 so the quantity distributed is omitted.

2.The consolidated condensed balance sheet is based on the International Financial Reporting Standards:

Unit: NTD thousand

| Item \ Year | | Financial information of most recent five years (Note 1) | | | | | Financial information of the year up to March 31, 2024 (Note 3) |
|---|---|---|---|---|---|---|---|
| | | 2023 | 2022 | 2021 | 2020 | 2019 | |
| Current asset | | 5,163,388 | 5,470,716 | 5,921,644 | 3,320,470 | 2,871,918 | 5,321,264 |
| Real estate, plants, and equipment | | 1,295,077 | 1,333,899 | 1,378,558 | 1,499,706 | 1,570,785 | 1,398,727 |
| Intangible asset | | - | - | - | - | - | - |
| Other asset | | 2,037,714 | 1,404,451 | 1,440,580 | 1,322,194 | 1,400,926 | 1,576,159 |
| Total assets | | 8,496,179 | 8,209,066 | 8,740,782 | 6,142,370 | 5,843,629 | 8,296,150 |
| Current liability | Before distribution | 791,366 | 916,545 | 741,542 | 611,340 | 945,937 | 733,558 |
| | After distribution | (Note 2) | 1,390,665 | 1,626,566 | 990,636 | 1,103,977 | - |
| Non-current liability | | 151,845 | 186,142 | 181,877 | 234,715 | 239,283 | 170,203 |
| Total liabilities | Before distribution | 943,211 | 1,102,687 | 923,419 | 846,055 | 1,185,220 | 903,761 |
| | After distribution | (Note 2) | 1,576,807 | 1,808,443 | 1,225,351 | 1,343,260 | - |
| Equity that belongs to the owner of the parent company | | 7,550,534 | 7,104,197 | 7,815,542 | 5,294,914 | 4,655,032 | 7,390,270 |
| Capital stock | | 3,160,801 | 3,160,801 | 3,160,801 | 3,160,801 | 3,160,801 | 3,160,801 |
| Capital reserve | | 191,704 | 191,704 | 191,704 | 191,704 | 191,704 | 191,704 |
| Retained earnings | Before distribution | 4,159,736 | 3,931,185 | 4,461,394 | 2,046,211 | 1,506,596 | 4,119,074 |
| | After distribution | (Note 2) | 3,457,065 | 3,576,370 | 1,666,915 | 1,348,556 | - |
| Other equities | | 38,293 | (179,493) | 1,643 | (103,802) | (204,069) | (81,309) |
| Treasury stock | | - | - | - | - | - | - |
| Non-controlling interest | | 2,434 | 2,182 | 1,821 | 1,401 | 3,377 | 2,119 |
| Total equity | Before distribution | 7,552,968 | 7,106,379 | 7,817,363 | 5,296,315 | 4,658,409 | 7,392,389 |
| | After distribution | (Note 2) | 6,632,259 | 6,932,339 | 4,917,019 | 4,500,369 | – |

Note 1: The financial statements of the Company adopt the International Financial Reporting Standards for the first time since 2013. The annual financial information has been audited and certified by the CPA(s).

Note 2: Approved by the Board of Directors yet was not finalized through the shareholders' meeting in 2023 so the quantity distributed is omitted.

Note 3: As of the date the Annual Report was printed, if the latest financial information of companies that are listed or whose stocks are already being traded at the business locations of securities dealers that has been audited, certified, reviewed, or approved by the CPAs is available, it shall be disclosed as well.

3. The individual condensed statement of income is based on the International Financial Reporting Standards:

Unit: NTD thousand

| Item \ Year | Financial information of most recent five years (Note 1) | | | | | Financial information of the year up to March 31, 2024 |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | |
| Operating income | 6,186,918 | 6,381,432 | 6,300,750 | 4,554,151 | 3,500,245 | Not applicable |
| Operating gross profit | 858,343 | 754,224 | 736,432 | 540,745 | 213,537 | |
| Operating profit or loss | 598,790 | 515,088 | 380,163 | 312,791 | 31,672 | |
| Non-operating income and expenditure | 155,796 | 37,370 | 2,435,206 | 279,588 | 197,851 | |
| Pre-tax profit | 754,586 | 552,458 | 2,815,369 | 592,379 | 229,523 | |
| Net profit from continuing operations of current term | 628,467 | 353,762 | 2,698,031 | 517,349 | 201,699 | |
| Loss from discontinued operations | - | - | - | - | - | |
| Net profit (loss) of current term | 628,467 | 353,762 | 2,698,031 | 517,349 | 201,699 | |
| Other comprehensive income (Net income after tax) | 291,990 | (180,083) | 201,893 | 280,573 | 111,835 | |
| Total comprehensive income of current term | 920,457 | 173,679 | 2,899,924 | 797,922 | 313,534 | |
| Net profit attributable to owner of the parent company | 628,467 | 353,762 | 2,698,031 | 517,349 | 201,699 | |
| Net profit attributable to non-controlling interests | - | - | - | - | - | |
| Total comprehensive income attributable owner of the parent company | 920,457 | 173,679 | 2,899,924 | 797,922 | 313,534 | |
| Total comprehensive income attributable to non-controlling interests | - | - | - | - | - | |
| Earnings per share | 1.99 | 1.12 | 8.54 | 1.64 | 0.64 | |

Note 1: The financial statements of the Company adopt the International Financial Reporting Standards for the first time since 2013. The annual financial information has been audited and certified by the CPA(s).

4.The consolidated condensed statement of income is based on the International Financial Reporting Standards:

Unit: NTD thousand

| Item \ Year | Financial information of most recent five years (Note 1) | | | | | Financial information of the year up to March 31, 2024 (reviewed and certified by the CPA(s)) |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | |
| Operating income | 6,195,025 | 6,385,945 | 6,307,283 | 4,567,162 | 3,504,313 | 1,359,783 |
| Operating gross profit | 871,653 | 767,462 | 749,275 | 541,945 | 214,759 | 217,451 |
| Operating profit or loss | 606,073 | 522,887 | 387,431 | 309,301 | 27,626 | 149,687 |
| Non-operating income and expenditure | 150,515 | 29,984 | 2,428,484 | 283,067 | 201,524 | 42,400 |
| Pre-tax profit | 756,588 | 552,871 | 2,815,915 | 592,368 | 229,150 | 192,087 |
| Net profit from continuing operations of current term | 628,751 | 354,129 | 2,698,447 | 517,169 | 201,401 | 158,763 |
| Loss from discontinued operations | - | - | - | - | - | - |
| Net profit (loss) of current term | 628,751 | 354,129 | 2,698,447 | 517,169 | 201,401 | 158,763 |
| Other comprehensive income (Net income after tax) | 291,991 | (180,086) | 201,897 | 280,574 | 111,835 | 127,247 |
| Total comprehensive income of current term | 920,742 | 174,043 | 2,900,344 | 797,743 | 313,236 | 286,010 |
| Net profit attributable to owner of the parent company | 628,467 | 353,762 | 2,698,031 | 517,349 | 201,699 | 158,826 |
| Net profit attributable to non-controlling interests | 284 | 367 | 416 | (180) | (298) | (63) |
| Total comprehensive income attributable owner of the parent company | 920,457 | 173,679 | 2,899,924 | 797,922 | 313,534 | 286,073 |
| Total comprehensive income attributable to non-controlling interests | 285 | 364 | 420 | (179) | (298) | (63) |
| Earnings per share | 1.99 | 1.12 | 8.54 | 1.64 | 0.64 | 0.50 |

Note 1: The financial statements of the Company adopt the International Financial Reporting Standards for the first time since 2013. The annual financial information has been audited and certified by the CPA(s).

Note 2: As of the date the Annual Report was printed, if the latest financial information of companies that are listed or whose stocks are already being traded at the business locations of securities dealers that has been audited, certified, reviewed, or approved by the CPAs is available, it shall be disclosed as well.

(III)Names of certifying CPAs of the most recent five years and their audit opinions:

| Year of Certification | Name of Accounting Firm | Name of CPA | Audit Opinion |
|---|---|---|---|
| 2019 | Ernst & Young | Hsu Jung-Huang<br>Hsieh Sheng-An | Unqualified opinion<br>(Emphasis or other matters) |
| 2020 | Ernst & Young | Hsu Jung-Huang<br>Hsieh Sheng-An | Unqualified opinion<br>(Emphasis or other matters) |
| 2021 | Ernst & Young | Hsu Jung-Huang<br>Hsieh Sheng-An | Unqualified opinion |
| 2022 | Ernst & Young | Hsu Jung-Huang<br>Hsieh Sheng-An | Unqualified opinion<br>(Emphasis or other matters) |
| 2023 | Ernst & Young | Hsieh Sheng-An<br>Chang Chih-Ming | Unqualified opinion<br>(Emphasis or other matters) |

## II. Financial analysis of the most recent five years:

(I)Consolidated financial analysis - International Financial Reporting Standards

| Analytical item | | Financial Analysis of the Past Five Years (Note 1) 2023 | 2022 | 2021 | 2020 | 2019 | As of the year up to March 31, 2024 (Reviewed and certified by the CPA) (Note 2) | Reasons for changes in financial ratios up to 20% of the most recent two years |
|---|---|---|---|---|---|---|---|---|
| Financial structure (%) | Debt to Total Assets | 11.10 | 13.43 | 10.56 | 13.77 | 20.28 | 10.89 | Not applicable |
| | Long-term Fund to Real Estate, Plants, and Equipment | 583.21 | 532.72 | 567.07 | 353.16 | 296.57 | 528.51 | Not applicable |
| Solvency% | Current Ratio | 652.47 | 596.88 | 798.56 | 543.15 | 303.61 | 725.40 | Not applicable |
| | Quick Ratio | 423.68 | 391.48 | 530.51 | 299.14 | 168.16 | 470.67 | Not applicable |
| | Times Interest Earned | 550.05 | 492.00 | 424.32 | 85.27 | 63.78 | 632.87 | Not applicable |
| Operating ability | Average Collection Turnover Rate (Occurrence) | 6.22 | 9.02 | 10.67 | 5.76 | 4.62 | 6.08 | Description 1 |
| | Average Collection Days | 58.68 | 40.47 | 34.20 | 61.03 | 79.00 | 60.03 | Description 1 |
| | Inventory Turnover Rate (Occurrence) | 2.97 | 2.95 | 3.25 | 3.01 | 2.86 | 2.50 | Not applicable |
| | Payment Turnover Rate (Occurrence) | 12.77 | 17.34 | 23.64 | 16.75 | 14.57 | 12.53 | Description 2 |
| | Average Days of Sales | 122.89 | 123.73 | 112.30 | 121.26 | 127.62 | 146.00 | Not applicable |
| | Real Estate, Plants, and Equipment Turnover Rate (Occurrence) | 4.71 | 4.71 | 4.38 | 2.97 | 2.39 | 3.98 | Not applicable |
| | Total Assets Turnover Rate (Occurrence) | 0.74 | 0.75 | 0.85 | 0.76 | 0.64 | 0.66 | Not applicable |
| Profitability | Return on assets (ROA) (%) | 7.54 | 4.19 | 36.33 | 8.72 | 3.71 | 7.71 | Description 3 |
| | Return on equity (ROE) (%) | 8.58 | 4.75 | 41.15 | 10.39 | 4.42 | 8.76 | Description 3 |
| | Pre-tax Net Profit to Paid-in Capital Size (%) (Note 7) | 23.94 | 17.49 | 89.09 | 18.74 | 7.25 | 24.31 | Description 3 |
| | Net profit margin (%) | 10.15 | 5.55 | 42.78 | 11.32 | 5.75 | 11.68 | Description 3 |
| | Earnings per share ($) | 1.99 | 1.12 | 8.54 | 1.64 | 0.64 | 0.50 | Description 3 |
| Cash flows | Cash flow ratio (%) | 46.26 | 53.59 | 0.78 | 64.70 | (6.09) | (4.03) | Not applicable |
| | Cash flow adequacy ratio (%) | 34.40 | 28.44 | 15.32 | 20.13 | 18.94 | 26.92 | Description 4 |
| | Cash Reinvestment Ratio (%) | (1.23) | (4.33) | (3.77) | 3.13 | (2.28) | (0.32) | Description 5 |
| Leverage | Operating leverage | 1.41 | 1.48 | 1.41 | 1.37 | 4.62 | 1.32 | Not applicable |
| | Financial leverage | 1.00 | 1.00 | 1.02 | 1.02 | 1.15 | 1.00 | Not applicable |

Description 1: It was because of the increase in accounts receivable for the current term compared with the previous term.
Description 2: It was because of the increase in accounts payable for the current term compared with the previous term.
Description 3: It was because of the increase in after-tax net profits for the current term compared with the previous term.
Description 4: It was because of the decrease in inventory for the current term compared with the previous term.
Description 5: It was because of the increase in long-term investments for the current term compared with the previous term.

Note 1: The financial statements of the Company adopt the International Financial Reporting Standards for the first time since 2013. The annual financial information has been audited and certified by the CPA(s).

Note 2: As of the date the Annual Report was printed, if the latest financial information of companies that are listed or whose stocks are already being traded at the business locations of securities dealers that has been audited, certified, reviewed, or approved by the CPAs is available, it shall be disclosed as well.

Note 3: The calculation formula is the same as Table (II).

(II) Individual financial analysis - International Financial Reporting Standards

| Analytical item / Year | | Financial analysis of the most recent five years (Note 1) | | | | | As of the year up to March 31, 2024 | Reasons for changes in financial ratios up to 20% of the most recent two years |
|---|---|---|---|---|---|---|---|---|
| | | 2023 | 2022 | 2021 | 2020 | 2019 | | |
| Financial structure (%) | Debt to Total Assets | 11.17 | 13.42 | 10.45 | 13.80 | 20.29 | Not applicable | Not applicable |
| | Long-term Fund to Real Estate, Plants, and Equipment | 592.80 | 541.86 | 576.90 | 358.88 | 300.25 | | Not applicable |
| Solvency% | Current Ratio | 621.96 | 577.79 | 782.65 | 516.25 | 287.06 | | Not applicable |
| | Quick Ratio | 397.20 | 373.39 | 512.91 | 273.70 | 152.60 | | Not applicable |
| | Times Interest Earned | 548.99 | 492.07 | 424.24 | 85.30 | 64.00 | | Not applicable |
| Operating ability | Average Collection Turnover Rate (Occurrence) | 6.24 | 9.05 | 10.17 | 5.72 | 4.59 | | Description 1 |
| | Average Collection Days | 58.49 | 40.33 | 35.88 | 63.86 | 79.44 | | Description 1 |
| | Inventory Turnover Rate (Occurrence) | 3.00 | 2.98 | 3.28 | 3.02 | 2.89 | | Not applicable |
| | Payment Turnover Rate (Occurrence) | 12.77 | 17.40 | 23.83 | 16.77 | 14.56 | | Description 2 |
| | Average Days of Sales | 121.66 | 122.48 | 111.28 | 120.99 | 126.29 | | Not applicable |
| | Real Estate, Plants, and Equipment Turnover Rate (Occurrence) | 4.79 | 4.79 | 4.45 | 3.01 | 2.43 | | Not applicable |
| | Total Assets Turnover Rate (Occurrence) | 0.74 | 0.75 | 0.85 | 0.76 | 0.64 | | Not applicable |
| Profitability | Return on assets (ROA) (%) | 7.54 | 4.19 | 36.36 | 8.72 | 3.72 | | Description 3 |
| | Return on equity (ROE) (%) | 8.58 | 4.74 | 41.16 | 10.40 | 4.43 | | Description 3 |
| | Pre-tax Net Profit to Paid-in Capital Size (%) (Note 7) | 23.87 | 17.48 | 89.07 | 18.74 | 7.26 | | Description 3 |
| | Net profit margin (%) | 10.16 | 5.54 | 42.82 | 11.36 | 5.76 | | Description 3 |
| | Earnings per share ($) | 1.99 | 1.12 | 8.54 | 1.64 | 0.64 | | Description 3 |
| Cash flows | Cash flow ratio (%) | 44.95 | 54.95 | (0.63) | 63.36 | (8.28) | | Not applicable |
| | Cash flow adequacy ratio (%) | 33.52 | 28.24 | 17.88 | 23.48 | 23.50 | | Not applicable |
| | Cash Reinvestment Ratio (%) | (1.32) | (4.20) | (3.86) | 3.03 | (2.57) | | Description 4 |
| Leverage | Operating leverage | 1.38 | 1.47 | 1.40 | 1.34 | 3.84 | | Not applicable |
| | Financial leverage | 1.00 | 1.00 | 1.02 | 1.02 | 1.13 | | Not applicable |

| |
|---|
| Description 1: It was because of the increase in accounts receivable for the current term compared with the previous term. |
| Description 2: It was because of the increase in accounts payable for the current term compared with the previous term. |
| Description 3: It was because of the increase in after-tax net profits for the current term compared with the previous term. |
| Description 4: It was because of the increase in long-term investments for the current term compared with the previous term. |

Note 1: The financial statements of the Company adopt the International Financial Reporting Standards for the first time since 2013. The annual financial information has been audited and certified by the CPA(s).

Note 2: The calculation formula is shown below:

1. Financial structure
   (1)Debt to total assets = Total liabilities/Total assets.
   (2)Long-term fund to property, plants and equipment = (total equity + non-current liabilities) / net value of real estate properties, plants and equipment.
2. Solvency
   (1)Current ratio = current assets / current liabilities.
   (2)Quick ratio = (current assets - inventory - prepaid expense) / current liabilities.
   (3)Time interest earned = net profit before income tax and interest expense / current interest expenditure.
3. Operating ability
   (1)Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.
   (2)Average collection period = 365 / receivables turnover rate.
   (3)Inventory turnover rate = cost of goods sold / average amount of inventory.
   (4)Payables (including accounts payable and payable notes from operations) turnover ratio ＝ Net sales value/ mean balance of payables of each term (including accounts payable and payable notes from operations).
   (5)Average days of sales = 365 / inventory turnover rate.
   (6)Real estate, plant, and equipment turnover ratio = net sales / average net value of real estate, plants, and equipment.
   (7)Fixed assets turnover rate = net sales / average total assets.
4. Profitability
   (1)Return on assets ＝ [after-tax profit or loss + interest expense (1– tax rate)] / average total assets.
   (2)ROE = after-tax profit or loss/average total equity.
   (3)Net margin = after-tax profit or loss / net sales.
   (4)EPS = (income belonging to owner of parent company - stock dividend of preferred stocks)/weighted average number of issued shares.
5. Cash flows
   (1)Cash flow ratio = new cash flows from operating activities / current liabilities.
   (2)Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the past five years.
   (3)Cash reinvestment ratio = (net cash flows from operating activities –cash dividend) / (gross margin of real estate, plants, and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
   (1)Operating Leverage= (Net Operating Revenue- Variable Operating Costs and Expenses)/ Operating Income.
   (2)Financial Leverage= Operating Income/ (Operating Income- Interest Expenses).

**III.Audit Committee's review report on financial statements of the most recent year:**

Please refer to Page 123.

**IV.Financial Statements of the Most Recent Year:**

Please refer to Page 124 to Page 222.

**IV. Individual financial statements audited and certified by the CPAs of 2023:**

Please refer to Page 223 to Page 315.

**V.Financial difficulties encountered by the Company and its affiliates in the most recent year and up to the date the Annual Report was printed and their impacts on the financial status of the Company:**

No financial difficulties were encountered by the Company and its affiliates in the most recent year and up to the date the Annual Report was printed.

# Hong Tai Electric Industrial Co., Ltd.
# Review Report from the Audit Committee

The Board of Directors prepared and submitted the Company's 2023 Business Report, Individual Financial Statements, Consolidated Financial Statement, and Statement of Earnings Distribution, among others. The Individual Financial Statements and the Consolidated Financial Statement, in particular, have been audited by CPAs Hsieh Sheng-An and Chang Chih-Ming of Ernst & Young, with the Audit Report issued. The above-mentioned Business Report, Individual Financial Statements, Consolidated Financial Statement, and Statement of Earnings Distribution have been reviewed by the Audit Committee, with no discrepancies found. Therefore, the report is prepared in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Your review and approval are cordially requested.

To

2024 Annual General Shareholders Meeting

Hong Tai Electric Industrial Co., Ltd.

Convener of Audit Committee: Chao Jang, Jing

March 22, 2024

**DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.

By

CHIU CHIANG INVESTMENT CO., LTD.
CHEN, SHI-YI
Person in charge

March 22, 2024

## Independent Auditors’ Report Translated from Chinese

To the Board of Directors and Stockholders of
Hong Tai Electric Industrial Co., LTD.

### Opinion

We have audited the accompanying consolidated balance sheets of Hong Tai Electric Industrial Co., LTD. and its subsidiaries (the “Group”) as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including the summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and their consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by 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 (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2023 consolidated financial statements. 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.

Impairment assessment of accounts receivable

As of December 31, 2023, the Group's accounts receivable amounted to NT$1,062,603 thousand, representing 13% of total assets, which was significant to the consolidated financial statements. Due to loss allowance for accounts receivable was based on expected credit losses duration of the company, the measurement process must distinguish groups appropriately for accounts receivable and judge the analysis and measurement process, evaluation and application of relevant assumptions, including the appropriate aging period and the loss rate of each aging period. Based on measuring expected credit losses was involving judgment, analysis and estimation, we listed impairment assessment of accounts receivable as a key audit matter.

The audit procedures we performed regarding impairment assessment of accounts receivable included but not limited to: evaluate and test the effectiveness of the controls related to impairment assessment of accounts receivable; analyze the suitability of management to determine customer grouping that based on customer credit risk characteristics, and whether the accounting policy and loss rate were reasonable; check the sampled acceptance or shipping documents to the accounts receivable aging table to confirm the correctness of the accounts receivable aging period; test the preparation matrix, including evaluating whether the decision of each group of aging intervals is reasonable, and recalculating the loss rate that calculated by the rolling rate every month during a year; consider the reasonableness of forward-looking information included in the loss rate assessment and evaluate whether such forward-looking information affects the loss rate, and recalculate the correctness of the allowance for loss proposed by the management. In addition, for customers with a large balance of accounts receivable at the end of the period, review the post-period collection of accounts receivable to assess the recoverability of accounts receivable.

We also consider the appropriateness of the accounts receivable disclosure included in note 5 and 6 to the consolidated financial statements.

Valuation of inventories

As of December 31, 2023, the Group's net inventories amounted to NT$1,733,892 thousand, representing 20% of total assets, which was significant to the consolidated financial statements. Due to inventories remeasured by lower of cost or net realizable value, the valuation of inventories were influenced by international copper prices and material price fluctuate frequently, and involved in the subjective judgement of the management, we listed valuation of inventories as a key audit matter.

The audit procedures we performed regarding valuation of inventories included but not limited to: evaluate and test the effectiveness of controls related to valuation of inventories; evaluate the appropriateness of the management's policies regarding the writing-down of slow-moving inventories, and sample to test the accuracy of inventories aging; perform sampling to verify the related documentation and recalculate the net realizable value was used accurate by the management; evaluate the management's inventory plan and observe the stock taking to identify the writing-down of slow-moving inventories.

We also consider the appropriateness of the inventory disclosure included in note 5 and 6 to the consolidated financial statements.

Revenue recognition

The Group recognized operating revenue from sale of NT$6,193,939 thousand in the year ended December 31, 2023, which was significant to the consolidated financial statements. It's critical for financial statements audit to justify and analyze the obligation of customers contracts and the timing and completeness of revenue recognition. Therefore, we listed revenue recognition as a key audit matter.

The audit procedures we performed regarding revenue recognition included but not limited to: evaluate and test the effectiveness of controls related to revenue recognition; inspect the terms of transaction and understand the revenue recognition process related to the identified obligation of customer contract; perform test of details, including verify the samples of the related documentation and the collection records, to ensure accurate timing and amount for revenue recognition; inspect the supporting document of sales transaction near the balance sheet date to ensure revenue recognized in proper period.

We also consider the appropriateness of the revenue disclosure included in note 6 to the consolidated financial statements.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain associates accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the reports of other auditors. These associates under equity method amounted to NT$133,016 thousand and NT$124,295 thousand, representing 2% and 2% of total assets as of December 31, 2023 and 2022, respectively. The related shares of profits from the subsidiaries, associates and joint ventures under the equity method amounted to NT$45,343 thousand and NT$27,079 thousand, representing 6% and 5% of the income before tax for the year ended December 31, 2023 and 2022, respectively, and the related shares of other comprehensive income from the subsidiaries, associates and joint ventures under the equity method amounted to NT$(30,478) thousand and NT$13,192 thousand, representing (10)% and (7)% of the comprehensive income (loss) for the year ended December 31, 2023 and 2022, respectively.

**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 requirements of 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 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 ability to continue as a going concern of the Group, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Group.

**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 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 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 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 internal control of the Company and its subsidiaries.

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 ability to continue as a going concern of the Group. 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 Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities 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 2023 consolidated financial statements 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.

**Other**

We have audited and expressed an unqualified opinion on the parent company only financial statement of the company as of and for the years ended December 31, 2023 and 2022.

Hsieh, Sheng-An
Chang, Chih-Ming
Ernst & Young, Taiwan
March 22, 2024

**Notice to Readers**

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or the Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.

Consolidated Balance Sheets

As at December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

| Assets | | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|---|
| Code | Items | Notes | Amount | % | Amount | % |
| | Current Assets | | | | | |
| 1100 | Cash and Cash equivalents | 4 , 6.1 | $1,929,079 | 23 | $2,420,702 | 30 |
| 1110 | Financial Assets at Fair Value Through Profit or Loss, Current | 4 , 6.2 | 295,436 | 3 | 264,125 | 3 |
| 1120 | Financial Assets at Fair Value Through Other Comprehensive Income, Current | 4 , 6.3 | 22,832 | - | 8,800 | - |
| 1150 | Notes Receivable, Net | 4 , 6.4 , 6.15 | 40,780 | 1 | 69,625 | 1 |
| 1170 | Accounts Receivable, Net | 4 , 6.5 , 6.15 | 1,062,603 | 13 | 818,388 | 10 |
| 1200 | Other Receivables | | 2,149 | - | 6,413 | - |
| 130x | Inventories | 4 , 6.6 | 1,733,892 | 20 | 1,848,789 | 23 |
| 1410 | Prepayments | | 76,617 | 1 | 33,874 | - |
| 11xx | Total Current Assets | | 5,163,388 | 61 | 5,470,716 | 67 |
| | Non - Current Assets | | | | | |
| 1517 | Financial Assets at Fair Value Through Other Comprehensive Income, Non - Current | 4 , 6.3 | 1,557,416 | 18 | 1,059,086 | 13 |
| 1550 | Investments Accounted for Using the Equity Method | 4 , 6.7 | 133,016 | 2 | 124,295 | 2 |
| 1600 | Property, Plant and Equipment | 4 , 6.8 , 8 | 1,295,077 | 15 | 1,333,899 | 16 |
| 1755 | Right-of-use Asset | 4 , 6.16 | 4,333 | - | 9,218 | - |
| 1760 | Investment Property, Net | 4 , 6.9 , 8 | 113,753 | 1 | 114,575 | 1 |
| 1840 | Deferred Income Tax Assets | 4 , 6.20 | 15,627 | - | 25,648 | - |
| 1920 | Refundable Deposits | 7 | 212,746 | 3 | 69,380 | 1 |
| 1990 | Other Non - Current Assets | | 823 | - | 2,249 | - |
| 15xx | Total Non - Current Assets | | 3,332,791 | 39 | 2,738,350 | 33 |
| 1xxx | Total Assets | | $8,496,179 | 100 | $8,209,066 | 100 |

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

English Translation of Financial Statements Originally Issued in Chinese
HONG TAI ELECTRIC INDUSTRIAL CO., LTD.
Consolidated Balance Sheets (continued)
As at December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

| Liabilities and Equity | | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|---|
| Code | Items | Notes | Amount | % | Amount | % |
| | Current Liabilities | | | | | |
| 2100 | Short - Term Loans | 6.10 | $4,214 | - | $- | - |
| 2130 | Contract Liabilities, Current | 4 , 6.14 | 108,833 | 1 | 143,941 | 2 |
| 2150 | Notes Payable | | 5,859 | - | 5,104 | - |
| 2160 | Notes Payable - Related Parties | | - | - | 63,177 | 1 |
| 2170 | Accounts Payable | | 369,158 | 4 | 324,877 | 4 |
| 2180 | Accounts Payable - Related Parties | 7 | 26,420 | - | 39,058 | - |
| 2200 | Other Payables | | 214,351 | 3 | 189,583 | 2 |
| 2230 | Current Tax Liabilities | 4 | 57,395 | 1 | 144,034 | 2 |
| 2280 | Lease Liabilities, Current | 4 , 6.16 | 4,035 | - | 5,518 | - |
| 2399 | Other Current Liabilities | | 1,101 | - | 1,253 | - |
| 21xx | Total Current Liabilities | | 791,366 | 9 | 916,545 | 11 |
| | Non - Current Liabilities | | | | | |
| 2550 | Provisions, Non - Current | 4 , 6.11 | 100,000 | 1 | 120,000 | 2 |
| 2570 | Deferred Tax Liabilities | 4 , 6.20 | 41,457 | 1 | 33,410 | - |
| 2580 | Lease Liabilities, Non - Current | 4 , 6.16 | 330 | - | 3,718 | - |
| 2640 | Defined Benefit Pension Liability | 4 , 6.12 | 8,461 | - | 27,417 | - |
| 2645 | Deposits Received | | 1,597 | - | 1,597 | - |
| 25xx | Total Non - Current Liabilities | | 151,845 | 2 | 186,142 | 2 |
| 2xxx | Total Liabilities | | 943,211 | 11 | 1,102,687 | 13 |
| 31xx | Equity | 4 , 6.13 | | | | |
| 3110 | Common Stock | | 3,160,801 | 37 | 3,160,801 | 39 |
| 3200 | Capital Surplus | | 191,704 | 2 | 191,704 | 2 |
| 3300 | Retained Earnings | | | | | |
| 3310 | Legal Reserve | | 1,096,954 | 13 | 1,061,473 | 13 |
| 3320 | Special Reserve | | 179,492 | 2 | - | - |
| 3350 | Unappropriated Earnings | | 2,883,290 | 34 | 2,869,712 | 35 |
| | Total Retained Earnings | | 4,159,736 | 49 | 3,931,185 | 48 |
| 3400 | Other Equity | | | | | |
| 3410 | Exchange Differences on Translation of Foreign Operations | | (345,854) | (4) | (313,109) | (4) |
| 3420 | Unrealized Gains or Losses on Financial Assets Measured at Fair Value Through | | 384,147 | 5 | 133,616 | 2 |
| | Total Other Equity | | 38,293 | 1 | (179,493) | (2) |
| | Total equity attributable to owners of the parent company | | 7,550,534 | 89 | 7,104,197 | 87 |
| 36xx | Non - Controlling Interest | | 2,434 | - | 2,182 | - |
| 3xxx | Total Equity | | 7,552,968 | 89 | 7,106,379 | 87 |
| | Total Liabilities and Equity | | $8,496,179 | 100 | $8,209,066 | 100 |

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

English Translation of Financial Statements Originally Issued in Chinese

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

| Code | Items | Notes | 2023 | | 2022 | |
|---|---|---|---|---|---|---|
| | | | Amount | % | Amount | % |
| 4000 | Operating Revenue | 4 , 6.14 , 7 | $6,195,025 | 100 | $6,385,945 | 100 |
| 5000 | Operating Costs | 6.6 , 6.12 , 6.18 , 7 | (5,323,372) | (86) | (5,618,483) | (88) |
| 5900 | Gross Margin | | 871,653 | 14 | 767,462 | 12 |
| 6000 | Operating Expenses | 6.12 , 6.17 , 7 | (261,591) | (4) | (245,086) | (4) |
| 6450 | Expected Credit Impairment (Losses) Gains | 4 , 6.15 | (3,989) | - | 511 | - |
| | Total Operating Expenses | | (265,580) | (4) | (244,575) | (4) |
| 6900 | Operating Income (Loss) | | 606,073 | 10 | 522,887 | 8 |
| 7000 | Non-operating Income and Expenses | 6.18 | | | | |
| 7100 | Interest Income | | 14,743 | - | 5,316 | - |
| 7010 | Other Income | 7 | 70,381 | 1 | 81,321 | 1 |
| 7020 | Other Gains and Losses | | 21,426 | - | (82,606) | (1) |
| 7050 | Finance Cost | | (1,378) | - | (1,126) | - |
| 7060 | Share of Profit or Loss of Subsidiaries, Associates and Joint Ventures Accounted for Using the Equity Method | 4 , 6.7 | 45,343 | 1 | 27,079 | 1 |
| | Total Non-operating Income and Expenses | | 150,515 | 2 | 29,984 | 1 |
| 7900 | Income (Loss) Before Income Tax | | 756,588 | 12 | 552,871 | 9 |
| 7950 | Income Tax (Expense) Benefits | 4 , 6.20 | (127,837) | (2) | (198,742) | (3) |
| 8200 | Net Income (Loss) | | 628,751 | 10 | 354,129 | 6 |
| 8300 | Other Comprehensive Income (Loss) | 6.20 | | | | |
| 8310 | Items that will not be Reclassified Subsequently to Profit or Loss | | | | | |
| 8311 | Remeasurements of Defined Benefit Plans | 6.12 | 4,361 | - | (1,244) | - |
| 8316 | Unrealized Gains (Losses) from Equity Instruments Investments Measured at Fair Value Through Other Comprehensive Income | | 325,553 | 5 | (203,748) | (3) |
| 8349 | Income Tax Related to Items that will not be Reclassified Subsequently | 6.20 | (5,235) | - | (4,056) | - |
| 8360 | Items that may be Reclassified Subsequently to Profit or Loss | | | | | |
| 8361 | Foreign Operating Agency Financial Statement Exchange Difference | | (2,267) | - | 15,575 | - |
| 8367 | Unrealized Gains (Losses) from Debt Instruments Investments Measured at Fair Value Through Other Comprehensive Income | | 57 | - | 195 | - |
| 8370 | The share of other comprehensive gains and losses of affiliated companies and joint ventures recognized using the equity method-items that may be reclassified to gains and losses | | (30,478) | - | 13,192 | - |
| | Other Comprehensive Income (Loss) | | 291,991 | 5 | (180,086) | (3) |
| 8500 | Total Comprehensive Income (Loss) | | $920,742 | 15 | $174,043 | 3 |
| 8600 | Net Profit Attributable To: | | | | | |
| 8610 | Attributable to the owner of the parent company | | $628,467 | 10 | $353,762 | 6 |
| 8620 | Non-controlling Interest | | 284 | - | 367 | - |
| | | | $628,751 | 10 | $354,129 | 6 |
| 8700 | Total Comprehensive Income (Loss) Attributable To: | | | | | |
| 8710 | Attributable to the owner of the parent company | | $920,457 | 15 | $173,679 | 3 |
| 8720 | Non-controlling Interest | | 285 | - | 364 | - |
| | | | $920,742 | 15 | $174,043 | 3 |
| | Earnings Per Share (NTD) | 6.21 | | | | |
| 9750 | Earnings Per Share - Basic | | $1.99 | | $1.12 | |
| 9850 | Earnings Per Share - Diluted | | $1.98 | | $1.10 | |

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

English Translation of Financial Statements Originally Issued in Chinese

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

| | | Equity attributable to owners of the parent company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained Earnings | | | Other Components of Equity | | | | |
| Code | Items | Common Stock | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Difference on Translation of Foreign Operations | Unrealized Gains or Losses on Financial Assets Measured at Fair Value through Other Comprehensive Income | Equity attributable to owners of the parent company total | Non-Controlling Interest | Total Equity |
| | | 3100 | 3200 | 3310 | 3320 | 3350 | 3410 | 3420 | 31XX | 36XX | 3XXX |
| A1 | Balance as at January 1, 2022 | $3,160,801 | $191,704 | $782,025 | $103,802 | $3,575,567 | $(341,876) | $343,519 | $7,815,542 | $1,821 | $7,817,363 |
| | Appropriation and Distribution of the Earnings for the year 2021 | | | | | | | | | | |
| B1 | Legal Reserve | - | - | 279,448 | - | (279,448) | - | - | - | - | - |
| B5 | Cash Dividends | - | - | - | - | (885,024) | - | - | (885,024) | - | (885,024) |
| B17 | Special Reserve | - | - | - | (103,802) | 103,802 | - | - | - | - | - |
| D1 | Net Income (Loss) in 2022 | - | - | - | - | 353,762 | - | - | 353,762 | 367 | 354,129 |
| D3 | Other Comprehensive Income (Loss) in 2022 | - | - | - | - | (995) | 28,767 | (207,855) | (180,083) | (3) | (180,086) |
| D5 | Total Comprehensive Income (Loss) in 2022 | - | - | - | - | 352,767 | 28,767 | (207,855) | 173,679 | 364 | 174,043 |
| O1 | Increase (decrease) in non-controlling interests | - | - | - | - | - | - | - | - | (3) | (3) |
| Q1 | Disposal of Equity Instruments Investments Measured at Fair Value Through Other Comprehensive Income | - | - | - | - | 2,048 | - | (2,048) | - | - | - |
| Z1 | Balance as at December 31, 2022 | $3,160,801 | $191,704 | $1,061,473 | $- | $2,869,712 | $(313,109) | $133,616 | $7,104,197 | $2,182 | $7,106,379 |
| A1 | Balance as at January 1, 2023 | $3,160,801 | $191,704 | $1,061,473 | $- | $2,869,712 | $(313,109) | $133,616 | $7,104,197 | $2,182 | $7,106,379 |
| | Appropriation and Distribution of the Earnings for the year 2022 | | | | | | | | | | |
| B1 | Legal Reserve | - | - | 35,481 | - | (35,481) | - | - | - | - | - |
| B3 | Special Reserve | - | - | - | 179,492 | (179,492) | - | - | - | - | - |
| B5 | Cash Dividends | - | - | - | - | (474,120) | - | - | (474,120) | - | (474,120) |
| D1 | Net Income (Loss) in 2023 | - | - | - | - | 628,467 | - | - | 628,467 | 284 | 628,751 |
| D3 | Other Comprehensive Income (Loss) in 2023 | - | - | - | - | 3,489 | (32,745) | 321,246 | 291,990 | 1 | 291,991 |
| D5 | Total Comprehensive Income (Loss) in 2023 | - | - | - | - | 631,956 | (32,745) | 321,246 | 920,457 | 285 | 920,742 |
| O1 | Increase (decrease) in non-controlling interests | - | - | - | - | - | - | - | - | (33) | (33) |
| Q1 | Disposal of Equity Instruments Investments Measured at Fair Value Through Other Comprehensive Income | - | - | - | - | 70,715 | - | (70,715) | - | - | - |
| Z1 | Balance as at December 31, 2023 | $3,160,801 | $191,704 | $1,096,954 | $179,492 | $2,883,290 | $(345,854) | $384,147 | $7,550,534 | $2,434 | $7,552,968 |

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

English Translation of Financial Statements Originally Issued in Chinese

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

| Code | Items | 2023 Amounts | 2022 Amounts |
|---|---|---|---|
| AAAA | Cash Flows From Operating Activities | | |
| A10000 | Income Before Income Tax | $756,588 | $552,871 |
| A20000 | Adjustments to Reconcile Income Before Income Tax to Net Cash Provided By Operating Activities: | | |
| A20100 | Depreciation expense | 88,471 | 87,638 |
| A20200 | Amortization expense | 1,526 | 4,020 |
| A20300 | Expected Credit Impairment Losses (Gains) | 3,989 | (511) |
| A20900 | Interest Expense | 1,378 | 1,126 |
| A21200 | Interest Income | (14,743) | (5,316) |
| A21300 | Dividend Income | (41,039) | (60,126) |
| A22300 | Share of Profit or Loss of Subsidiaries, Associates and Joint Ventures for Using the Equity Method | (45,343) | (27,079) |
| A22500 | (Gain) loss on Disposal of Property, Plant and Equipment | 23,373 | (29,557) |
| A23800 | Reversal of Impairment Loss Recognised in Profit or Loss, Non-financial Assets | (144) | (144) |
| A30000 | Changes in Operating Assets and Liabilities | | |
| A31115 | (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss | (31,311) | 105,402 |
| A31130 | (Increase) Decrease in Notes Receivable | 28,845 | (14,157) |
| A31150 | (Increase) Decrease in Accounts Receivable | (248,204) | (347,458) |
| A31160 | (Increase) Decrease in Accounts Receivable - Related Parties | - | 1,519 |
| A31180 | (Increase) Decrease in Other Receivables | 3,757 | 116,836 |
| A31200 | (Increase) Decrease in Inventories | 114,897 | 111,789 |
| A31230 | (Increase) Decrease in Prepayments | (21,443) | (755) |
| A31240 | (Increase) Decrease in Other Current Assets | - | 67 |
| A32125 | Increase (Decrease) in Contract Liabilities | (35,108) | 59,802 |
| A32130 | Increase (Decrease) in Notes Payable | 755 | 537 |
| A32140 | Increase (Decrease) in Notes Payable- Related Partires | (63,177) | 63,177 |
| A32150 | Increase (Decrease) in Accounts Payable | 44,281 | 115,290 |
| A32160 | Increase (Decrease) in Accounts Payable - Related Parties | (12,638) | 37,219 |
| A32180 | Increase (Decrease) in Other Payables | 26,168 | (190,445) |
| A32200 | Increase (Decrease) in Provisions | (20,000) | - |
| A32230 | Increase (Decrease) in Other Current Liabilities | (152) | (2,301) |
| A32240 | Increase (Decrease) in Defined Benefit Pension Liability | (14,595) | (6,905) |
| A33000 | Cash Generated (Outflow) From Operations | 546,131 | 572,539 |
| A33100 | Interest Received | 14,594 | 5,019 |
| A33200 | Dividend Received | 6,999 | 13,418 |
| A33500 | Income Tax Paid | (201,643) | (99,807) |
| AAAA | Net Cash Provided By (Used in) Operating Activities | 366,081 | 491,169 |
| BBBB | Cash Flows from Investing Activities | | |
| B00010 | Acquisition of Financial Assets at Fair Value Through Comprehensive Income | (426,968) | (142,557) |
| B00020 | Proceeds from Disposal of Financial Assets at Fair Value Through Comprehensive Income | 226,719 | 2,690 |
| B00030 | Return Capital from Financial Assets at Fair Value Through Other Comprehensive Income | 11,229 | 7,036 |
| B02000 | Increase in Current Prepayments for Investments | (21,300) | (6,000) |
| B02700 | Acquisition of Property, Plant and Equipment | (109,589) | (42,497) |
| B02800 | Proceeds from Disposal of Property, Plant and Equipment | 41,623 | 30,527 |
| B03700 | Increase in Refundable Deposits | (143,366) | - |
| B03800 | Decrease in Refundable Deposits | - | 5,320 |
| B06700 | Increase in Other Non-current Assets | (100) | (166) |
| B07600 | Dividend Received | 41,638 | 61,428 |
| BBBB | Net cash provided by (Used in) Investing Activities | (380,114) | (84,219) |
| CCCC | Cash Flows from Financing Activities | | |
| C00100 | Increase in Short - term Loans | 4,214 | - |
| C03000 | Increase in Deposits Received | - | 38 |
| C04020 | Cash Payments for the Principal Portion of the Lease Liability | (5,564) | (2,490) |
| C04500 | Payment of Cash Dividends | (474,120) | (885,024) |
| C05600 | Interest Paid | (1,290) | (1,027) |
| C05800 | Changes in non-controlling interests | (33) | (3) |
| CCCC | Net cash provided by (Used in) Financing Activities | (476,793) | (888,506) |
| DDDD | The impact of exchange rate changes on cash and cash equivalents | (797) | 3,028 |
| EEEE | Net Increase (Decrease) In Cash and Cash equivalents | (491,623) | (478,528) |
| E00100 | Cash and Cash equivalents, Beginning of the Year | 2,420,702 | 2,899,230 |
| E00200 | Cash and Cash equivalents, End of the Year | $1,929,079 | $2,420,702 |

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

**Hong Tai Electric Industrial Co., Ltd.**
**Notes to Consolidated Financial Statements**
**For the Years Ended December 31, 2023 and 2022**
**(Amounts expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

1. History and organization

Hong Tai Electric Industrial Co., LTD ("the Company") was founded in August 1968. The main activities of the Company are the manufacturing, processing and sales of wires and cables, CCL, communication products and equipment and accessories. The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in February 1993. The Company's registered office and the main business location is at No. 2, Guojian 1st Rd., Guanyin Dist., Taoyuan, Republic of China (R.O.C.).

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the company and its subsidiaries ("the Group") for the years ended December 31, 2023 and 2022 were authorized for issue in accordance with a resolution of the Board of Directors on March 22, 2024.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2023. The adoption of these new standards and amendments had no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| a | Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | January 1, 2024 |
| b | Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | January 1, 2024 |
| c | Non-current Liabilities with Covenants – Amendments to IAS 1 | January 1, 2024 |
| d | Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7 | January 1, 2024 |

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

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The above mentioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. The standards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| a | IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB |
| b | IFRS 17 “Insurance Contracts” | January 1, 2023 |
| c | Lack of Exchangeability – Amendments to IAS 21 | January 1, 2025 |

(a) IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

The above mentioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, Interpretations issued by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC ("TIFRS").

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed 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.

If the Company loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) derecognizes the carrying amount of any non-controlling interest;
(c) recognizes the fair value of the consideration received;
(d) recognizes the fair value of any investment retained;
(e) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfers directly to retained earnings if required by other IFRSs; and
(f) recognizes any resulting differences in profit or loss.

The consolidated entities are listed as follows:

| | | | As of | |
|---|---|---|---|---|
| Investor | Subsidiary | Main businesses | December 31, 2023 | December 31, 2022 |
| The Company | Moneywin International Limited | Investing | 100.00% | 100.00% |
| The Company | Safety Investment Corp. | Investing | 99.95% | 99.95% |
| The Company and Safety Investment Corp. | Hong-Hong Engineer Co. Ltd. | Cable installation project | 96.00% | 96.00% |

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposal even if an interest in the foreign operation is retained by the Group: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or loss of joint control over a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Group holds the asset primarily for the purpose of trading
(c) The Group expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle
(b) The Group holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value as cash equivalents (including time deposits with maturing of less than 12 months).

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. the Group's business model for managing the financial assets and
B. the contractual cash flow characteristics of the financial asset.

*Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

*Financial asset measured at fair value through other comprehensive income*

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
   (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
   (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

*Financial asset measured at fair value through profit or loss*

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. the time value of money; and
C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(c) Derecognition of financial assets

A financial asset is derecognized when:

A. The rights to receive cash flows from the asset have expired
B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
B. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value though profit or loss.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Based on the actual purchase cost, using the weighted average method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

| | |
|---|---|
| Buildings | 2～55 years |
| Machinery and equipment | 2～15 years |
| Office equipment | 1～8 years |
| Transportation equipment | 1～5 years |
| Miscellaneous equipment | 1～15 years |
| Right-of-use assets/leased assets | 1～11 years |

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(14) Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

| | |
|---|---|
| Buildings | 30～50 years |

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group decides to transfer to or from investment properties based on actual usage of the assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(15) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(16) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 3 years).

A summary of the policies applied to the Group's intangible assets is as follows:

| | Computer software |
|---|---|
| Useful lives | Finite |
| Amortization method used | Amortized on a straight- line basis over the estimated useful life |
| Internally generated or acquired | Acquired |

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

(19) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer (meaning that the customer has control over the use of the product and claims almost all of the remaining benefit) and the goods are delivered to the customers. The main products of the Group are wires and cables, and revenue is recognized based on the consideration stated in the contract minus the estimated quantity discount amount. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts to the Group estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Group's sale of goods is from 60 to 120 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The Group provides installation services of wires and cables. Such services are separately priced or negotiated, and provided based on contract period. As the Group provides the installation services over the contract period, the customers simultaneously receive and consume the benefits provided by the Group. The performance obligation is fulfilled at a certain point so the revenue should be recognized when the performance obligation is fulfilled.

Most of the contractual considerations of the Group are collected evenly throughout the contract period. When the Group has performed the services to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

(20) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(21) Post-employment benefits

All regular employees of the Group and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Group and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Group and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Group recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(22) Income taxes

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

The Group calculates the income basic tax according to the Income Basic Tax Act and compares it with the income tax payable calculated under the Income Tax Act, selecting the higher amount as the provision for current income tax.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

(b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform-Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Investment properties

Certain properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Group accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 5% of the total property.

(b) Operating lease commitment－Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. Changes in market prices or future cash flows will affect the recoverable amount of these assets, which may cause the Group to additionally recognize impairment losses or reverse recognized impairment losses.

(c) Accounts receivable－estimation of impairment loss

The Group estimates the impairment loss of accounts receivable at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(d) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc.

(e) Inventories evaluation

As inventory must be measured at the lower of cost and net realizable value, the Group must use judgment and estimation to determine the net realizable value of inventory at the reporting date. Due to the influence of international copper prices and frequent fluctuations in raw material prices, the Group assesses the amount of inventory due to normal wear and tear, obsolescence or no market value at the end of the financial reporting period, and offsets the inventory cost to the net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so major changes may occur.

(f) Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management’s judgement and other known factors.

(g) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. As of December 31, 2023, please refer to Note 6 for the Group's unrecognized deferred income tax assets.

6. Contents of significant accounts

(1) Cash and cash equivalents

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Cash | $75 | $99 |
| Petty cash | 711 | 831 |
| Demand deposits | 823,110 | 1,114,987 |
| Checking deposits | 172,676 | 273,773 |
| Time deposits | 34,544 | 233,936 |
| Cash equivalents | 897,963 | 797,076 |
| Total | $1,929,079 | $2,420,702 |

Cash and cash equivalents were not pledged.

Cash and cash equivalents were short-term notes and bills.

(2) Financial assets at fair value through profit or loss

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Mandatorily measured at fair value through profit or loss: | | |
| Non-derivatives not designated as hedging instruments | | |
| Stocks | $263,783 | $258,625 |
| Corporate bonds | 25,531 | 5,500 |
| Government bonds | 6,122 | - |
| Total | $295,436 | $264,125 |
| | | |
| Current | $295,436 | $264,125 |

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Equity instrument investments measured at fair value through other comprehensive income | | |
| Listed companies stocks | $870,858 | $459,514 |
| Unlisted companies stocks | 704,153 | 603,192 |
| Subtotal | 1,575,011 | 1,062,706 |
| Debt instrument investments measured at fair value through other comprehensive income | | |
| Corporate bonds (Total book value) | 5,180 | 4,985 |
| Add: Fair value adjustment | 57 | 195 |
| Subtotal | 5,237 | 5,180 |
| Total | $1,580,248 | $1,067,886 |
| | | |
| Current | $22,832 | $8,800 |
| Non-Current | 1,557,416 | 1,059,086 |
| Total | $1,580,248 | $1,067,886 |

Financial assets at fair value through other comprehensive income were not pledged.

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Related to investments held at the end of the reporting period | $33,168 | $45,857 |
| Related to investments derecognized during the period | 1,528 | - |
| Dividends recognized during the period | $34,696 | $45,857 |

In consideration of the Group's investment strategy, the Group disposed and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the years ended December 31, 2023 and 2022 were as follows:

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| The fair value of the investments at the date of derecognition | $236,879 | $9,726 |
| The cumulative gain or loss on disposal reclassified from other equity to retained earnings | 70,715 | 2,048 |

(4) Notes receivable

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Notes receivable arising from operating activities | $40,780 | $69,625 |
| Notes receivable arising from non-operating activities | - | - |
| Subtotal (Total book value) | 40,780 | 69,625 |
| Less: loss allowance | - | - |
| Total | $40,780 | $69,625 |

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.15 for more details on loss allowance and Note 12 for details on credit risk.

(5) Accounts receivable and accounts receivable - related parties

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Accounts receivable | $1,067,264 | $819,060 |
| Less: loss allowance | (4,661) | (672) |
| Total | $1,062,603 | $818,388 |

Accounts receivables were not pledged.

Accounts receivables are generally on 60-120 day terms. The total carrying amount as of December 31, 2023, and 2022 are NT$1,067,264 thousand and NT$819,060 thousand, respectively. Please refer to Note 6.15 for more details on loss allowance of accounts receivable for the years ended December 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(6) Inventories

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Merchandise | $112,083 | $107,679 |
| Finished goods | 1,089,555 | 1,127,172 |
| Work in progress | 348,087 | 355,004 |
| Raw materials | 111,964 | 194,547 |
| Supplies & parts | 44,283 | 33,855 |
| Inventories in transit | 11,453 | 19,413 |
| Material used in construction | 16,467 | 11,119 |
| Total | $1,733,892 | $1,848,789 |

The following table lists the cost of inventories recognized in expenses of the Group:

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Cost of goods sold | $5,336,597 | $5,612,251 |
| (Reversal) loss from the inventory written down to its respective net realizable value | (13,225) | 6,232 |
| Total operating cost | $5,323,372 | $5,618,483 |

The Group recognized a gain from price recovery of inventory in the amount of NT$13,225 thousand due to inventory destocking for the year ended December 31, 2023.

No inventories were pledged.

(7) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

| | As of | | | |
|---|---|---|---|---|
| | December 31, 2023 | | December 31, 2022 | |
| Investees | NTD | Percentage of ownership (%) | NTD | Percentage of ownership (%) |
| Investments in associates: | | | | |
| South Ocean Holdings Ltd. | $302,247 | 30.74 | $293,526 | 30.74 |
| Accumulated impairment | (169,231) | | (169,231) | |
| Total | $133,016 | | $124,295 | |

(a) Information on the material associate of the Group:

Company name: South Ocean Holdings Ltd.

Judgment with only significant influence: Although the group holds 30.74% of the voting rights of the company, since the other two investors hold 30.56% and 20.19% of the voting rights of the company, only the cooperation of these two investors could prevent the Group from leading the company's vital activities. Therefore, the Group has no control over the company and only has a significant influence.

Nature of the relationship with the associate: South Ocean Holdings Ltd. is in the business of manufacturing and selling related products in the Group's industry chain. The Group invested in South Ocean Holdings Ltd. for the purpose of upstream/downstream integration.

Principal place of business (country of incorporation): Republic of South Africa

Fair value of the investment in the associate when there is a quoted market price for the investment: South Ocean Holdings Ltd. is a listed entity on the South African Stock Exchange. The fair value of the company's investment was NT$128,635 thousand and NT$136,866 thousand as of December 31, 2023 and 2022, respectively.

Reconciliation of the associate's summarized financial information presented to the carrying amount of the Group's interest in the associate:

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Current assets | $1,222,067 | $1,149,650 |
| Non-current assets | 450,747 | 332,903 |
| Current liabilities | 424,855 | 426,364 |
| Non-current liabilities | 264,724 | 101,324 |
| Equity | 983,235 | 954,865 |
| Proportion of the Group's ownership | 30.74% | 30.74% |
| Carrying amount of the investment | $302,246 | $293,526 |

| | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| Operating revenue | $4,201,863 | $3,315,484 |
| Profit or loss from continuing operations | $150,778 | $79,586 |
| Other comprehensive income | 277 | 18 |
| Total comprehensive income | $151,055 | $79,604 |

(b) The associate had no contingent liabilities or capital commitments as of December 31, 2023 and 2022.

(c) The share of the profit or loss of these associates accounted for using the equity method amounted to NT$45,343 thousand and NT$27,079 thousand for the years ended December 31, 2023 and 2022, respectively. The share of other comprehensive income (loss) of these associates accounted for using the equity method amounted to NT$(30,478) thousand and NT$13,192 thousand for the years ended December 31, 2023 and 2022, respectively.

(8) Property, plant and equipment

| | Land and land Improvements | Buildings | Machinery and equipment | Office equipment | Transportation equipment | Miscellaneous equipment | Construction in progress and equipment awaiting examination | Total |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| As of Jan 1, 2022 | $421,725 | $824,688 | $1,653,116 | $22,100 | $9,649 | $470,668 | $13,367 | $3,415,313 |
| Additions | - | - | - | - | - | 460 | 37,344 | 37,804 |
| Disposals | - | - | (181,811) | (185) | - | (32,044) | - | (214,040) |
| Other changes | - | 8,119 | 22,517 | 593 | 4,220 | 4,831 | (36,060) | 4,220 |
| As of Dec 31, 2022 | 421,725 | 832,807 | 1,493,822 | 22,508 | 13,869 | 443,915 | 14,651 | 3,243,297 |
| Additions | - | - | - | - | - | - | 108,195 | 108,195 |
| Disposals | - | - | (777,043) | (309) | (486) | (104,780) | - | (882,618) |
| Other changes | 34,146 | 35,522 | 9,441 | - | 113 | 13,974 | (93,196) | - |
| As of Dec 31, 2023 | $455,871 | $868,329 | $726,220 | $22,199 | $13,496 | $353,109 | $29,650 | $2,468,874 |
| Accumulated Depreciation and impairment: | | | | | | | | |
| As of Jan 1, 2022 | $- | $328,645 | $1,336,115 | $20,455 | $4,724 | $346,816 | $- | $2,036,755 |
| Depreciation | - | 23,112 | 46,504 | 399 | 1,174 | 13,517 | - | 84,706 |
| Disposals | - | - | (181,359) | (185) | - | (31,526) | - | (213,070) |
| Other changes | - | - | (144) | - | 1,151 | - | - | 1,007 |
| As of Dec 31, 2022 | - | 351,757 | 1,201,116 | 20,669 | 7,049 | 328,807 | - | 1,909,398 |
| Depreciation | - | 24,011 | 44,437 | 413 | 1,361 | 11,944 | - | 82,166 |
| Disposals | - | - | (720,064) | (309) | (486) | (96,764) | - | (817,623) |
| Other changes | - | - | (144) | - | - | - | - | (144) |
| As of Dec 31, 2023 | $- | $375,768 | $525,345 | $20,773 | $7,924 | $243,987 | $- | $1,173,797 |
| Net carrying amount as of: | | | | | | | | |
| Dec 31, 2022 | $421,725 | $481,050 | $292,706 | $1,839 | $6,820 | $115,108 | $14,651 | $1,333,899 |
| Dec 31, 2023 | $455,871 | $492,561 | $200,875 | $1,426 | $5,572 | $109,122 | $29,650 | $1,295,077 |

There is no capitalized borrowing costs of the Group's property, plant and equipment.

Components of building that have different useful lives are main building structure, decoration engineering, mechanical and electrical engineering and roof-repairing engineering, which are depreciated over 40~55 years, 7 years, 5 years and 2 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(9) Investment property

| | Land | Buildings | Total |
|---|---|---|---|
| Cost： | | | |
| As of Jan 1, 2022 | $105,133 | $34,759 | $139,892 |
| Disposals | - | - | - |
| As of Dec 31, 2022 | 105,133 | 34,759 | 139,892 |
| Disposals | - | - | - |
| As of Dec 31, 2023 | $105,133 | $34,759 | $139,892 |
| | | | |
| Depreciation and impairment： | | | |
| As of Jan 1, 2022 | $- | $24,495 | $24,495 |
| Depreciation | - | 822 | 822 |
| Disposals | - | - | - |
| As of Dec 31, 2022 | - | 25,317 | 25,317 |
| Depreciation | - | 822 | 822 |
| Disposals | - | - | - |
| As of Dec 31, 2023 | $- | $26,139 | $26,139 |
| | | | |
| Net carrying amount as of: | | | |
| Dec 31, 2022 | $105,133 | $9,442 | $114,575 |
| Dec 31, 2023 | $105,133 | $8,620 | $113,753 |

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Rental income from investment property | $4,493 | $4,316 |
| Less: | | |
| Direct operating expenses from investment property generating rental income | (947) | (961) |
| Total | $3,546 | $3,355 |

Please refer to Note 8 for more details on Investment property under pledge.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties was NT$409,717 thousand and NT$416,253 thousand as of December 31, 2023 and 2022, respectively. The fair value has been determined based on valuations performed by Group management, not by an independent valuer. The valuation method used is refer to the market evaluation of similar item transaction prices in neighboring areas.

(10) Short-term loans

| | | As of | |
|---|---|---|---|
| | Interest rates (%) | December 31, 2023 | December 31, 2022 |
| USANCE loans | 1.20% | $4,214 | $- |

As of December 31, 2023 and 2022, the Group's unused credit line of comprehensive loans amounted to approximately NT$1,042,082 thousand and NT$1,118,669 thousand, respectively.

Please refer to Note 8 for more details on bank loans as pledge.

(11) Provisions

| | Warranties | |
|---|---|---|
| | For the years ended | |
| | December 31, 2023 | December 31, 2022 |
| At the beginning of the year | $120,000 | $120,000 |
| Additions | - | - |
| Changes of current period | (20,000) | - |
| At the end of the year | $100,000 | $120,000 |
| Non-current | $100,000 | $120,000 |

Warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

(12) Post-employment benefits

Defined contribution plan

The defined contribution plan of the Group's Employee Retirement Plan is regulated according to the provisions of the Labor Pension Act. In accordance with the Act, contributions made by the employer cannot be lower than 6% of the participant's monthly wages. Therefore, the Group's make 6% contribution of the monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance on a regular basis.

Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 were NT$13,013 thousand and NT$10,888 thousand, respectively.

Defined benefits plan

The Group adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Group will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$1,471 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

As of December 31, 2023 and 2022, the defined benefit plan of the Group was expected to be expired in March 2051.

Pension costs recognized in profit or loss for the years ended December 31, 2023 and 2022:

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Current period service costs | $1,099 | $1,343 |
| Interest income or expense | 352 | 140 |
| Total | $1,451 | $1,483 |

Changes in the defined benefit obligation and fair value of plan assets are as follows:

| | As of | | |
|---|---|---|---|
| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
| Defined benefit obligation | $68,962 | $108,226 | $102,373 |
| Plan assets at fair value | (60,501) | (80,809) | (69,295) |
| Accrued pension liabilities recognized on the balance sheets | $8,461 | $27,417 | $33,078 |

Reconciliation of liability (asset) of the defined benefit plan is as follows:

| | Present Value of Defined Benefit Obligation | Fair Value of Plan Assets | Benefit Liability (Asset) |
|---|---|---|---|
| As of January 1, 2022 | $102,373 | $(69,295) | $33,078 |
| Net defined benefit costs: | | | |
| Current period service costs | 1,343 | - | 1,343 |
| Net interest expense (income) | 447 | (307) | 140 |
| Subtotal | 1,790 | (307) | 1,483 |
| Remeasurements of the net defined benefit liability (asset): | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | - | - | - |
| Actuarial gains and losses arising from changes in financial assumptions | (6,650) | - | (6,650) |
| Experience adjustments | 13,783 | - | 13,783 |
| Remeasurements of plan assets | - | (5,890) | (5,890) |
| Subtotal | 7,133 | (5,890) | 1,243 |

| | Present Value of Defined Benefit Obligation | Fair Value of Plan Assets | Benefit Liability (Asset) |
|---|---|---|---|
| Payments from the plan | (3,070) | 3,070 | - |
| Contributions by employer | - | (8,387) | (8,387) |
| As of December 31, 2022 | 108,226 | (80,809) | 27,417 |
| Net defined benefit costs: | | | |
| Current period service costs | 1,099 | - | 1,099 |
| Net interest expense (income) | 1,430 | (1,078) | 352 |
| Subtotal | 2,529 | (1,078) | 1,451 |
| Remeasurements of the net defined benefit liability (asset): | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | - | - | - |
| Actuarial gains and losses arising from changes in financial assumptions | 623 | - | 623 |
| Experience adjustments | (14,774) | - | (14,774) |
| Remeasurements of plan assets | - | (582) | (582) |
| Subtotal | (14,151) | (582) | (14,733) |
| Payments from the plan | (27,642) | 25,424 | (2,218) |
| Contributions by employer | - | (3,456) | (3,456) |
| As of December 31, 2023 | $68,962 | $(60,501) | $8,461 |

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Discount rate | 1.18% | 1.32% |
| Expected rate of salary increases | 1.00% | 1.00% |

A sensitivity analysis for significant assumption is as shown below:

| | For the years ended | | | |
|---|---|---|---|---|
| | December 31, 2023 | | December 31, 2022 | |
| | Increase defined benefit obligation | Decrease defined benefit obligation | Increase defined benefit obligation | Decrease defined benefit obligation |
| Discount rate increase by 0.25% | $- | $1,047 | $- | $1,765 |
| Discount rate decrease by 0.25% | 1,076 | - | 1,815 | - |
| Future salary increase by 0.5% | 2,142 | - | 3,623 | - |
| Future salary decrease by 0.5% | - | 2,046 | - | 3,457 |

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(13) Equities

(a) Common stock

The Company’s authorized capital was NT$3,980,000 thousand and NT$3,160,801 thousand was issued as of December 31, 2023 and 2022, each at a par value of NT$10, divided into 316,080 thousand shares.

(b) Capital surplus

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Additional paid-in capital | $165,601 | $165,601 |
| Treasury share transactions | 24,200 | 24,200 |
| Donated assets received | 1,903 | 1,903 |
| Total | $191,704 | $191,704 |

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

According to the Company’s Articles of Incorporation, current year’s earnings, if any, shall be distributed in the following order:

A. Payment of all taxes and dues;
B. Offset prior years’ operation losses;
C. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
D. Set aside or reverse special reserve in accordance with law and regulations; and
E. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders’ meeting.

Considered the Company's coming capital need and the long-term financial planning, as well as the shareholder's interest, the principle of the dividend policy is 20% of the distributable earnings of the year at minimum and cash dividend should be at least 10% of the total dividends. However, if a significant non-recurring income occur in the year, a whole or portion of that income may be retained from the distribution, and is not applicable to the restriction above mentioned.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

Details of the 2023 and 2022 earnings distribution and dividends per share as approved and resolved by the Board of Directors’ meeting on March 22, 2024 and March 24, 2023, respectively, are as follows:

| | Appropriation of earnings | | Dividend per share (NT$) | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Legal reserve | $70,267 | $35,481 | | |
| Special reserve (reversal) appropriated | (179,492) | 179,492 | | |
| Common stock - cash dividend | 632,160 | 474,120 | $2.0 | $1.5 |
| Total | $522,935 | $689,093 | | |

Please refer to Note 6.17 for details on employees’ compensation and remuneration to directors and supervisors.

(d) Non-controlling interests

| | Non-controlling interests |
|---|---|
| As at January 1, 2023 | $2,182 |
| Income attributable to non-controlling interests | 284 |
| Other comprehensive income, attributable to non-controlling interests, net of tax: | |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | 1 |
| Issuance of cash dividends by the subsidiary | (33) |
| As at December 31, 2023 | $2,434 |
| | |
| As at January 1, 2022 | $1,821 |
| Income attributable to non-controlling interests | 367 |
| Other comprehensive income, attributable to non-controlling interests, net of tax: | |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | (3) |
| Issuance of cash dividends by the subsidiary | (3) |
| As at December 31, 2022 | $2,182 |

(14) Operating revenue

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Sale of goods | $6,193,939 | $6,383,488 |
| Service Revenue | 1,086 | 2,457 |
| Total | $6,195,025 | $6,385,945 |

(a) Disaggregation of revenue

For the year ended December 31, 2023:

| | A Dept | B Dept | Other Dept | Total |
|---|---|---|---|---|
| Sale of goods and rendering of services | $178,513 | $5,922,597 | $93,915 | $6,195,025 |
| | | | | |
| Timing of revenue recognition: | | | | |
| At a point in time | $178,513 | $5,922,597 | $93,915 | $6,195,025 |

For the year ended December 31, 2022:

| | A Dept | B Dept | Other Dept | Total |
|---|---|---|---|---|
| Sale of goods and rendering of services | $588,894 | $5,723,345 | $73,706 | $6,385,945 |
| | | | | |
| Timing of revenue recognition: | | | | |
| At a point in time | $588,894 | $5,723,345 | $73,706 | $6,385,945 |

(b) Contract balances

Contract liabilities - current

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Sales of goods | | |
| As at the beginning of the year | $143,941 | $84,139 |
| As at the end of the year | 108,833 | 143,941 |
| Difference | $(35,108) | $59,802 |

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2023 and 2022 are as follows:

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| The opening balance transferred to revenue | $73,731 | $59,537 |
| Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period) | 38,623 | 119,339 |

(c) Transaction price allocated to unsatisfied performance obligations

The Group's transaction price allocated to unsatisfied performance obligations (including partially unsatisfied) amounted to NT$4,863,070 thousand as of December 31, 2023. Management expects that 61% of the transaction price allocated to unsatisfied performance obligations will be recognized as revenue by December 31, 2024. The remaining will be recognized during 2025.

The Group's transaction price allocated to unsatisfied performance obligations (including partially unsatisfied) amounted to NT$1,992,137 thousand as of December 31, 2022. Management expects that 38% of the transaction price allocated to unsatisfied performance obligations will be recognized as revenue by December 31, 2023. The remaining will be recognized during 2024.

(d) Assets recognized from costs to fulfil a contract

None.

(15) Expected credit losses/(gains)

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Operating expenses – Expected credit losses/(gains) | | |
| Accounts receivable | $3,989 | $(511) |

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its accounts receivables (including note receivables and accounts receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance for the years ended December 31, 2023 and 2022 are as follows:

The Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follows:

As of December 31, 2023

| | | Overdue | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Not yet due (Note) | <=30 days | 31-60 days | 61-90 days | 91-180 days | 181-270 days | >=270 days | Total |
| Group 1 | | | | | | | | |
| Gross carrying amount | $822,685 | $4,066 | $9,299 | $- | $2,551 | $5,360 | $- | $843,961 |
| Loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | |
| Lifetime expected credit losses | - | - | - | - | - | - | - | - |
| Total | $822,685 | $4,066 | $9,299 | $- | $2,551 | $5,360 | $- | $843,961 |

| | Not yet due (Note) | Overdue <=30 days | 31-60 days | 61-90 days | 91-180 days | 181-270 days | >=270 days | Total |
|---|---|---|---|---|---|---|---|---|
| Group 2 | | | | | | | | |
| Gross carrying amount | $260,986 | $70 | $2,629 | $- | $- | $350 | $48 | $264,083 |
| Loss rate | 1.10% | 25.71% | 52.23% | 0.00% | 0.00% | 100.00% | 100.00% | |
| Lifetime expected credit losses | (2,872) | (18) | (1,373) | - | - | (350) | (48) | (4,661) |
| Total | $258,114 | $52 | $1,256 | $- | $- | $- | $- | $259,422 |

As of December 31, 2022

| | Not yet due (Note) | Overdue <=30 days | 31-60 days | 61-90 days | 91-180 days | 181-270 days | >=270 days | Total |
|---|---|---|---|---|---|---|---|---|
| Group 1 | | | | | | | | |
| Gross carrying amount | $428,626 | $11,849 | $2,478 | $544 | $- | $- | $- | $443,497 |
| Loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | |
| Lifetime expected credit losses | - | - | - | - | - | - | - | - |
| Total | $428,626 | $11,849 | $2,478 | $544 | $- | $- | $- | $443,497 |

| | Not yet due (Note) | Overdue <=30 days | 31-60 days | 61-90 days | 91-180 days | 181-270 days | >=270 days | Total |
|---|---|---|---|---|---|---|---|---|
| Group 2 | | | | | | | | |
| Gross carrying amount | $441,479 | $3,146 | $4 | $14 | $541 | $- | $4 | $445,188 |
| Loss rate | 0.02% | 0.64% | 100.00% | 100.00% | 100.00% | 0.00% | 100.00% | |
| Lifetime expected credit losses | (89) | (20) | (4) | (14) | (541) | - | (4) | (672) |
| Total | $441,390 | $3,126 | $- | $- | $- | $- | $- | $444,516 |

Note: The Group’s notes receivables are not overdue.

The movement in the provision for impairment of note receivables and trade receivables for the years ended December 31, 2023 and 2022 is as follows:

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Balance as of January 1 | $672 | $1,183 |
| Addition (reversal) for the current period | 3,989 | (511) |
| Write off | - | - |
| Balance as of December 31 | $4,661 | $672 |

All provision referred to trade receivables.

(16) Leases

(a) Group as a lessee

The Group leases various properties, including buildings, machinery and equipment, transportation equipment and other equipment. The lease terms range from 1 to 5 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Buildings | $4,157 | $8,928 |
| Machinery and equipment | - | 290 |
| Transportation equipment | - | - |
| Other equipment | 176 | - |
| Total | $4,333 | $9,218 |

For the years ended December 31, 2023 and 2022, the Group's additions to right-of-use assets amounted to NT$658 thousand and NT$10,007 thousand, respectively.

b. Lease liabilities

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Current | $4,035 | $5,518 |
| Non-current | 330 | 3,718 |
| Total | $4,365 | $9,236 |

Please refer to Note 6.18(d) for the interest on lease liabilities recognized during the years ended December 31, 2023 and 2022 and refer to Note 12.5 Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Buildings | $5,241 | $1,515 |
| Machinery and equipment | 231 | 403 |
| Transportation equipment | - | 192 |
| Other equipment | 12 | - |
| Total | $5,484 | $2,110 |

C. Income and costs relating to leasing activities

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| The expenses relating to short-term leases | $- | $- |
| The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets) | 720 | 3,662 |

D. Cash outflow relating to leasing activities

During the years ended December 31, 2023 and 2022, the Group's total cash outflows for leases amounted to NT$6,284 thousand and NT$6,252 thousand, respectively.

E. Other information relating to leasing activities

Extension and termination options

Some of the Group's buildings and machinery and equipment agreement (e.g. property rental agreement) contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group.

After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(b) Group as a lessor

Please refer to Note 6.9 for details on the Group's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Lease income for operating leases | | |
| Income relating to fixed lease payments and variable lease payments that depend on an index or a rate | $4,493 | $4,316 |
| Income relating to variable lease payments that do not depend on an index or a rate | - | - |
| Total | $4,493 | $4,316 |

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2023 and 2022 are as follows:

| | As of December 31, 2023 | As of December 31, 2022 |
|---|---|---|
| Not later than one year | $3,794 | $4,381 |
| Later than one year but not later than two years | 24 | 3,300 |
| Total | $3,818 | $7,681 |

(17) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2023 and 2022:

| | For the year ended December 31, 2023 | | | | For the year ended December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Operating costs | Operating expenses | Non-operating expenses | Total amount | Operating costs | Operating expenses | Non-operating expenses | Total amount |
| Employee benefits expense | | | | | | | | |
| Salaries | $188,191 | $153,844 | $6,667 | $348,702 | $198,815 | $131,058 | $4,846 | $334,719 |
| Labor and health insurance | 18,200 | 9,267 | 478 | 27,945 | 18,239 | 11,099 | 442 | 29,780 |
| Pension | 7,441 | 6,791 | 282 | 14,514 | 8,290 | 3,830 | 289 | 12,409 |
| Director's remuneration | 6,308 | 3,244 | 191 | 9,743 | 2,409 | 1,324 | 70 | 3,803 |
| Other employee benefits expense | 9,051 | 2,620 | 173 | 11,844 | 10,290 | 2,742 | 162 | 13,194 |
| Depreciation | 77,872 | 10,600 | - | 88,472 | 77,591 | 10,047 | - | 87,638 |
| Amortization | 1,192 | 334 | - | 1,526 | 3,610 | 411 | - | 4,021 |

According to the Articles of Incorporation, 2% to 8% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the years ended December 31, 2023 and 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the years ended December 31 to be 5.9% and 2.95% of profit of the year and 5.10% and 2.55% of profit of the year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2023 amount to NT$48,843 thousand and NT$24,422 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2022 amount to NT$30,509 thousand and NT$15,255 thousand, respectively.

The above mentioned distribution of the employee compensation and remuneration recorded under salary expense. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors will be recognized in profit or loss of the subsequent year.

A resolution was passed at a Board of Directors meeting held on March 22, 2024 to distribute NT$48,843 thousand and NT$24,422 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2023, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2023.

No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2023.

(18) Non-operating income and expenses

(a) Interest income

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Bank interest income | $5,789 | $2,493 |
| Financial assets measured at amortized cost | 8,793 | 2,791 |
| Others interest income | 161 | 32 |
| Total | $14,743 | $5,316 |

(b) Other income

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Rental income | $5,849 | $5,399 |
| Dividend income | 41,039 | 60,125 |
| Other income | 23,493 | 15,797 |
| Total | $70,381 | $81,321 |

(c) Other gains and losses

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Gains (losses) on disposal of property, plant and equipment | $(23,373) | $29,557 |
| Foreign exchange gains (losses), net | (3,316) | 14,500 |
| Gain on reversal of impairment loss | 144 | 144 |
| Gains (losses) on financial assets at fair value through profit or loss (Note) | 57,303 | (113,579) |
| Other expenses | (9,332) | (13,228) |
| Total | $21,426 | $(82,606) |

Note: Balances were arising from financial assets mandatorily measured at fair value through profit or loss.

(d) Finance costs

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Deposit imputed interest | $1,284 | $1,026 |
| Interest on lease liabilities | 94 | 100 |
| Total finance costs | $1,378 | $1,126 |

(19) Components of other comprehensive income

For the year ended December 31, 2023

| | Arising during the period | Reclassification adjustments during the period | Other comprehensive income, before tax | Income tax relating to components of other comprehensive income | Other comprehensive income, net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss in subsequent periods: | | | | | |
| Remeasurements of defined benefit plans | $4,361 | $- | $4,361 | $(872) | $3,489 |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | 325,553 | - | 325,553 | (4,363) | 321,190 |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | (2,267) | - | (2,267) | - | (2,267) |
| Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income | 57 | - | 57 | - | 57 |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | (30,478) | - | (30,478) | - | (30,478) |
| Total other comprehensive income | $297,226 | $- | $297,226 | $(5,235) | $291,991 |

For the year ended December 31, 2022

| | Arising during the period | Reclassification adjustments during the period | Other comprehensive income, before tax | Income tax relating to components of other comprehensive income | Other comprehensive income, net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss in subsequent periods: | | | | | |
| Remeasurements of defined benefit plans | $(1,244) | $- | $(1,244) | $249 | $(995) |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | (203,748) | - | (203,748) | (4,305) | (208,053) |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | 15,575 | - | 15,575 | - | 15,575 |
| Unrealized gains (losses) from debt instrument investments measured at fair value through other comprehensive income | 195 | - | 195 | - | 195 |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 13,192 | - | 13,192 | - | 13,192 |
| Total of other comprehensive income | $(176,030) | $- | $(176,030) | $(4,056) | $(180,086) |

(20) Income tax

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Current income tax expense (income): | | |
| Current income tax charge | $116,200 | $191,798 |
| Adjustments in respect of current income tax of prior periods | (1,498) | 55 |
| Deferred tax expense (income): | | |
| Deferred tax expense (income) relating to origination and reversal of temporary differences | 13,135 | 6,889 |
| Total income tax expense (income) | $127,837 | $198,742 |

Income tax relating to components of other comprehensive income

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Deferred tax expense (income): | | |
| Remeasurements of defined benefit plans | $872 | $(249) |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | 4,363 | 4,305 |
| Income tax relating to components of other comprehensive income | $5,235 | $4,056 |

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Accounting profit (loss) before tax from continuing operations | $756,588 | $552,871 |
| Tax at the domestic rates applicable to profits in the country concerned | $155,200 | $109,448 |
| Corporate income surtax on undistributed retained earnings | 301 | 77,940 |
| Income basic tax adjustment | - | 42 |
| Tax effect of revenues exempt from taxation | (23,514) | 12,774 |
| Tax effect of expenses not deductible for tax purposes | 375 | 228 |
| Tax effect of deferred tax assets/liabilities | (4,322) | (2,060) |
| Adjustments in respect of current income tax of prior periods | (1,498) | 55 |
| Others income tax adjustments | 1,295 | 315 |
| Total income tax expense (income) recognized in profit or loss | $127,837 | $198,742 |

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2023

| | Beginning balance as of Jan. 1 | Deferred tax income (expense) recognized in profit or loss | Deferred tax income (expense) recognized in other comprehensive income | Ending balance as of Dec. 31 |
|---|---|---|---|---|
| Temporary differences | | | | |
| Financial assets at fair value through profit or loss evaluation | $(1,674) | $78 | $- | $(1,596) |
| Unrealized Liquidation loss | 320 | - | - | 320 |
| Unrealized exchange loss (gain) | (1,142) | 1,949 | - | 807 |
| Impairment on investment property | 1,681 | - | - | 1,681 |
| Impairment on property, plant and Equipment | 1,400 | (28) | - | 1,372 |
| Impairment on investments accounted for using the equity method | (30,594) | (9,268) | - | (39,862) |
| Allowance to reduce inventory to market | 8,919 | (2,645) | - | 6,274 |
| Non-current liability－Defined benefit liability | 5,483 | (2,919) | (872) | 1,692 |
| Financial assets at fair value through other comprehensive income evaluation | 7,845 | - | (4,363) | 3,482 |
| Deferred tax income (expense) | | $(12,833) | $(5,235) | |
| Net deferred tax assets (liabilities) | $(7,762) | | | $(25,830) |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | $25,648 | | | $15,627 |
| Deferred tax liabilities | $33,410 | | | $41,457 |

For the year ended December 31, 2022

| | Beginning balance as of Jan. 1 | Deferred tax income (expense) recognized in profit or loss | Deferred tax income (expense) recognized in other comprehensive income | Ending balance as of Dec. 31 |
|---|---|---|---|---|
| Temporary differences | | | | |
| Financial assets at fair value through profit or loss evaluation | $(1,279) | $(395) | $- | $(1,674) |
| Unrealized Liquidation loss | 320 | - | - | 320 |
| Unrealized exchange loss (gain) | (114) | (1,028) | - | (1,142) |
| Impairment on investment property | 1,681 | - | - | 1,681 |
| Impairment on property, plant and Equipment | 1,428 | (28) | - | 1,400 |
| Impairment on investments accounted for using the equity method | (25,360) | (5,234) | - | (30,594) |
| Allowance to reduce inventory to market | 7,742 | 1,177 | - | 8,919 |
| Non-current liability－ Defined benefit liability | 6,615 | (1,381) | 249 | 5,483 |
| Financial assets at fair value through other comprehensive income evaluation | 12,150 | - | (4,305) | 7,845 |
| Deferred tax income (expense) | | $(6,889) | $(4,056) | |
| Net deferred tax assets (liabilities) | $3,183 | | | $(7,762) |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | $29,936 | | | $25,648 |
| Deferred tax liabilities | $26,753 | | | $33,410 |

The following table contains information of the unused tax losses of the Group:

Subsidiary-Safety Investment Corp.

| Year | Tax losses for the period | Unused tax losses as at Dec. 31, 2023 | Unused tax losses as at Dec. 31, 2022 | Expiration year |
|---|---|---|---|---|
| 2016 | $17,670 | $17,106 | $17,106 | 2026 |
| 2017 | 31,274 | 31,274 | 31,274 | 2027 |
| 2023 | 902 | 902 | - | 2033 |
| Total | | $49,282 | $48,380 | |

Subsidiary-Hong-Hong Engineer Co. Ltd.

| Year | Tax losses for the period | Unused tax losses as at Dec. 31, 2023 | Unused tax losses as at Dec. 31, 2022 | Expiration year |
|---|---|---|---|---|
| 2016 | $2,683 | $- | $2,066 | 2026 |
| 2017 | 2,392 | - | 2,392 | 2027 |
| 2018 | 944 | - | 944 | 2028 |
| 2019 | 3,439 | - | 3,439 | 2029 |
| 2020 | 2,132 | - | 2,132 | 2030 |
| Total | | $- | $10,973 | |

Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounting to NT$46,696 thousand and NT$55,692 thousand, respectively.

The assessment of income tax returns

As of December 31, 2023, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

| | The assessment of income tax returns |
|---|---|
| The Company | Assessed and approved up to 2021 |
| Subsidiary- Safety Investment Corp. | Assessed and approved up to 2021 |
| Subsidiary- Hong-Hong Engineer Co. Ltd. | Assessed and approved up to 2021 |

(20) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

| | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| Basic earnings per share | | |
| Profit attributable to ordinary equity holders of the Company (in thousand NT$) | $628,467 | $353,762 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 316,080 | 316,080 |
| Basic earnings per share (NT$) | $1.99 | $1.12 |

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Diluted earnings per share | | |
| (Loss) profit attributable to ordinary equity holders of the Company (in thousand NT$) | $628,467 | $353,762 |
| Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$) | $628,467 | $353,762 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 316,080 | 316,080 |
| Effect of dilution: | | |
| Employee compensation－stock (in thousands) | 2,091 | 4,110 |
| Weighted average number of ordinary shares outstanding after dilution (in thousands) | 318,171 | 320,190 |
| Diluted earnings per share (NT$) | $1.98 | $1.10 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

| Name of the related parties | Nature of relationship of the related parties |
|---|---|
| South Ocean Holdings Ltd. | Associate |
| Lianfa Metal Enterprise Co., Ltd. | Other (Director of the related party) |
| United Electric Industry Co., Ltd. | Other (Director of the related party) |
| Key management personnel | Key management personnel |

Significant transactions with the related parties

(1) Sales

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Other | | |
| Lianfa Metal Enterprise Co., Ltd. | $5,460 | $40,588 |

The terms and conditions of sales (including prices) to related parties are similar to those with non-related parties.

(2) Purchases

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Other | | |
| Lianfa Metal Enterprise Co., Ltd. | $1,444,511 | $1,507,800 |
| United Electric Industry Co., Ltd. | 229,078 | 137,552 |
| Total | $1,673,589 | $1,645,352 |

The terms and conditions of sales (including prices) to related parties are similar to those with non-related parties.

(3) Accounts payable – related parties

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Other | | |
| Lianfa Metal Enterprise Co., Ltd. | $1,119 | $1,201 |
| United Electric Industry Co., Ltd. | 25,301 | 37,857 |
| Total | $26,420 | $39,058 |

(4) Notes payables – related parties

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Other | | |
| United Electric Industry Co., Ltd. | $- | $63,177 |

(5) Others

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Prepayments | | |
| Other | | |
| United Electric Industry Co., Ltd. | $4,384 | $- |
| Refundable deposits | | |
| Other | | |
| Lianfa Metal Enterprise Co., Ltd. | $29,227 | $29,227 |

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Dividend income | | |
| Other | $- | $9,681 |
| Lianfa Metal Enterprise Co., Ltd. | 9,540 | 8,342 |
| United Electric Industry Co., Ltd. | $9,540 | $18,023 |
| Total | | |

| | | |
|---|---|---|
| Other income | | |
| Associate | | |
| South Ocean Holdings Ltd. | $805 | $- |
| Other | | |
| Lianfa Metal Enterprise Co., Ltd. | - | 325 |
| United Electric Industry Co., Ltd. | 926 | 804 |
| Total | $1,731 | $1,129 |

| | | |
|---|---|---|
| Operating costs | | |
| Other | | |
| United Electric Industry Co., Ltd. | $- | $24 |

| | | |
|---|---|---|
| Operating expenses | | |
| Associate | | |
| South Ocean Holdings Ltd. | $255 | $- |
| Other | | |
| United Electric Industry Co., Ltd. | - | 25 |
| Total | $255 | $25 |

(6) Key management personnel compensation

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Short-term employee benefits | $53,573 | $47,172 |
| Post-employment benefits | 553 | 695 |
| Total | $54,126 | $47,867 |

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

| Items | Carrying amount December 31, 2023 | Carrying amount December 31, 2022 | Secured liabilities |
|---|---|---|---|
| Property, plant and equipment - land and buildings | $799,372 | $818,750 | Long-term and short - term borrowings, performance guarantee, general credit limit |
| Investment property – land and buildings | 54,610 | 55,207 | 〃 |
| Total | $853,982 | $873,957 | |

9. Significant contingencies and unrecognized contractual commitments

(1) For the needs of bank financing, purchase of materials, sales of goods, tax after release, and engineering guarantee funds, the guarantee bill is issued as follows:

| Guaranteed Bill Company | item | As of December 31, 2023 |
|---|---|---|
| The Company | Bank loan and purchase guarantee | $60,000 |
| 〃 | Sales contract guarantee | 342,027 |
| 〃 | Comprehensive Bank Credit Limit | 450,000 |
| 〃 | Performance guarantee and tax guarantee after release | 167,546 |
| Total | | $1,019,573 |

(2) As of December 31, 2023, the Company has opened an unused letter of credit for USD 341 thousand and JPY 69,122 thousand.

(3) As of December 31, 2023, the Company has signed a sales contract and has not yet delivered the amount of NT$1,151,472 thousand.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets

| | As of December 31, 2023 | As of December 31, 2022 |
|---|---|---|
| Financial assets at fair value through profit or loss: | | |
| Designated at fair value through profit or loss | $295,436 | $264,125 |
| Financial assets at fair value through other comprehensive income | 1,580,248 | 1,067,886 |
| Financial assets measured at amortized cost | 3,246,571 | 3,383,578 |
| Total | $5,122,255 | $4,715,589 |

Financial liabilities

| | As of December 31, 2023 | As of December 31, 2022 |
|---|---|---|
| Financial liabilities at amortized cost: | | |
| Short-term loans | $4,214 | $- |
| Notes and accounts payable (including related party) | 401,437 | 432,216 |
| Other payables | 214,351 | 189,583 |
| Lease liability | 4,365 | 9,236 |
| Refundable deposits | 1,597 | 1,597 |
| Total | $625,964 | $632,632 |

Note: Including cash and cash equivalents (excluding cash in hand and petty cash), notes receivable, accounts receivable (including related parties), other receivables (including related parties) and refundable deposits.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the Group’s operating activities (when revenue or expense are denominated in a different currency from the Group’s functional currency) and the Group’s net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group’s profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group’s foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended December 31, 2023 and 2022 is decreased/increased by NT$1,344 thousand and NT$1,320 thousand.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group 's exposure to the risk of changes in market interest rates relates primarily to the Group's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2023 and 2022 to decrease/increase by NT$39 thousand and NT$234 thousand, respectively.

Equity price risk

The fair value of the Group's listed and unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed equity securities measured at fair value through profit or loss could increase/decrease the Group's profit for the years ended December 31, 2023 and 2022 by NT$2,433 thousand and NT$2,378 thousand, respectively.

At the reporting date, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$8,709 thousand and NT$4,595 thousand on the equity attributable to the Group for the years ended December 31, 2023 and 2022, respectively.

Please refer to Note 12.8 for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade and notes receivable) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to our Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and our Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2023 and 2022, trade receivables from top ten customers represent 77% and 72% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

In addition, when the Group assesses that it cannot reasonably expect to recover financial assets (for example, the issuer or debtor has major financial difficulties, or has gone bankrupt), it will be written off.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

| | Less than 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| As of Dec. 31, 2023 | | | | | |
| Trade payables | $401,437 | $- | $- | $- | $401,437 |
| Other payables | 214,351 | - | - | - | 214,351 |
| Lease liabilities | 4,060 | 279 | 66 | - | 4,405 |

| | Less than 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| As of Dec. 31, 2022 | | | | | |
| Trade payables | $432,216 | $- | $- | $- | $432,216 |
| Other payables | 189,583 | - | - | - | 189,583 |
| Lease liabilities | 5,558 | 3,792 | - | - | 9,350 |

(6) Reconciliation of liabilities arising from financing activities

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

| | Short-term borrowings | Deposit received | Leases liabilities | Total liabilities from financing activities |
|---|---|---|---|---|
| As of Jan. 1, 2023 | $- | $1,597 | $9,236 | $10,833 |
| Cash flows | 4,214 | - | (5,564) | (1,350) |
| Non-cash changes | - | - | 693 | 693 |
| As of Dec. 31, 2023 | $4,214 | $1,597 | $4,365 | $10,176 |

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

| | Short-term borrowings | Deposit received | Leases liabilities | Total liabilities from financing activities |
|---|---|---|---|---|
| As of Jan. 1, 2022 | $- | $1,559 | $2,978 | $4,537 |
| Cash flows | - | 38 | (2,490) | (2,452) |
| Non-cash changes | - | - | 8,748 | 8,748 |
| As of Dec. 31, 2022 | $- | $1,597 | $9,236 | $10,833 |

(7) Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

A. The carrying amount of cash and cash equivalents, trade receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

C. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Stocks | $243,262 | $- | $20,521 | $263,783 |
| Corporate Bonds | 25,531 | - | - | 25,531 |
| Government Bonds | 6,122 | - | - | 6,122 |
| Financial assets at fair value through other comprehensive income | | | | |
| Stocks | 870,858 | - | 704,153 | 1,575,011 |
| Debt instruments measured at fair value through other comprehensive income | | | | |
| Corporate Bonds | 5,237 | - | - | 5,237 |

As of December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Stocks | $237,830 | $- | $20,795 | $258,625 |
| Corporate Bonds | 5,500 | - | - | 5,500 |
| Financial assets at fair value through other comprehensive income | | | | |
| Stocks | 459,514 | - | 603,192 | 1,062,706 |
| Debt instruments measured at fair value through other comprehensive income | | | | |
| Corporate Bonds | 5,180 | - | - | 5,180 |

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

| | For the year ended December 31, 2023 | |
|---|---|---|
| | At fair value through profit or loss | At fair value through other comprehensive income |
| | Stocks | Stocks |
| Beginning balances as of January 1, 2023 | $20,795 | $603,192 |
| Total gains and losses recognized for the year ended December 31, 2023: | | |
| Amount recognized in profit or loss (presented in “other profit or loss”) | (576) | - |
| Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | - | 125,272 |
| Acquisition/issues for the year ended December 31, 2023 | 332 | 117,001 |
| Disposal/settlements for year ended December 31, 2023 | - | (41,428) |
| Transfer in/(out) of Level 3 (Note) | (30) | (96,555) |
| Fluctuations in exchange | - | (3,329) |
| Ending balances as of December 31, 2023 | $20,521 | $704,153 |

(Note)The investment subject is converted to listed company.

| | For the year ended December 31, 2022 | |
|---|---|---|
| | At fair value through profit or loss | At fair value through other comprehensive income |
| | Stocks | Stocks |
| Beginning balances as of January 1, 2022 | $79,552 | $555,072 |
| Total gains and losses recognized for the year ended December 31, 2022: | | |
| Amount recognized in profit or loss (presented in “other profit or loss”) | (51,743) | - |
| Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | - | (37,696) |
| Acquisition/issues for the year ended December 31, 2022 | 8,108 | 101,767 |
| Disposal/settlements for year ended December 31, 2022 | (15,122) | (9,409) |
| Transfer in/(out) of Level 3 (Note) | - | (6,564) |
| Fluctuations in exchange | - | 22 |
| Ending balances as of December 31, 2022 | $20,795 | $603,192 |

(Note)The investment subject is converted to listed company.

Total gains and losses recognized in profit or loss for the years ended December 31, 2023 and 2022 in the table above contain gains (losses) related to assets on hand as of December 31, 2023 and 2022 in the amount of NT$(546) thousand and NT$14,277 thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2023

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| At fair value through profit or loss | | | | | |
| Stocks | Market approach | discount for lack of marketability | 10%~20% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 1% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Group’s profit or loss by NT$205 thousand |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks | Market approach | discount for lack of marketability | 10%~35% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 1% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Group’s equity by NT$7,042 thousand |

As of December 31, 2022

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| At fair value through profit or loss | | | | | |
| Stocks | Market approach | discount for lack of marketability | 10%~20% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 1% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Group’s profit or loss by NT$208 thousand |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks | Market approach | discount for lack of marketability | 10%~35% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 1% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Group’s equity by NT$6,032 thousand |

(c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties (please refer to Note 6) | $- | $- | $409,717 | $409,717 |
| Investments accounted for using the equity method (please refer to Note 6) | 128,635 | - | - | 128,635 |

As of December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties (please refer to Note 6) | $- | $- | $416,253 | $416,253 |
| Investments accounted for using the equity method (please refer to Note 6) | 136,866 | - | - | 136,866 |

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

| | As of December 31, 2023 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $4,378 | 30.71 | $134,447 |
| SGD | 116 | 23.29 | 2,699 |
| ZAR | 20,524 | 1.66 | 34,009 |
| CNY | 2,095 | 4.33 | 9,064 |
| HKD | 3,677 | 3.93 | 14,455 |
| JPY | 10,718 | 0.22 | 2,328 |
| Investments accounted for using the equity method: | | | |
| ZAR | $80,131 | 1.66 | $133,016 |
| Financial liabilities | | | |
| Monetary items: | | | |
| JPY | $19,401 | 0.22 | $4,214 |

| | As of December 31, 2022 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $5,069 | 30.71 | $155,667 |
| SGD | 115 | 22.88 | 2,624 |
| ZAR | 15,670 | 1.81 | 28,374 |
| CNY | 2,072 | 4.41 | 9,137 |
| HKD | 3,673 | 3.94 | 14,471 |
| JPY | 4,969 | 0.23 | 1,155 |
| Investments accounted for using the equity method: | | | |
| ZAR | $68,638 | 1.81 | $124,295 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $772 | 30.71 | $23,695 |

Due to the various types of corporate functional currencies of the Group, it is not possible to disclose the exchange gains and losses of monetary financial assets and financial liabilities according to the foreign currencies that have a significant impact. The Group's foreign currency exchange gains and losses in 2023 and 2022 were loss of NT$3,316 thousand and income of NT$14,500 thousand, respectively.

The above information is disclosed based on the foreign currency book value (which has been converted to functional currency).

(10) Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions

(a) Loan funds to others (None).
(b) Endorsement and guarantee for others (None).
(c) Status of holding marketable securities at the end of the period (excluding investment in subsidiaries, affiliates and joint venture equity) (Attachment 1).
(d) The cumulative amount of buying or selling of the same securities amounts to NT$300 million or more than 20% of the paid-in capital (None).
(e) The amount of real estate acquired reaches NT$300 million or more than 20% of the paid-in capital (None).
(f) Disposal of real estate with an amount of NT$300 million or more than 20% of the paid-in capital (None).
(g) The amount of goods purchased or sold with related parties is NT$100 million or more than 20% of the paid-in capital (Attachment 2).
(h) Receivables from related parties amounting to NT$100 million or more than 20% of the paid-in capital (None).
(i) Engaged in derivatives trading (None).
(j) Others: business relations and various transactions and amounts between parent and subsidiary companies and between subsidiaries (Attachment 4).

(2) Information on investees (Attachment 3).

(3) Information on investments in Mainland China (None).

(4) Information on major shareholders (Attachment 5)

14. Segment information

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating departments as follows:

(1) A Dept: The department includes the business of manufacturing, processing and sales of copper foil substrates.

(2) B Dept: The department includes the business of manufacturing, processing and sales of wires and cables, communication products and accessories.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Department performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating department are on an arm's length basis in a manner similar to transactions with third parties.

(1) Information about reportable segment profit or loss, assets and liabilities

For the year ended Dec. 31, 2023

| | A Dept | B Dept | Other operating Dept | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External customer | $178,513 | $5,922,597 | $93,915 | $- | $6,195,025 |
| Inter-segment | - | 85,808 | 35,816 | (121,624) | - |
| Total revenue | $178,513 | $6,008,405 | $129,731 | $(121,624) | $6,195,025 |
| Segment profit | $(129,773) | $770,874 | $140,391 | $(24,904) | $756,588 |

For the year ended Dec. 31, 2022

| | A Dept | B Dept | Other operating Dept | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External customer | $588,894 | $5,723,345 | $73,706 | $- | $6,385,945 |
| Inter-segment | - | 69,193 | 42,947 | (112,140) | - |
| Total revenue | $588,894 | $5,792,538 | $116,653 | $(112,140) | $6,385,945 |
| Segment profit | $(15,387) | $630,854 | $(67,639) | $5,043 | $552,871 |

(a) Inter-department revenue is eliminated on consolidation and recorded under the "adjustment and elimination" column, all other adjustments and eliminations are disclosed below.

(b) The profit and loss of the department includes the investment and business relationship between the departments because of the equity method of investment in another department. Therefore, the profit and loss of the department includes the investment profit and loss of the other department and the business transaction. The company and its subsidiaries are in the preparation of the merger department It will be eliminated in the case of profit and loss.

The following table presents segment assets of the Group's operating segments as of December 31, 2023 and 2022.

| | A Dept | B Dept | Other operating Dept | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| Dec. 31, 2023 | $158,108 | $3,928,540 | $4,742,911 | $(333,380) | $8,496,179 |
| Dec. 31, 2022 | $518,271 | $3,519,146 | $4,461,941 | $(290,292) | $8,209,066 |

The following table presents segment liabilities of the Group's operating segments as of December 31, 2023 and 2022.

| | A Dept | B Dept | Other operating Dept | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| Dec. 31, 2023 | $252 | $712,612 | $253,178 | $(22,831) | $943,211 |
| Dec. 31, 2022 | $42,415 | $690,254 | $386,992 | $(16,974) | $1,102,687 |

(2) Information on reconciliation of reportable segment revenue, profit and loss, assets, liabilities and other major items

(a) Revenue

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Reportable segment revenue total | $6,186,918 | $6,381,432 |
| Other segment revenue | 129,731 | 116,653 |
| Elimination of inter-segment revenue | (121,624) | (112,140) |
| Group revenue | $6,195,025 | $6,385,945 |

(b) Profit and loss

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Reportable segment profit and loss total | $641,101 | $615,467 |
| Profit and loss of other segments | 140,391 | (67,639) |
| Deduction of inter-segment benefits | (24,904) | 5,043 |
| Pre-tax net profit of continuing operations | $756,588 | $552,871 |

(c) Assets

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Total reportable segment assets | $4,086,648 | $4,037,417 |
| Other segment assets | 4,742,911 | 4,461,941 |
| Elimination of investments using the equity method | (310,550) | (273,319) |
| Elimination of inter-segment receivables | (22,783) | (16,831) |
| Elimination of inter-segment current assets | - | - |
| Elimination of inter-segment right-of-used assets | (47) | (142) |
| Group assets | $8,496,179 | $8,209,066 |

(d) Liabilities

| | As of December 31, 2023 | As of December 31, 2022 |
|---|---|---|
| Total reportable department debt | $712,864 | $732,669 |
| Other segment liabilities | 253,178 | 386,992 |
| Elimination of inter-segment payables | (22,783) | (16,831) |
| Elimination of inter-segment lease liabilities | (48) | (143) |
| Group liabilities | $943,211 | $1,102,687 |

(3) District Information

Revenue from external customers：

| | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| Taiwan | $6,193,153 | $6,384,477 |
| Asia | 1,872 | 1,468 |
| Total | $6,195,025 | $6,385,945 |

Revenue is classified based on the country where the customer is located.

Non-current assets：

| | As of December 31, 2023 | As of December 31, 2022 |
|---|---|---|
| Taiwan | $2,916,673 | $2,396,097 |
| Other Countries | 416,118 | 342,253 |
| Total | $3,332,791 | $2,738,350 |

(4) Important customer information

| | As of December 31, 2023 | As of December 31, 2022 |
|---|---|---|
| A Company | $2,359,152 | $2,044,869 |

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

Attachment 1: Securities held as of December 31, 2023 (not including subsidiaries, associates and joint ventures)

Unit: NTD thousand

| Company | Type and Name of the Securities | Relationship | Financial Statement Account | As of December 31, 2023 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Hong Tai Electric Industrial Co., LTD. | Ardentec Corporation | None | Financial assets at fair value through profit or loss, current | 191 | $14 | 0.00 | $14 | |
| | Advanced Ceramic X Corporation | 〃 | 〃 | 20,000 | 4,900 | 0.03 | 4,900 | |
| | ITEQ Corporation | 〃 | 〃 | 200,000 | 16,960 | 0.06 | 16,960 | |
| | Taiwan Semiconductor Manufacturing Co., Ltd. | 〃 | 〃 | 65,000 | 38,545 | 0.00 | 38,545 | |
| | Fubon Financial Holding Co., Ltd. | 〃 | 〃 | 110,250 | 7,144 | 0.00 | 7,144 | |
| | China Development Financial Holding Corporation | 〃 | 〃 | 100,000 | 1,255 | 0.00 | 1,255 | |
| | Macronix International Co., Ltd | 〃 | 〃 | 250,000 | 7,837 | 0.01 | 7,837 | |
| | United Microelectronics Corporation | 〃 | 〃 | 100,000 | 5,260 | 0.00 | 5,260 | |
| | Foresee Pharmaceuticals Co., Ltd. | 〃 | 〃 | 950 | 91 | 0.00 | 91 | |
| | Tm Technology, Inc. | 〃 | 〃 | 136,403 | 2,407 | 0.38 | 2,407 | |
| | Gomaji Corp., Ltd | 〃 | 〃 | 300,000 | 11,325 | 1.69 | 11,325 | |
| | Advanced Optoelectronic Technology Inc. | 〃 | 〃 | 375,000 | 11,100 | 0.26 | 11,100 | |
| | Grand Fortune Securities Co., Ltd. | 〃 | 〃 | 4,813,694 | 62,097 | 1.22 | 62,097 | |
| | Powerchip Semiconductor Manufacturing Corporation | 〃 | 〃 | 652,615 | 19,219 | 0.02 | 19,219 | |
| | Twi Biotechnology, Inc. | 〃 | 〃 | 500,000 | 5,845 | 0.57 | 5,845 | |
| | Raytek Semiconductor, Inc. | The supervisor of the company | 〃 | 1,500,000 | 10,050 | 1.25 | 10,050 | |
| | Vactronics Technologies Inc. | None | 〃 | 404 | 22 | 0.00 | 22 | |
| | Lin Bioscience, INC. | 〃 | 〃 | 47,983 | 4,626 | 0.06 | 4,626 | |
| | Tai Sin Electric Cables Manufacturer Limited | 〃 | 〃 | 1,580,189 | 14,538 | 0.00 | 14,538 | SGD 0.395 |
| | Gold Circuit Electronics Ltd. | 〃 | 〃 | 5,000 | 1,090 | 0.00 | 1,090 | |
| | Dynamic Holding Co., Ltd. | 〃 | 〃 | 7,000 | 606 | 0.00 | 606 | |
| | GIGA-BYTE Technology Co., Ltd. | 〃 | 〃 | 3,000 | 798 | 0.00 | 798 | |
| | Foxtron Vehicle Technologies Co., Ltd. | 〃 | 〃 | 80,000 | 3,568 | 0.00 | 3,568 | |
| | Chung-Hsin Electric and Machinery Manufacturing Corp. | 〃 | 〃 | 5,000 | 583 | 0.00 | 583 | |
| | M31 Technology Corporation | 〃 | 〃 | 1,000 | 1,060 | 0.00 | 1,060 | |
| | Faraday Technology Corporation | 〃 | 〃 | 1,000 | 357 | 0.00 | 357 | |
| | Zilltek Technology Corp. | 〃 | 〃 | 2,000 | 910 | 0.00 | 910 | |
| | King Slide Works Co., Ltd. | 〃 | 〃 | 1,000 | 914 | 0.00 | 914 | |
| | Asia Vital Components Co., Ltd. | 〃 | 〃 | 1,000 | 337 | 0.00 | 337 | |
| | TOPCO SCIENTIFIC Co., Ltd. | 〃 | 〃 | 121,000 | 13,201 | 0.00 | 13,201 | |
| | MO 5.8% 02/14/39 | 〃 | 〃 | 200,000 | 6,284 | 0.00 | 6,284 | |
| | T 4.5% 30/11/24 | 〃 | 〃 | 200,000 | 6,122 | 0.00 | 6,122 | |
| | AXP 3.95% 8/1/25 | 〃 | 〃 | 200,000 | 6,046 | 0.00 | 6,046 | |
| | Subtotal | | | | 265,111 | | 265,111 | |
| | Ardentec Corporation | None | Financial assets at fair value through other comprehensive income, non-current | 4,589,000 | 339,586 | 0.94 | 339,586 | |
| | Grand Fortune Securities Co., Ltd. | 〃 | 〃 | 12,594,298 | 162,467 | 3.18 | 162,467 | |
| | Foresee Pharmaceuticals Co., Ltd. | 〃 | 〃 | 1,192,244 | 114,694 | 0.88 | 114,694 | |
| | Taiwanj Pharmaceuticals, Co., Ltd. | 〃 | 〃 | 290,587 | 3,597 | 0.39 | 3,597 | |
| | Twi Biotechnology, Inc. | 〃 | 〃 | 813,556 | 9,510 | 0.93 | 9,510 | |
| | SyneuRx International (Taiwan) Corp. | 〃 | 〃 | 305,744 | 2,293 | 0.23 | 2,293 | |
| | Vactronics Technologies Inc. | 〃 | 〃 | 1,315,882 | 70,465 | 1.85 | 70,465 | |
| | Handa Pharmaceuticals,Inc | 〃 | 〃 | 574,190 | 90,441 | 0.41 | 90,441 | |
| | Fittech Co., Ltd. | 〃 | 〃 | 200,000 | 13,340 | 0.27 | 13,340 | |
| | Ever Fortune.AI Co., Ltd. | 〃 | 〃 | 150,000 | 14,475 | 0.15 | 14,475 | |
| | Raydium Semi-conductor Corporation | 〃 | 〃 | 50,000 | 20,025 | 0.07 | 20,025 | |
| | Co-Tech Development Corp. | 〃 | 〃 | 100,000 | 6,060 | 0.04 | 6,060 | |
| | Walsin Lihwa Corporation | 〃 | 〃 | 90,000 | 3,479 | 0.00 | 3,479 | |
| | TCM Biotech International Corp. | 〃 | 〃 | 287,000 | 14,123 | 0.00 | 14,123 | |
| | Foxtron Vehicle Technologies Co., Ltd. | 〃 | 〃 | 600,000 | 22,746 | 0.03 | 22,746 | |
| | American Belite Bio, Inc. | 〃 | 〃 | 66,666 | 79,811 | 0.00 | 79,811 | |
| | United Electric Industry Co., Ltd. | Director of the related party | 〃 | 5,760,816 | 121,899 | 6.91 | 121,899 | |
| | Lianfa Metal Enterprise Co., Ltd. | 〃 | 〃 | 8,067,300 | 122,865 | 16.13 | 122,865 | |
| | Athena Capital Management | None | 〃 | 3,000,000 | 15,270 | 6.50 | 15,270 | |
| | Powtec Electrochemical Corporation | 〃 | 〃 | 11,532,709 | - | 0.87 | - | |
| | SCI, StemCyte Taiwan Co., Ltd | 〃 | 〃 | 550,000 | 22,055 | 0.39 | 22,055 | |
| | American BriVision (Holding) Corporation | 〃 | 〃 | 1,667 | 594 | 0.00 | 594 | |
| | VM Discovery, Inc. | 〃 | 〃 | 142,858 | 2,786 | 0.57 | 2,786 | |
| | China Development Financial Holding Corporation | 〃 | 〃 | 677,143 | 24,702 | 1.71 | 24,702 | |
| | Hercules Bioventure,L.P. | 〃 | 〃 | 210,526 | 8,486 | 1.88 | 8,486 | |
| | Espero Biopharma Inc. | 〃 | 〃 | 130,619 | - | 0.56 | - | |
| | Allpass Limited | 〃 | 〃 | 255,658 | - | 0.32 | - | |
| | Raytek Semiconductor, Inc. | The supervisor of the company | 〃 | 2,168,027 | 14,526 | 1.81 | 14,526 | |
| | AmMax Bio, Inc. | None | 〃 | 301,100 | 1,513 | 7.63 | 1,513 | |
| | Foryou Venture Capital Limited Partnership | 〃 | 〃 | 2,000,000 | 15,000 | 3.85 | 15,000 | |
| | Dachang Venture Capital | 〃 | 〃 | 2,000,000 | 15,000 | 1.82 | 15,000 | |
| | eEver Technology Limited | 〃 | 〃 | 1,411,764 | 5,675 | 4.04 | 5,675 | |
| | Obigen Pharma, Inc. | 〃 | 〃 | 812,500 | 19,500 | 0.77 | 19,500 | |
| | BlossomHill Therapeutics, Inc. | 〃 | 〃 | 374,839 | 20,968 | 1.02 | 20,968 | |
| | Elixiron Immunotherapeutics (Cayman) Limited | 〃 | 〃 | 1,339,566 | 23,027 | 1.70 | 23,027 | |
| | eYs3D Microelectronics, Inc. | 〃 | 〃 | 1,904,761 | 26,324 | 2.02 | 26,324 | |
| | Clearmind Biomedical, Inc. | 〃 | 〃 | 400,000 | 36,848 | 2.47 | 36,848 | |
| | Foryou Private Equity Limited Partnership | 〃 | 〃 | 2,100,000 | 15,750 | 3.00 | 15,750 | |
| | Beiley Biofund Inc. | 〃 | 〃 | 3,000,000 | 22,500 | 0.00 | 22,500 | |
| | AnHorn Holdings Inc. | 〃 | 〃 | 581,396 | 15,378 | 1.92 | 15,378 | |
| | Subtotal | | | | 1,517,778 | | 1,517,778 | |
| | American HB Fund II | None | Prepayments for long-term investments | | 6,300 | | 6,300 | |
| | AZ Venture Investment II Limited | 〃 | 〃 | | 15,000 | | 15,000 | |
| | Subtotal | | | | 21,300 | | 21,300 | |
| | Total | | | | $ 1,804,189 | | $ 1,804,189 | |

English Translation of Financial Statements Originally Issued in Chinese

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.
Notes To Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022

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

Attachment 1.1: Securities held as of December 31, 2023 (not including subsidiaries, associates and joint ventures)

Unit: NTD thousand

| Company | Type and Name of the Securities | Relationship | Financial Statement Account | As of December 31, 2023 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Safety Investment Corp. | Grand Fortune Securities Co., Ltd. | None | Financial assets at fair value through profit or loss, current | 634,735 | $8,188 | 0.16 | $8,188 | |
| | TCI CO., LTD. | 〃 | 〃 | 744 | 127 | 0.00 | 127 | |
| | Advanced Ceramic X Corporation | 〃 | 〃 | 10,000 | 2,450 | 0.01 | 2,450 | |
| | TA-I Technology Co., Ltd. | 〃 | 〃 | 30,000 | 1,436 | 0.02 | 1,436 | |
| | Raydium Semi-conductor Corporation | 〃 | 〃 | 17,000 | 6,809 | 0.02 | 6,809 | |
| | Unictron Technologies Corporation | 〃 | 〃 | 40,000 | 3,520 | 0.08 | 3,520 | |
| | Wendell Industrial Co., Ltd. | 〃 | 〃 | 16,799 | 1,268 | 0.07 | 1,268 | |
| | Etron Technology, Inc. | 〃 | 〃 | 227 | 12 | 0.00 | 12 | |
| | Vivotek Inc. | 〃 | 〃 | 20,000 | 3,260 | 0.02 | 3,260 | |
| | Visco Vision Inc. | 〃 | 〃 | 15,000 | 3,255 | 0.02 | 3,255 | |
| | Subtotal | | | | 30,325 | | 30,325 | |
| | Grand Fortune Securities Co., Ltd. | None | Financial assets at fair value through other comprehensive income, current | 598,695 | 7,723 | 0.15 | 7,723 | |
| | Lianfa Metal Enterprise Co., LTD. | 〃 | 〃 | 398,000 | 6,062 | 0.80 | 6,062 | |
| | Ever Fortune.AI Co., Ltd. | 〃 | 〃 | 30,000 | 2,895 | 0.03 | 2,895 | |
| | Foresee Pharmaceuticals Co., Ltd. | 〃 | 〃 | 50,326 | 4,841 | 0.04 | 4,841 | |
| | Beiley Biofund Inc. | 〃 | 〃 | 174,810 | 1,311 | 0.00 | 1,311 | |
| | Subtotal | | | | 22,832 | | 22,832 | |
| | Total | | | | $53,157 | | $53,157 | |

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.
Notes To Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022

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

Attachment 1.2: Securities held as of December 31, 2023 (not including subsidiaries, associates and joint ventures)

Unit: NTD thousand

| Company | Type and Name of the Securities | Relationship | Financial Statement Account | As of December 31, 2023 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Moneywin International Ltd. | Hui Xian Real Estate Investment Trust | None | Financial assets at fair value through profit or loss, non-current | 315,000 | $1,257 | 0.00 | $1,257 | CNY 0.91 |
| | | | | | (USD 41 thousand) | | | |
| | Great Team Backend Foundry, Inc. | 〃 | 〃 | 1,012,578 | 26,743 | 1.12 | 26,743 | USD 0.86 |
| | | | | | (USD 871 thousand) | | | |
| | Pyxis Oncology, Inc. | 〃 | 〃 | 3,720 | 205 | 0.09 | 205 | USD 1.80 |
| | | | | | (USD 7 thousand) | | | |
| | American Well Corporation | 〃 | 〃 | 135,379 | 6,195 | 0.00 | 6,195 | USD 1.49 |
| | | | | | (USD 202 thousand) | | | |
| | WIN SEMICONDUCTORS CORP. | 〃 | 〃 | 200,000 | 5,237 | 0.00 | 5,237 | USD 0.8526 |
| | | | | | (USD 171 thousand) | | | |
| | Total | | | | $39,637 | | $39,637 | |

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.
Notes To Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022

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

Attachment 2: Purchases or sales of goods from or to related parties exceeding NT$100 million or 20% of paid-in capital or more

Unit: NTD thousand

| Purchaser / Seller | Counter-party | Relationship | Transaction | | | | Details of non-arms Length transaction | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sale | Amount | Percentage of total Purchase/Sale | Term | Unit Price | Term | Balance | Percentage of total Receivable (Payable) | |
| Hong Tai Electric Industrial Co., LTD. | Lianfa Metal Enterprise Co., LTD. | Director of the related party | Purchase | $1,444,511 | 31.63% | 60 days | (Note 1) | (Note 1) | $(1,119) | (0.28%) | |
| 〃 | United Electric Industry Co., Ltd. | 〃 | 〃 | $229,078 | 5.02% | 〃 | 〃 | 〃 | $(25,301) | (6.30%) | |

(Note 1) The transaction terms are similar to those of general transactions.

English Translation of Financial Statements Originally Issued in Chinese

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.
Notes To Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022

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

Attachment 3: Names, locations and related information of investee companies as of December 31, 2023 (excluding Mainland China)

Unit: NTD thousand

| Investor | Investee | Region | Main Business | Initial Investment | | As of Dec 31, 2023 | | | Investees company net income in 2023 | Share of Profits/Losses | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance at December 31, 2023 | Balance at December 31, 2022 | Number of shares | Percentage | Amount | | | |
| Hong Tai Electric Industrial Co., LTD. | Safety Investment Corp. | Taiwan | Investing | $37,644 | $37,644 | 8,795,890 | 99.95% | $128,214 | $12,767 | $12,761 | |
| 〃 | Moneywin International Ltd. | Virgin Islands | Investing | 144,991<br>(USD 4,431 thousand) | 144,991<br>(USD 4,431 thousand) | 4,430,860 | 100.00% | 125,339 | 5,488 | 5,488 | |
| 〃 | Hong-Hong Engineer Co. Ltd. | Taiwan | Cable installation engineering industry | 18,630 | 18,630 | 3,575,880 | 86.00% | 51,060 | 6,933 | 5,962 | |
| 〃 | South Ocean Holdings Ltd. | South Africa | Holding company | 492,851 | 492,851 | 56,270,187 | 27.68% | 117,537 | 150,778 | 40,854 | |
| | | | | | | | | $422,150 | | $65,065 | |

English Translation of Financial Statements Originally Issued in Chinese

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.
Notes To Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022

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

Attachment 3.1: Names, locations and related information of investee companies as of December 31, 2023－Moneywin International Ltd. (excluding Mainland China)：

Unit: NTD thousand

| Investor | Investee | Region | Main Business | Initial Investment | | As of Dec 31, 2023 | | | Investees company net income in 2023 | Share of Profits/Losses | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance at December 31, 2023 | Balance at December 31, 2022 | Number of shares | Percentage | Amount | | | |
| Moneywin International Ltd. | South Ocean Holdings Ltd. | South Africa | Holding company | $71,618<br>(USD 2,401 thousand) | $71,618<br>(USD 2,401 thousand) | 6,222,630 | 3.06% | $15,479<br>(USD 504 thousand) | $150,778 | $4,489 | |

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.
Notes To Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022

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

Attachment 3.2: Names, locations and related information of investee companies as of December 31, 2023－Safety Investment Corp. (excluding Mainland China)：

Unit: NTD thousand

| Investor | Investee | Region | Main Business | Original cost | | As of Dec 31, 2023 | | | Investees company net income in 2023 | Share of Profits/Losses | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance at December 31, 2023 | Balance at December 31, 2022 | Number of shares | Percentage | Amount | | | |
| Safety Investment Corp. | Hong-Hong Engineer Co. Ltd. | Taiwan | Cable installation engineering industry | $2,557 | $2,557 | 415,800 | 10.00% | $5,937 | $6,933 | $693 | |

English Translation of Financial Statements Originally Issued in Chinese

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.
Notes To Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022

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

Attachment 4: Significant intercompany transactions between consolidated entities

Unit: NTD thousand

| No. | Company name | Counterparty | Relationship | Transaction | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Transaction terms | Percentage of consolidated total operating revenues or total assets |
| 0 | Hong Tai Electric Industrial Co., LTD. | Safety Investment Corp. | The Company to subsidiaries | Rent income | $96 | Regular | 0.00% |
| | | Hong-Hong Engineer Co. Ltd. | The Company to subsidiaries | Sale | 85,808 | Regular | 1.39% |
| | | | | Purchase | 4,453 | Regular | 0.07% |
| | | | | Operating costs | 31,363 | Regular | 0.51% |
| | | | | Rent income | 576 | Regular | 0.01% |
| | | | | Other income | 745 | Regular | 0.01% |
| | | | | Accounts receivable | 6,427 | - | 0.08% |
| | | | | Other receivables | 322 | - | 0.00% |
| | | | | Accounts payable | 1,810 | - | 0.02% |
| | | | | Other payables | 14,225 | - | 0.17% |

Attachment 5: Information of major shareholder

Unit: Share

| Major shareholder | Number of common shares | Number of special shares | Total | Percentage of shareholding (%) |
|---|---|---|---|---|
| SLZ INVESTMENT CO., LTD | 23,730,000 | - | 23,730,000 | 7.50% |
| LAWRENCE LI, CHEN | 22,884,153 | - | 22,884,153 | 7.23% |

(Note 1) The information of major shareholders in this table is based on the last business day of the end of each quarter by CCB, and calculates that shareholders hold more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). As for the share capital recorded in the company's financial report and the company's actual completed number of shares delivered without physical registration, there may be differences or differences due to different calculation bases.

(Note 2) In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholder’s declaration of insider’s equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, their shareholding includes their own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider's equity declaration, please refer to Market Observation Post System.

## Independent Auditors' Report Translated from Chinese

To the Board of Directors and Stockholders of
Hong Tai Electric Industrial Co., LTD.

### Opinion

We have audited the accompanying parent company only balance sheets of Hong Tai Electric Industrial Co., LTD. (the "Company") as of December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the parent company only financial statements, including the summary of significant accounting policies.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### 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 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 (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2023 parent company only financial statements. These matters were addressed in the context of the 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.

Impairment assessment of accounts receivable

As of December 31, 2023, the Company’s accounts receivable amounted to NT$1,063,788 thousand, representing 13% of total assets, which was significant to the parent company only financial statements. Due to loss allowance for accounts receivable was based on expected credit losses duration of the company, the measurement process must distinguish groups appropriately for accounts receivable and judge the analysis and measurement process, evaluation and application of relevant assumptions, including the appropriate aging period and the loss rate of each aging period. Based on measuring expected credit losses was involving judgment, analysis and estimation, we listed impairment assessment of accounts receivable as a key audit matter.

The audit procedures we performed regarding impairment assessment of accounts receivable included but not limited to: evaluate and test the effectiveness of the controls related to impairment assessment of accounts receivable; analyze the suitability of management to determine customer grouping that based on customer credit risk characteristics, and whether the accounting policy and loss rate were reasonable; check the sampled acceptance or shipping documents to the accounts receivable aging table to confirm the correctness of the accounts receivable aging period; test the preparation matrix, including evaluating whether the decision of each group of aging intervals is reasonable, and recalculating the loss rate that calculated by the rolling rate every month during a year; consider the reasonableness of forward-looking information included in the loss rate assessment and evaluate whether such forward-looking information affects the loss rate, and recalculate the correctness of the allowance for loss proposed by the management. In addition, for customers with a large balance of accounts receivable at the end of the period, review the post-period collection of accounts receivable to assess the recoverability of accounts receivable.

We also consider the appropriateness of the accounts receivable disclosure included in note 5 and 6 to the parent company only financial statements.

Valuation of inventories

As of December 31, 2023, the Company’s net inventories amounted to NT$1,717,143 thousand, representing 20% of total assets, which was significant to the parent company only financial statements. Due to inventories remeasured by lower of cost or net realizable value, the valuation of inventories were influenced by international copper prices and material price fluctuate frequently, and involved in the subjective judgement of the management, we listed valuation of inventories as a key audit matter.

The audit procedures we performed regarding valuation of inventories included but not limited to: evaluate and test the effectiveness of controls related to valuation of inventories; evaluate the appropriateness of the management's policies regarding the writing-down of slow-moving inventories, and sample to test the accuracy of inventories aging; perform sampling to verify the related documentation and recalculate the net realizable value was used accurate by the management; evaluate the management's inventory plan and observe the stock taking to identify the writing-down of slow-moving inventories.

We also consider the appropriateness of the inventory disclosure included in note 5 and 6 to the parent company only financial statements.

Revenue recognition

The Company recognized operating revenue from sale of NT$6,185,832 thousand in the year ended December 31, 2023, which was significant to the parent company only financial statements. It's critical for financial statements audit to justify and analyze the obligation of customers contracts and the timing and completeness of revenue recognition. Therefore, we listed revenue recognition as a key audit matter.

The audit procedures we performed regarding revenue recognition included but not limited to: evaluate and test the effectiveness of controls related to revenue recognition; inspect the terms of transaction and understand the revenue recognition process related to the identified obligation of customer contract; perform test of details, including verify the samples of the related documentation and the collection records, to ensure accurate timing and amount for revenue recognition; inspect the supporting document of sales transaction near the balance sheet date to ensure revenue recognized in proper period.

We also consider the appropriateness of the revenue disclosure included in note 6 to the parent company only financial statements.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain associates accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the reports of other auditors. These associates under equity method amounted to NT$117,537 thousand and NT$109,721 thousand, representing 1% and 1% of total assets as of December 31, 2023 and 2022, respectively. The related shares of profits from the subsidiaries, associates and joint ventures under the equity method amounted to NT$40,854 thousand and NT$24,544 thousand, representing 5% and 4% of the income before tax for the year ended December 31, 2023 and 2022, respectively, and the related shares of other comprehensive income from the subsidiaries, associates and joint ventures under the equity method amounted to NT$(27,467) thousand and NT$14,807 thousand, representing (9)% and (8)% of the comprehensive income (loss) for the year ended December 31, 2023 and 2022, respectively.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, 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 audit committee, are responsible for overseeing the financial reporting process of the Company.

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

Our objectives are to obtain reasonable assurance about whether the parent company 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 these parent company 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 professional skepticism throughout the audit. We also:

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure, and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company 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 2023 parent company only financial statements 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.

Hsieh, Sheng-An
Chang, Chih-Ming
Ernst & Young, Taiwan
March 22, 2024

**Notice to Readers**

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or the Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.

Parent Company Only Balance Sheets

As at December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

| Assets | | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|---|
| Code | Items | Notes | Amount | % | Amount | % |
| | Current Assets | | | | | |
| 1100 | Cash and Cash equivalents | 4 , 6.1 | $1,805,179 | 21 | $2,293,535 | 28 |
| 1110 | Financial Assets at Fair Value Through Profit or Loss, Current | 4 , 6.2 | 265,111 | 3 | 229,865 | 3 |
| 1150 | Notes Receivable, Net | 4 , 6.4 , 6.15 | 32,729 | - | 65,988 | 1 |
| 1160 | Notes Receivable - Related Parties, Net | 4 , 6.4 , 6.15 , 7 | - | - | 2,541 | - |
| 1170 | Accounts Receivable, Net | 4 , 6.5 , 6.15 | 1,057,361 | 13 | 810,678 | 10 |
| 1180 | Accounts Receivable - Related Parties, Net | 4 , 6.5 , 6.15 , 7 | 6,427 | - | 7,101 | - |
| 1200 | Other Receivables | | 1,339 | - | 5,805 | - |
| 1210 | Other Receivables - Related Parties | 7 | 322 | - | 27 | - |
| 130x | Inventories | 4 , 6.6 | 1,717,143 | 20 | 1,837,388 | 22 |
| 1410 | Prepayments | 7 | 75,715 | 1 | 32,367 | - |
| 11xx | Total Current Assets | | 4,961,326 | 58 | 5,285,295 | 64 |
| | Non - Current Assets | | | | | |
| 1517 | Financial Assets at Fair Value Through Other Comprehensive Income, Non - Current | 4 , 6.3 | 1,517,778 | 18 | 1,032,152 | 13 |
| 1550 | Investments Accounted for Using the Equity Method | 4 , 6.7 | 422,150 | 5 | 377,713 | 5 |
| 1600 | Property, Plant and Equipment | 4 , 6.8 , 8 | 1,273,708 | 15 | 1,311,066 | 16 |
| 1755 | Right-of-use Asset | 4 , 6.16 | 4,333 | - | 9,218 | - |
| 1760 | Investment Property, Net | 4 , 6.9 , 8 | 91,674 | 1 | 92,271 | 1 |
| 1840 | Deferred Income Tax Assets | 4 , 6.20 | 15,627 | - | 25,648 | - |
| 1920 | Refundable Deposits | 7 | 212,557 | 3 | 69,380 | 1 |
| 1990 | Other Non - Current Assets | | 823 | - | 2,249 | - |
| 15xx | Total Non - Current Assets | | 3,538,650 | 42 | 2,919,697 | 36 |
| 1xxx | Total Assets | | $8,499,976 | 100 | $8,204,992 | 100 |

(The accompanying notes are an integral part of these parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese
HONG TAI ELECTRIC INDUSTRIAL CO., LTD.
Parent Company Only Balance Sheets (continued)
As at December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

| Liabilities and Equity | | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|---|
| Code | Items | Notes | Amount | % | Amount | % |
| | Current Liabilities | | | | | |
| 2100 | Short - Term Loans | 6.10 | $4,214 | - | $- | - |
| 2130 | Contract Liabilities, Current | 4 , 6.14 | 108,820 | 1 | 143,774 | 2 |
| 2150 | Notes Payable | | 5,859 | - | 4,158 | - |
| 2160 | Notes Payable - Related Parties | 7 | - | - | 63,177 | 1 |
| 2170 | Accounts Payable | | 368,202 | 4 | 324,310 | 4 |
| 2180 | Accounts Payable - Related Parties | 7 | 28,230 | - | 40,315 | - |
| 2200 | Other Payables | | 207,366 | 3 | 182,405 | 2 |
| 2220 | Other Payables- Related Parties | 7 | 14,225 | - | 5,905 | - |
| 2230 | Current Tax Liabilities | 4 | 55,688 | 1 | 143,991 | 2 |
| 2280 | Lease Liabilities, Current | 4 , 6.16 | 4,035 | - | 5,518 | - |
| 2399 | Other Current Liabilities | | 1,052 | - | 1,194 | - |
| 21xx | Total Current Liabilities | | 797,691 | 9 | 914,747 | 11 |
| | Non - Current Liabilities | | | | | |
| 2550 | Provisions, Non - Current | 4 , 6.11 | 100,000 | 1 | 120,000 | 2 |
| 2570 | Deferred Tax Liabilities | 4 , 6.20 | 41,457 | 1 | 33,410 | - |
| 2580 | Lease Liabilities, Non - Current | 4 , 6.16 | 330 | - | 3,718 | - |
| 2640 | Defined Benefit Pension Liability | 4 , 6.12 | 8,461 | - | 27,417 | - |
| 2645 | Deposits Received | | 1,503 | - | 1,503 | - |
| 25xx | Total Non - Current Liabilities | | 151,751 | 2 | 186,048 | 2 |
| 2xxx | Total Liabilities | | 949,442 | 11 | 1,100,795 | 13 |
| | Equity | 4 , 6.13 | | | | |
| 3110 | Common Stock | | 3,160,801 | 37 | 3,160,801 | 39 |
| 3200 | Capital Surplus | | 191,704 | 2 | 191,704 | 2 |
| 3300 | Retained Earnings | | | | | |
| 3310 | Legal Reserve | | 1,096,954 | 13 | 1,061,473 | 13 |
| 3320 | Special Reserve | | 179,492 | 2 | - | - |
| 3350 | Unappropriated Earnings | | 2,883,290 | 34 | 2,869,712 | 35 |
| | Total Retained Earnings | | 4,159,736 | 49 | 3,931,185 | 48 |
| 3400 | Other Equity | | | | | |
| 3410 | Exchange Differences on Translation of Foreign Operations | | (345,854) | (4) | (313,109) | (4) |
| 3420 | Unrealized Gains or Losses on Financial Assets Measured at Fair Value Through Other Comprehensive Income | | 384,147 | 5 | 133,616 | 2 |
| | Total Other Equity | | 38,293 | 1 | (179,493) | (2) |
| 3xxx | Total Equity | | 7,550,534 | 89 | 7,104,197 | 87 |
| | Total Liabilities and Equity | | $8,499,976 | 100 | $8,204,992 | 100 |

(The accompanying notes are an integral part of these parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.

Parent Company Only Statements of Comprehensive Income

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

| Code | Items | Notes | 2023 | | 2022 | |
|---|---|---|---|---|---|---|
| | | | Amount | % | Amount | % |
| 4000 | Operating Revenue | 4 , 6.14 , 7 | $6,186,918 | 100 | $6,381,432 | 100 |
| 5000 | Operating Costs | 6.6 , 6.12 , 6.17 , 7 | (5,328,575) | (86) | (5,627,208) | (88) |
| 5900 | Gross Margin | | 858,343 | 14 | 754,224 | 12 |
| 6000 | Operating Expenses | 6.12 , 6.17 , 7 | (255,564) | (4) | (239,647) | (4) |
| 6450 | Expected Credit Impairment (Losses) Gains | 4 , 6.15 | (3,989) | - | 511 | - |
| | Total Operating Expenses | | (259,553) | (4) | (239,136) | (4) |
| 6900 | Operating Income (Loss) | | 598,790 | 10 | 515,088 | 8 |
| 7000 | Non-operating Income and Expenses | 6.18 | | | | |
| 7100 | Interest Income | | 13,271 | - | 4,968 | - |
| 7010 | Other Income | 7 | 69,608 | 1 | 78,563 | 1 |
| 7020 | Other Gains and Losses | | 9,229 | - | (63,601) | (1) |
| 7050 | Finance Cost | | (1,377) | - | (1,125) | - |
| 7070 | Share of Profit or Loss of Subsidiaries, Associates and Joint Ventures Accounted | 4 , 6.7 | | | | |
| | for Using the Equity Method | | 65,065 | 1 | 18,565 | 1 |
| | Total Non-operating Income and Expenses | | 155,796 | 2 | 37,370 | 1 |
| 7900 | Income (Loss) Before Income Tax | | 754,586 | 12 | 552,458 | 9 |
| 7950 | Income Tax (Expense) Benefits | 4 , 6.20 | (126,119) | (2) | (198,696) | (3) |
| 8200 | Net Income (Loss) | | 628,467 | 10 | 353,762 | 6 |
| 8300 | Other Comprehensive Income (Loss) | 6.19 | | | | |
| 8310 | Items that will not be Reclassified Subsequently to Profit or Loss | | | | | |
| 8311 | Remeasurements of Defined Benefit Plans | 6.12 | 4,361 | - | (1,244) | - |
| 8316 | Unrealized Gains (Losses) from Equity Instruments Investments | | | | | |
| | Measured at Fair Value Through Other Comprehensive Income | | 307,206 | 5 | (169,180) | (3) |
| 8330 | Share of Other Comprehensive Income (loss) of Subsidiaries, Associates and | | | | | |
| | Joint Ventures which will not be Reclassified Subsequently to Profit or Loss | | 18,346 | - | (34,565) | - |
| 8349 | Income Tax Related to Items that will not be Reclassified Subsequently | 6.20 | (5,235) | - | (4,056) | - |
| 8360 | Items that may be Reclassified Subsequently to Profit or Loss | | | | | |
| 8380 | Share of other Comprehensive (Loss) Income of Subsidiaries, Associates and | | | | | |
| | Joint Ventures which may be Reclassified Subsequently to Profit or Loss | | (32,688) | - | 28,962 | - |
| | Other Comprehensive Income (Loss) | | 291,990 | 5 | (180,083) | (3) |
| 8500 | Total Comprehensive Income (Loss) | | $920,457 | 15 | $173,679 | 3 |
| | Earnings Per Share (NTD) | 6.21 | | | | |
| 9750 | Earnings Per Share - Basic | | $1.99 | | $1.12 | |
| 9850 | Earnings Per Share - Diluted | | $1.98 | | $1.10 | |

(The accompanying notes are an integral part of these parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.

Parent Company Only Statements of Changes in Equity

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

| Code | Items | Common Stock | Capital Surplus | Retained Earnings | | | Other Components of Equity | | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Difference on Translation of Foreign Operations | Unrealized Gains or Losses on Financial Assets Measured at Fair Value through Other Comprehensive Income | |
| | | 3100 | 3200 | 3310 | 3320 | 3350 | 3410 | 3420 | 3XXX |
| A1 | Balance as at January 1, 2022 | $3,160,801 | $191,704 | $782,025 | $103,802 | $3,575,567 | $(341,876) | $343,519 | $7,815,542 |
| | Appropriation and Distribution of the Earnings for the year 2021 | | | | | | | | |
| B1 | Legal Reserve | - | - | 279,448 | - | (279,448) | - | - | - |
| B5 | Cash Dividends | - | - | - | - | (885,024) | - | - | (885,024) |
| B17 | Special Reserve | - | - | - | (103,802) | 103,802 | - | - | - |
| D1 | Net Income (Loss) in 2022 | - | - | - | - | 353,762 | - | - | 353,762 |
| D3 | Other Comprehensive Income (Loss) in 2022 | - | - | - | - | (995) | 28,767 | (207,855) | (180,083) |
| D5 | Total Comprehensive Income (Loss) in 2022 | - | - | - | - | 352,767 | 28,767 | (207,855) | 173,679 |
| Q1 | Disposal of Equity Instruments Investments Measured at Fair Value Through Other Comprehensive Income | - | - | - | - | 2,048 | - | (2,048) | - |
| Z1 | Balance as at December 31, 2022 | $3,160,801 | $191,704 | $1,061,473 | $- | $2,869,712 | $(313,109) | $133,616 | $7,104,197 |
| A1 | Balance as at January 1, 2023 | $3,160,801 | $191,704 | $1,061,473 | $- | $2,869,712 | $(313,109) | $133,616 | $7,104,197 |
| | Appropriation and Distribution of the Earnings for the year 2022 | | | | | | | | |
| B1 | Legal Reserve | - | - | 35,481 | - | (35,481) | - | - | - |
| B3 | Special Reserve | - | - | - | 179,492 | (179,492) | - | - | - |
| B5 | Cash Dividends | - | - | - | - | (474,120) | - | - | (474,120) |
| D1 | Net Income (Loss) in 2023 | - | - | - | - | 628,467 | - | - | 628,467 |
| D3 | Other Comprehensive Income (Loss) in 2023 | - | - | - | - | 3,489 | (32,745) | 321,246 | 291,990 |
| D5 | Total Comprehensive Income (Loss) in 2023 | - | - | - | - | 631,956 | (32,745) | 321,246 | 920,457 |
| Q1 | Disposal of Equity Instruments Investments Measured at Fair Value Through Other Comprehensive Income | - | - | - | - | 70,715 | - | (70,715) | - |
| Z1 | Balance as at December 31, 2023 | $3,160,801 | $191,704 | $1,096,954 | $179,492 | $2,883,290 | $(345,854) | $384,147 | $7,550,534 |

(The accompanying notes are an integral part of these parent company only financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.

Parent Company Only Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

| Code | Items | 2023 | 2022 |
|---|---|---|---|
| | | Amounts | Amounts |
| AAAA | Cash Flows From Operating Activities | | |
| A10000 | Income Before Income Tax | $754,586 | $552,458 |
| A20000 | Adjustments to Reconcile Income Before Income Tax to Net Cash Provided By Operating Activities: | | |
| A20100 | Depreciation expense | 86,782 | 85,987 |
| A20200 | Amortization expense | 1,526 | 4,021 |
| A20300 | Expected Credit Impairment (Gains) Losses | 3,989 | (511) |
| A20900 | Interest Expense | 1,377 | 1,125 |
| A21200 | Interest Income | (13,271) | (4,968) |
| A21300 | Dividend Income | (39,407) | (56,623) |
| A22400 | Share of Profit or Loss of Subsidiaries, Associates and Joint Ventures for Using the Equity Method | (65,065) | (18,565) |
| A22500 | (Gain) loss on Disposal of Property, Plant and Equipment | 23,373 | (29,557) |
| A23800 | Reversal of Impairment Loss Recognised in Profit or Loss, Non-financial Assets | (144) | (144) |
| A30000 | Changes in Operating Assets and Liabilities | | |
| A31115 | (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss | (35,246) | 107,227 |
| A31130 | (Increase) Decrease in Notes Receivable | 33,259 | (13,863) |
| A31140 | (Increase) Decrease in Notes Receivable - Related Parties | 2,541 | 2,879 |
| A31150 | (Increase) Decrease in Accounts Receivable | (250,672) | (353,014) |
| A31160 | (Increase) Decrease in Accounts Receivable - Related Parties | 674 | 2,340 |
| A31180 | (Increase) Decrease in Other Receivables | 3,959 | 116,837 |
| A31190 | (Increase) Decrease in Other Receivables - Related Parties | (295) | 15 |
| A31200 | (Increase) Decrease in Inventories | 120,245 | 104,235 |
| A31230 | (Increase) Decrease in Prepayments | (22,048) | 491 |
| A32125 | Increase (Decrease) in Contract Liabilities | (34,954) | 67,076 |
| A32130 | Increase (Decrease) in Notes Payable | 1,701 | 604 |
| A32140 | Increase (Decrease) in Notes Payable - Related Parties | (63,177) | 63,177 |
| A32150 | Increase (Decrease) in Accounts Payable | 43,892 | 114,723 |
| A32160 | Increase (Decrease) in Accounts Payable - Related Parties | (12,085) | 38,476 |
| A32180 | Increase (Decrease) in Other Payable | 26,361 | (186,140) |
| A32190 | Increase (Decrease) in Other Payable - Related Parties | 8,320 | (2,452) |
| A32200 | Increase (Decrease) in Provisions | (20,000) | - |
| A32230 | Increase (Decrease) in Other Current Liabilities | (142) | (2,306) |
| A32240 | Increase (Decrease) in Defined Benefit Pension Liability | (14,595) | (6,905) |
| A33000 | Cash Generated (Outflow) From Operations | 541,484 | 586,623 |
| A33100 | Interest Received | 13,122 | 4,672 |
| A33200 | Dividend Received | 5,557 | 11,043 |
| A33500 | Income Tax Paid | (201,589) | (99,673) |
| AAAA | Net Cash Provided By (Used in) Operating Activities | 358,574 | 502,665 |
| BBBB | Cash Flows from Investing Activities | | |
| B00010 | Acquisition of Financial Assets at Fair Value Through Comprehensive Income | (400,326) | (137,398) |
| B00020 | Proceeds from Disposal of Financial Assets at Fair Value Through Comprehensive Income | 210,676 | 2,614 |
| B00030 | Return Capital from Financial Assets at Fair Value Through Other Comprehensive Income | 11,229 | 7,036 |
| B02000 | Increase in Current Prepayments for Investments | (21,300) | (6,000) |
| B02700 | Acquisition of Property, Plant and Equipment | (109,588) | (42,037) |
| B02800 | Proceeds from Disposal of Property, Plant and Equipment | 41,623 | 30,527 |
| B03700 | Increase in Refundable Deposits | (143,177) | - |
| B03800 | Decrease in Refundable Deposits | - | 5,297 |
| B06700 | Increase in Other Non-current Assets | (100) | (166) |
| B07600 | Dividend Received | 40,792 | 59,155 |
| BBBB | Net cash provided by (Used in) Investing Activities | (370,171) | (80,972) |
| CCCC | Cash Flows from Financing Activities | | |
| C00100 | Increase in Short - term Loans | 4,214 | - |
| C03000 | Increase in Deposits Received | - | 21 |
| C04020 | Cash Payments for the Principal Portion of the Lease Liability | (5,564) | (2,490) |
| C04500 | Payment of Cash Dividends | (474,120) | (885,024) |
| C05600 | Interest Paid | (1,289) | (1,026) |
| CCCC | Net cash provided by (Used in) Financing Activities | (476,759) | (888,519) |
| EEEE | Net Increase (Decrease) In Cash and Cash equivalents | (488,356) | (466,826) |
| E00100 | Cash and Cash equivalents, Beginning of the Year | 2,293,535 | 2,760,361 |
| E00200 | Cash and Cash equivalents, End of the Year | $1,805,179 | $2,293,535 |

(The accompanying notes are an integral part of these parent company only financial statements.)

**Hong Tai Electric Industrial Co., Ltd.**

**Notes to Parent Company Only Financial Statements**

**For the Years Ended December 31, 2023 and 2022**

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

1. History and organization

Hong Tai Electric Industrial Co., LTD ("the Company") was founded in August 1968. The main activities of the Company are the manufacturing, processing and sales of wires and cables, CCL, communication products and equipment and accessories. The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in February 1993. The Company's registered office and the main business location is at No. 2, Guojian 1st Rd., Guanyin Dist., Taoyuan, Republic of China (R.O.C.).

2. Date and procedures of authorization of financial statements for issue

The financial statements of the company for the years ended December 31, 2023 and 2022 were authorized for issue in accordance with a resolution of the Board of Directors on March 22, 2024.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2023. The adoption of these new standards and amendments had no material impact on the Company.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| a | Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | January 1, 2024 |
| b | Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | January 1, 2024 |
| c | Non-current Liabilities with Covenants – Amendments to IAS 1 | January 1, 2024 |
| d | Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7 | January 1, 2024 |

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

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The above mentioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, The standards and interpretations have no material impact on the Company.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| a | IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB |
| b | IFRS 17 “Insurance Contracts” | January 1, 2023 |
| c | Lack of Exchangeability – Amendments to IAS 21 | January 1, 2025 |

(a) IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

The above mentioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

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

(2) Basis of preparation

The financial statements of the company have been prepared in accordance with Article 21 of the Regulations. According to Article 21, the profit or loss for the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the bank accounted for its investments in subsidiaries using equity method and made necessary adjustment.

The financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Foreign currency transactions

The Company's financial statements are presented in NT$.

Transactions in foreign currencies are initially recorded by the Company at respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposal even if an interest in the foreign operation is retained by the Company : the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or loss of joint control over a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Company holds the asset primarily for the purpose of trading
(c) The Company expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Company expects to settle the liability in its normal operating cycle
(b) The Company holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value as cash equivalents (including time deposits with maturing of less than 12 months).

(7) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. the Company's business model for managing the financial assets and
B. the contractual cash flow characteristics of the financial asset.

*Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

A. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

*Financial asset measured at fair value through other comprehensive income*

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

    (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
    (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

*Financial asset measured at fair value through profit or loss*

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company measures expected credit losses of a financial instrument in a way that reflects:

A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. the time value of money; and
C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
D. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(c) Derecognition of financial assets

A financial asset is derecognized when:

A. The rights to receive cash flows from the asset have expired
B. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
B. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Derivative instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value though profit or loss.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Based on the actual purchase cost, using the weighted average method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Investments accounted for using the equity method

According to Art.21 of Regulation Governing the Preparation of Financial Reports by Securities Issuers, the Company's investments in its subsidiaries are presented as Investments accounted for using equity method with necessary adjustments so that the net income and other comprehensive income of individual financial report equal the net income and other comprehensive income attributed to the parent of consolidated financial report, and that the shareholder's equity of individual financial report equals the shareholders' equity attributed to the parent of consolidated financial report. Considering the accounting treatment for investment in subsidiaries specified in IFRS 10 "Consolidated Financial Statements", and the different accounting treatments for different level of investees, necessary adjustments are made by debiting or crediting "Investments accounted for using equity method", "Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method", and "Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method".

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

| | |
|---|---|
| Buildings | 2～55 years |
| Machinery and equipment | 2～15 years |
| Office equipment | 1～8 years |
| Transportation equipment | 1～5 years |
| Miscellaneous equipment | 1～15 years |
| Right-of-use assets/leased assets | 1～11 years |

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Investment property

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

| | |
|---|---|
| Buildings | 30～50 years |

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company decides to transfer to or from investment properties based on actual usage of the assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 3 years).

A summary of the policies applied to the Company's intangible assets is as follows:

| | Computer software |
|---|---|
| Useful lives | Finite |
| Amortization method used | Amortized on a straight- line basis over the estimated useful life |
| Internally generated or acquired | Acquired |

(16) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

(18) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Company manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer (meaning that the customer has control over the use of the product and claims almost all of the remaining benefit) and the goods are delivered to the customers. The main products of the Company are wires and cables, and revenue is recognized based on the consideration stated in the contract minus the estimated quantity discount amount. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts to the Company estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Company's sale of goods is from 60 to 120 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The Company provides installation services of wires and cables. Such services are separately priced or negotiated, and provided based on contract period. As the Company provides the installation services over the contract period, the customers simultaneously receive and consume the benefits provided by the Company. The performance obligation is fulfilled at a certain point so the revenue should be recognized when the performance obligation is fulfilled.

Most of the contractual considerations of the Company are collected evenly throughout the contract period. When the Company has performed the services to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Company's financial statements.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(21) Income taxes

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

<u>Current income tax</u>

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
(b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform-Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company’s individual financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Company’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the individual financial statements:

(a) Investment properties

Certain properties of the Company comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Company accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 5% of the total property.

(b) Operating lease commitment－Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. Changes in market prices or future cash flows will affect the recoverable amount of these assets, which may cause the company to additionally recognize impairment losses or reverse recognized impairment losses.

(c) Accounts receivables－estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(d) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc.

(e) Inventories evaluation

As inventory must be measured at the lower of cost and net realizable value, the Company must use judgment and estimation to determine the net realizable value of inventory at the reporting date. Due to the influence of international copper prices and frequent fluctuations in raw material prices, the company assesses the amount of inventory due to normal wear and tear, obsolescence or no market value at the end of the financial reporting period, and offsets the inventory cost to the net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so major changes may occur.

(f) Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

(g) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. As of December 31, 2023, please refer to Note 6 for the Company's unrecognized deferred income tax assets.

6. Contents of significant accounts

(1) Cash and cash equivalents

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Cash | $75 | $99 |
| Petty cash | 660 | 780 |
| Demand deposits | 734,468 | 1,114,324 |
| Checking deposits | 172,013 | 181,256 |
| Time deposits | - | 200,000 |
| Cash equivalents | 897,963 | 797,076 |
| Total | $1,805,179 | $2,293,535 |

Cash and cash equivalents were not pledged.

Cash and cash equivalents were short-term notes and bills.

(2) Financial assets at fair value through profit or loss

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Mandatorily measured at fair value through profit or loss: | | |
| Non-derivatives not designated as hedging instruments | | |
| Stocks | $233,458 | $224,365 |
| Corporate bonds | 25,531 | 5,500 |
| Government bonds | 6,122 | - |
| Total | $265,111 | $229,865 |
| | | |
| Current | $265,111 | $229,865 |

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Equity instrument investments measured at fair value through other comprehensive | | |
| Listed companies stocks | $847,740 | $440,746 |
| Unlisted companies stocks | 670,038 | 591,406 |
| Total | $1,517,778 | $1,032,152 |
| | | |
| Non-Current | $1,517,778 | $1,032,152 |

(a) Financial assets at fair value through other comprehensive income were not pledged.

(b) The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Related to investments held at the end of the reporting period | $33,018 | $44,728 |
| Related to investments derecognized during the period | 1,489 | - |
| Dividends recognized during the period | $34,507 | $44,728 |

(c) In consideration of the Company's investment strategy, the Company disposed and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the years ended December 31, 2023 and 2022 were as follows:

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| The fair value of the investments at the date of derecognition | $221,906 | $9,649 |
| The cumulative gain or loss on disposal reclassified from other equity to retained earnings | 70,715 | 2,048 |

(4) Notes receivables

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Notes receivables arising from operating activities | $32,729 | $65,988 |
| Less: loss allowance | - | - |
| Subtotal | 32,729 | 65,988 |
| Notes receivables-related parties | - | 2,541 |
| Less: loss allowance | - | - |
| Subtotal | - | 2,541 |
| Total | $32,729 | $68,529 |

(a) Notes receivables were not pledged.

(b) The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6.15 for more details on loss allowance and Note 12 for details on credit risk.

(5) Accounts receivables and accounts receivables - related parties

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Accounts receivables | $1,062,022 | $811,350 |
| Less: loss allowance | (4,661) | (672) |
| Subtotal | 1,057,361 | 810,678 |
| Accounts receivables from related parties | 6,427 | 7,101 |
| Less: loss allowance | - | - |
| Subtotal | 6,427 | 7,101 |
| Total | $1,063,788 | $817,779 |

(a) Accounts receivables were not pledged.

(b) Accounts receivables are generally on 60-120 day terms. The total carrying amount as of December 31, 2023, and 2022 are NT$1,068,449 thousand and NT$818,451 thousand, respectively. Please refer to Note 6.15 for more details on loss allowance of accounts receivables for the years ended December 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(6) Inventories

| | As of December 31, 2023 | As of December 31, 2022 |
|---|---|---|
| Merchandise | $111,801 | $107,397 |
| Finished goods | 1,089,555 | 1,127,172 |
| Work in progress | 348,087 | 355,004 |
| Raw materials | 111,964 | 194,547 |
| Supplies & parts | 44,283 | 33,855 |
| Inventories in transit | 11,453 | 19,413 |
| Total | $1,717,143 | $1,837,388 |

(a) The following table lists the cost of inventories recognized in expenses of the Company:

| | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| Cost of goods sold | $5,341,800 | $5,620,976 |
| (Reversal) loss from the inventory written down to its respective net realizable value | (13,225) | 6,232 |
| Total operating cost | $5,328,575 | $5,627,208 |

The Company recognized a gain from price recovery of inventory in the amount of NT$13,225 thousand due to inventory destocking for the year ended December 31, 2023.

(b) No inventories were pledged.

(7) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Company:

| | As of December 31, 2023 | | As of December 31, 2022 | |
|---|---|---|---|---|
| Investees | NTD | Percentage of ownership (%) | NTD | Percentage of ownership (%) |
| Subsidiary company | | | | |
| Moneywin International Ltd. | $125,339 | 100.00 | $110,158 | 100.00 |
| Safety Investment Corp. | 128,214 | 99.95 | 112,021 | 99.95 |
| Hong-Hong Engineer Co. Ltd. | 51,060 | 86.00 | 45,813 | 86.00 |
| Subtotal | 304,613 | | 267,992 | |

| | As of | | | |
|---|---|---|---|---|
| | December 31, 2023 | | December 31, 2022 | |
| Investees | NTD | Percentage of ownership (%) | NTD | Percentage of ownership (%) |
| Investments in associates | | | | |
| South Ocean Holdings Ltd. | 268,257 | 27.68 | 260,441 | 27.68 |
| Accumulated impairment | (150,720) | | (150,720) | |
| Subtotal | 117,537 | | 109,721 | |
| Total | $422,150 | | $377,713 | |

(a) Subsidiaries

Investments in subsidiaries are presented based on the equity method in the individual financial statements with necessary evaluation adjustments.

(b) Investments in associates

Information on the material associates of the Company:

Company name: South Ocean Holdings Ltd.

Nature of the relationship with the joint venture: South Ocean Holdings Ltd. is in the business of manufacturing and selling related products in the Company’s industry chain. The Company invested in South Ocean Holdings Ltd. for the purpose of upstream/downstream integration.

Principal place of business (country of incorporation): Republic of South Africa

Fair value of the investment in the associates when there is a quoted market price for the investment: South Ocean Holdings Ltd. is listed on the South African Stock Exchange, the fair value of the company’s investment was NT$115,827 thousand and NT$123,237 thousand as of December 31, 2023 and 2022, respectively.

Reconciliation of the associates’ summarized financial information presented to the carrying amount of the Company’s interest in the associates:

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Current assets | $1,222,067 | $1,149,650 |
| Non-current assets | 436,648 | 318,938 |
| Current liabilities | 424,855 | 426,364 |
| Non-current liabilities | 264,724 | 101,324 |
| Equity | 969,136 | 940,900 |
| Proportion of the Company's ownership | 27.68% | 27.68% |
| Carrying amount of the investment | $268,257 | $260,441 |

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Operating revenue | $4,201,863 | $3,315,484 |
| Profit or loss from continuing operations | $150,778 | $79,586 |
| Other comprehensive income | 277 | 18 |
| Total comprehensive income | $151,055 | $79,604 |

(c) The Subsidiaries and associates had no contingent liabilities or capital commitments as of December 31, 2023 and 2022.

(d) These associates under equity method amounted to NT$117,537 thousand and NT$109,721 thousand as of December 31, 2023 and 2022, respectively. The related shares of profits (loss) from the subsidiaries, associates and joint ventures under the equity method amounted to NT$40,854 thousand and NT$24,544 thousand, and the related shares of other comprehensive income (loss) from the subsidiaries, associates and joint ventures under the equity method amounted to NT$(27,467) thousand and NT$14,807 thousand for the years ended December 31, 2023 and 2022, respectively. Our opinions expressed herein are based solely on the reports of other auditors.

(e) The following table lists the related shares of profits (loss) from the subsidiaries, associates and joint ventures under the equity method:

| Investees | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| Subsidiary company | | |
| Moneywin International Ltd. | $5,488 | $1,625 |
| Safety Investment Corp. | 12,761 | (15,653) |
| Hong-Hong Engineer Co. Ltd. | 5,962 | 8,049 |
| Subtotal | 24,211 | (5,979) |
| Investments in associates | | |
| South Ocean Holdings Ltd. | 40,854 | 24,544 |
| Total | $65,065 | $18,565 |

(8) Property, plant and equipment

| | Land and land Improvements | Buildings | Machinery and equipment | Office equipment | Transportation equipment | Miscellaneous equipment | Construction in progress and equipment awaiting examination | Total |
|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | |
| As of Jan 1, 2022 | $410,850 | $813,994 | $1,653,116 | $20,795 | $4,072 | $469,760 | $13,367 | $3,385,954 |
| Additions | - | - | - | - | - | - | 37,344 | 37,344 |
| Disposals | - | - | (181,811) | (185) | - | (32,044) | - | (214,040) |
| Other changes | - | 8,119 | 22,517 | 593 | 4,220 | 4,831 | (36,060) | 4,220 |
| As of Dec 31, 2022 | 410,850 | 822,113 | 1,493,822 | 21,203 | 8,292 | 442,547 | 14,651 | 3,213,478 |
| Additions | - | - | - | - | - | - | 108,195 | 108,195 |
| Disposals | - | - | (777,043) | (309) | (486) | (104,676) | - | (882,514) |
| Other changes | 34,146 | 35,522 | 9,441 | - | 113 | 13,974 | (93,196) | - |
| As of Dec 31, 2023 | $444,996 | $857,635 | $726,220 | $20,894 | $7,919 | $351,845 | $29,650 | $2,439,159 |
| Accumulated depreciation and impairment: | | | | | | | | |
| As of Jan 1, 2022 | $- | $326,474 | $1,336,114 | $19,150 | $3,205 | $346,252 | $- | $2,031,195 |
| Depreciation | - | 22,630 | 46,503 | 398 | 332 | 13,417 | - | 83,280 |
| Disposals | - | - | (181,359) | (185) | - | (31,526) | - | (213,070) |
| Other changes | - | - | (144) | - | 1,151 | - | - | 1,007 |
| As of Dec 31, 2022 | - | 349,104 | 1,201,114 | 19,363 | 4,688 | 328,143 | - | 1,902,412 |
| Depreciation | - | 23,529 | 44,437 | 413 | 518 | 11,804 | - | 80,701 |
| Disposals | - | - | (720,062) | (309) | (486) | (96,661) | - | (817,518) |
| Other changes | - | - | (144) | - | - | - | - | (144) |
| As of Dec 31, 2023 | $- | $372,633 | $525,345 | $19,467 | $4,720 | $243,286 | $- | $1,165,451 |
| Net carrying amount as of: | | | | | | | | |
| Dec 31, 2022 | $410,850 | $473,009 | $292,708 | $1,840 | $3,604 | $114,404 | $14,651 | $1,311,066 |
| Dec 31, 2023 | $444,996 | $485,002 | $200,875 | $1,427 | $3,199 | $108,559 | $29,650 | $1,273,708 |

(a) There is no capitalized borrowing costs of the Company’s property, plant and equipment.

(b) Components of building that have different useful lives are main building structure, decoration engineering, mechanical and electrical engineering and roof-repairing engineering, which are depreciated over 40~55 years, 7 years, 5 years, and 2 years, respectively.

(c) Please refer to Note 8 for more details on property, plant and equipment under pledge.

(9) Investment property

| | Land | Buildings | Total |
|---|---|---|---|
| Cost: | | | |
| As of Jan 1, 2022 | $87,543 | $28,652 | $116,195 |
| Disposals | - | - | - |
| As of Dec 31, 2022 | 87,543 | 28,652 | 116,195 |
| Disposals | - | - | - |
| As of Dec 31, 2023 | $87,543 | $28,652 | $116,195 |
| | | | |
| Depreciation and impairment: | | | |
| As of Jan 1, 2022 | $- | $23,327 | $23,327 |
| Depreciation | - | 597 | 597 |
| Disposal | - | - | - |
| As of Dec 31, 2022 | - | 23,924 | 23,924 |
| Depreciation | - | 597 | 597 |
| Disposal | - | - | - |
| As of Dec 31, 2023 | $- | $24,521 | $24,521 |
| | | | |
| Net carrying amount as of: | | | |
| Dec 31, 2022 | $87,543 | $4,728 | $92,271 |
| Dec 31, 2023 | $87,543 | $4,131 | $91,674 |

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Rental income from investment property | $3,960 | $3,858 |
| Less: | | |
| Direct operating expenses from investment property generating rental income | (862) | (865) |
| Total | $3,098 | $2,993 |

Please refer to Note 8 for more details on Investment property under pledge.

Investment properties held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties is NT$377,748 thousand and NT$379,323 thousand as of December 31, 2023 and 2022, respectively. The fair value has been determined based on valuations performed by Company management, not by an independent valuer. The valuation method used is refer to the market evaluation of similar item transaction prices in neighboring areas.

(10) Short-term loans

| | | As of | |
|---|---|---|---|
| | Interest rates (%) | December 31, 2023 | December 31, 2022 |
| USANCE loans | 1.20% | $4,214 | $- |

As of December 31, 2023 and 2022, the Company's unused credit line of comprehensive loans amounted to approximately NT$1,042,082 thousand and NT$1,118,669 thousand, respectively.

Please refer to Note 8 for more details on bank loans as pledge.

(11) Provisions

| | Warranties | |
|---|---|---|
| | For the years ended | |
| | December 31, 2023 | December 31, 2022 |
| At the beginning of the year | $120,000 | $120,000 |
| Additions | - | - |
| Changes of current period | (20,000) | - |
| At the end of the year | $100,000 | $120,000 |
| Non-current | $100,000 | $120,000 |

Warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

(12) Post-employment benefits

Defined contribution plan

The defined contribution plan of the Company's Employee Retirement Plan is regulated according to the provisions of the Labor Pension Act. In accordance with the Act, contributions made by the employer cannot be lower than 6% of the participant's monthly wages. Therefore, the Company's make 6% contribution of the monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance on a regular basis.

Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 were NT$10,897 thousand and NT$10,366 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15$^{th}$ year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$1,471 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

As of December 31, 2023 and 2022, the defined benefit plan of the Company was expected to be expired in March 2051.

Pension costs recognized in profit or loss for the years ended December 31, 2023 and 2022:

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Current period service costs | $1,099 | $1,343 |
| Interest income or expense | 352 | 140 |
| Total | $1,451 | $1,483 |

Reconciliation in the defined benefit obligation and fair value of plan assets are as follows:

| | As of | | |
|---|---|---|---|
| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
| Defined benefit obligation | $68,962 | $108,226 | $102,373 |
| Plan assets at fair value | (60,501) | (80,809) | (69,295) |
| Accrued pension liabilities recognized on the balance sheets | $8,461 | $27,417 | $33,078 |

Reconciliation of liability (asset) of the defined benefit plan is as follows:

| | Fair Value of Defined Benefit Obligation | Fair Value of Plan Assets | Benefit Liability (Asset) |
|---|---|---|---|
| As of January 1, 2022 | $102,373 | $(69,295) | $33,078 |
| Net defined benefit costs: | | | |
| Current period service costs | 1,343 | - | 1,343 |
| Net interest expense (income) | 447 | (307) | 140 |
| Subtotal | 1,790 | (307) | 1,483 |
| Remeasurements of the net defined benefit liability (asset): | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | - | - | - |
| Actuarial gains and losses arising from changes in financial assumptions | (6,650) | - | (6,650) |
| Experience adjustments | 13,783 | - | 13,783 |
| Remeasurements on plan assets | - | (5,890) | (5,890) |
| Subtotal | 7,133 | (5,890) | 1,243 |
| Payments from the plan | (3,070) | 3,070 | - |
| Contributions by employer | - | (8,387) | (8,387) |
| As of December 31, 2022 | 108,226 | (80,809) | 27,417 |

| | Fair Value of Defined Benefit Obligation | Fair Value of Plan Assets | Benefit Liability (Asset) |
|---|---|---|---|
| Net defined benefit costs: | | | |
| Current period service costs | 1,099 | - | 1,099 |
| Net interest expense (income) | 1,430 | (1,078) | 352 |
| Subtotal | 2,529 | (1,078) | 1,451 |
| Remeasurements of the net defined benefit liability (asset): | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | - | - | - |
| Actuarial gains and losses arising from changes in financial assumptions | 623 | - | 623 |
| Experience adjustments | (14,774) | - | (14,774) |
| Remeasurements on plan assets | - | (582) | (582) |
| Subtotal | (14,151) | (582) | (14,733) |
| Payments from the plan | (27,642) | 25,424 | (2,218) |
| Contributions by employer | - | (3,456) | (3,456) |
| As of December 31, 2023 | $68,962 | $(60,501) | $8,461 |

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Discount rate | 1.18% | 1.32% |
| Expected rate of salary increases | 1.00% | 1.00% |

A sensitivity analysis for significant assumption is as shown below:

| | For the years ended | | | |
|---|---|---|---|---|
| | December 31, 2023 | | December 31, 2022 | |
| | Increase defined benefit obligation | Decrease defined benefit obligation | Increase defined benefit obligation | Decrease defined benefit obligation |
| Discount rate increase by 0.25% | $- | $1,047 | $- | $1,765 |
| Discount rate decrease by 0.25% | 1,076 | - | 1,815 | - |
| Future salary increase by 0.5% | 2,142 | - | 3,623 | - |
| Future salary decrease by 0.5% | - | 2,046 | - | 3,457 |

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(13) Equities

(a) Common stock

The Company's authorized capital was NT$3,980,000 thousand and NT$3,160,801 thousand was issued as of December 31, 2023, and 2022, each at a par value of NT$10, divided into 316,080 thousand shares.

(b) Capital surplus

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Additional paid-in capital | $165,601 | $165,601 |
| Treasury share transactions | 24,200 | 24,200 |
| Donated assets received | 1,903 | 1,903 |
| Total | $191,704 | $191,704 |

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a Company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

A. Payment of all taxes and dues;
B. Offset prior years' operation losses;
C. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
D. Set aside or reverse special reserve in accordance with law and regulations; and
E. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

Considered the Company's coming capital need and the long-term financial planning, as well as the shareholder's interest, the principle of the dividend policy is 20% of the distributable earnings of the year at minimum and cash dividend should be at least 10% of the total dividends. However, if a significant non-recurring income occur in the year, a whole or portion of that income may be retained from the distribution, and is not applicable to the restriction above mentioned.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

Details of the 2023 and 2022 earnings distribution and dividends per share as approved and resolved by the board of directors’ meeting on March 22, 2024 and March 24, 2023, respectively, are as follows:

| | Appropriation of earnings | | Dividend per share (NT$) | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Legal reserve | $70,267 | $35,481 | | |
| Special reserve (reversal) appropriated | (179,492) | 179,492 | | |
| Common stock - cash dividend | 632,160 | 474,120 | $2.0 | $1.5 |
| Total | $522,935 | $689,093 | | |

Please refer to Note 6.17 for details on employees’ compensation and remuneration to directors and supervisors.

(14) Operating revenue

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Sales of goods | $6,185,832 | $6,378,975 |
| Service Revenue | 1,086 | 2,457 |
| Total | $6,186,918 | $6,381,432 |

(a) Disaggregation of revenue

For the year ended December 31, 2023

| | A Dept | B Dept | Total |
|---|---|---|---|
| Sales of goods and rendering of services | $178,513 | $6,008,405 | $6,186,918 |
| | | | |
| Timing of revenue recognition: | | | |
| At a point in time | $178,513 | $6,008,405 | $6,186,918 |

For the year ended December 31, 2022

| | A Dept | B Dept | Total |
|---|---|---|---|
| Sales of goods and rendering of services | $588,894 | $5,792,538 | $6,381,432 |
| | | | |
| Timing of revenue recognition: | | | |
| At a point in time | $588,894 | $5,792,538 | $6,381,432 |

(b) Contract balances

Contract liabilities - current

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Sales of goods | | |
| As at the beginning of the year | $143,774 | $76,698 |
| As at the end of the year | 108,820 | 143,774 |
| Difference | $(34,954) | $67,076 |

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2023 and 2022 are as follows:

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| The opening balance transferred to revenue | $73,577 | $51,034 |
| Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period) | 38,623 | 118,110 |

(c) Transaction price allocated to unsatisfied performance obligations

The Company's transaction price allocated to unsatisfied performance obligations (including partially unsatisfied) amounted to NT$4,863,070 thousand as of December 31, 2023. Management expects that 61% of the transaction price allocated to unsatisfied performance obligations will be recognized as revenue by December 31, 2024. The remaining will be recognized during 2025.

The Company's transaction price allocated to unsatisfied performance obligations (including partially unsatisfied) amounted to NT$1,992,137 thousand as of December 31, 2022. Management expects that 38% of the transaction price allocated to unsatisfied performance obligations will be recognized as revenue by December 31, 2023. The remaining will be recognized during 2024.

(d) Assets recognized from costs to fulfil a contract

None.

(15) Expected credit losses (gains)

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Operating expenses – Expected credit losses/(gains) | | |
| Accounts receivables | $3,989 | $(511) |

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its accounts receivables (including note receivables and accounts receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance for the years ended December 31, 2023 and 2022 are as follows:

The Company considers the single group of trade receivables and its loss allowance is measured by using a provision matrix, details are as follows:

As of December 31, 2023

| | Not yet due (Note) | Overdue <=30 days | 31-60 days | 61-90 days | 91-180 days | 181-270 days | >=270 days | Total |
|---|---|---|---|---|---|---|---|---|
| Group 1 | | | | | | | | |
| Gross carrying amount | $837,095 | $- | $- | $- | $- | $- | $- | $837,095 |
| Loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | |
| Lifetime expected credit losses | - | - | - | - | - | - | - | - |
| Total | $837,095 | $- | $- | $- | $- | $- | $- | $837,095 |

| | Not yet due (Note) | Overdue <=30 days | 31-60 days | 61-90 days | 91-180 days | 181-270 days | >=270 days | Total |
|---|---|---|---|---|---|---|---|---|
| Group 2 | | | | | | | | |
| Gross carrying amount | $260,986 | $70 | $2,629 | $- | $- | $350 | $48 | $264,083 |
| Loss rate | 1.10% | 25.71% | 52.23% | 0.00% | 0.00% | 100.00% | 100.00% | |
| Lifetime expected credit losses | (2,872) | (18) | (1,373) | - | - | (350) | (48) | (4,661) |
| Total | $258,114 | $52 | $1,256 | $- | $- | $- | $- | $259,422 |

As of December 31, 2022

| | Not yet due (Note) | Overdue <=30 days | 31-60 days | 61-90 days | 91-180 days | 181-270 days | >=270 days | Total |
|---|---|---|---|---|---|---|---|---|
| Group 1 | | | | | | | | |
| Gross carrying amount | $441,792 | $- | $- | $- | $- | $- | $- | $441,792 |
| Loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | |
| Lifetime expected credit losses | - | - | - | - | - | - | - | - |
| Total | $441,792 | $- | $- | $- | $- | $- | $- | $441,792 |

| | Not yet due (Note) | Overdue <=30 days | 31-60 days | 61-90 days | 91-180 days | 181-270 days | >=270 days | Total |
|---|---|---|---|---|---|---|---|---|
| Group 2 | | | | | | | | |
| Gross carrying amount | $441,479 | $3,146 | $4 | $14 | $541 | $- | $4 | $445,188 |
| Loss rate | 0.02% | 0.64% | 100.00% | 100.00% | 100.00% | 0.00% | 100.00% | |
| Lifetime expected credit losses | (89) | (20) | (4) | (14) | (541) | - | (4) | (672) |
| Total | $441,390 | $3,126 | $- | $- | $- | $- | $- | $444,516 |

Note: The Company’s notes receivables are not overdue.

The movement in the provision for impairment of note receivables and trade receivables for the years ended December 31, 2023 and 2022 is as follows:

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Balance as of January 1 | $672 | $1,183 |
| Addition (reversal) for the current period | 3,989 | (511) |
| Write off | - | - |
| Balance as of December 31 | $4,661 | $672 |

All provision referred to trade receivables.

(16) Leases

(a) Company as a lessee

The Company leases various properties, including buildings, machinery and equipment, transportation equipment and other equipment. The lease terms range from 1 to 5 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

(i) Right-of-use assets

The carrying amount of right-of-use assets

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Buildings | $4,157 | $8,928 |
| Machinery and equipment | - | 290 |
| Other equipment | 176 | - |
| Total | $4,333 | $9,218 |

For the years ended December 31, 2023 and 2022, the Company's additions to right-of-use assets amounted to NT$658 thousand and NT$10,007 thousand, respectively.

(ii) Lease liabilities

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Current | $4,035 | $5,518 |
| Non-current | 330 | 3,718 |
| Total | $4,365 | $9,236 |

Please refer to Note 6.18(d) for the interest on lease liabilities recognized during the years ended December 31, 2023 and 2022, and refer to Note 12.5 Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Buildings | $5,241 | $1,515 |
| Machinery and equipment | 231 | 403 |
| Transportation equipment | - | 192 |
| Other equipment | 12 | - |
| Total | $5,484 | $2,110 |

C. Income and costs relating to leasing activities

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| The expenses relating to short-term leases | $- | $- |
| The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets) | 720 | 3,662 |

D. Cash outflow relating to leasing activities

During the years ended December 31, 2023 and 2022, the Company's total cash outflows for leases amounted to NT$6,284 thousand and NT$6,251 thousand, respectively.

E. Other information relating to leasing activities

Extension and termination options

Some of the Company's buildings and machinery and equipment agreement (e.g. property rental agreement) contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company.

After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(b) Company as a lessor

Please refer to Note 6.9 for details on the Company's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Lease income for operating leases | | |
| Income relating to fixed lease payments and variable lease payments that depend on an index or a rate | $3,960 | $3,858 |
| Income relating to variable lease payments that do not depend on an index or a rate | - | - |
| Total | $3,960 | $3,858 |

For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2023 and 2022 are as follows:

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Not later than one year | $3,348 | $4,381 |
| Later than one year but not later than two years | - | 3,300 |
| Total | $3,348 | $7,681 |

(17) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2023 and 2022:

| | For the year ended December 31, 2023 | | | | For the year ended December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Operating costs | Operating expenses | Non-operating expenses | Total amount | Operating costs | Operating expenses | Non-operating expenses | Total amount |
| Employee benefits expense | | | | | | | | |
| Salaries | $180,569 | $150,681 | $6,667 | $337,917 | $190,672 | $127,764 | $4,846 | $323,282 |
| Labor and health insurance | 17,029 | 9,267 | 478 | 26,774 | 17,214 | 11,074 | 442 | 28,730 |
| Pension | 6,939 | 5,176 | 282 | 12,397 | 7,768 | 3,830 | 289 | 11,887 |
| Director’s remuneration | 6,308 | 3,244 | 191 | 9,743 | 2,409 | 1,324 | 70 | 3,803 |
| Other employee benefits expense | 8,855 | 2,604 | 173 | 11,632 | 10,125 | 2,714 | 162 | 13,001 |
| Depreciation | 76,850 | 9,932 | - | 86,782 | 76,609 | 9,378 | - | 85,987 |
| Amortization | 1,192 | 334 | - | 1,526 | 3,610 | 411 | - | 4,021 |

According to the Articles of Incorporation, 2% to 8% of profit of the current year is distributable as employees’ compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees’ compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders’ meeting. Information on the Board of Directors’ resolution regarding the employees’ compensation and remuneration to directors and supervisors can be obtained from the “Market Observation Post System” on the website of the TWSE.

Based on the profit of the years ended December 31, 2023 and 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the years ended December 31 to be 5.9% and 2.95% of profit of the year and 5.1% and 2.55% of profit of the year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2023 amounted to NT$48,843 thousand and NT$24,422 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2022 amounted to NT$30,509 thousand and NT$15,255 thousand, respectively.

The above mentioned distribution of the employee compensation and remuneration recorded under salary expense. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors will be recognized in profit or loss of the subsequent year.

A resolution was passed at a Board of Directors meeting held on March 22, 2024 to distribute NT$48,843 thousand and NT$24,422 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2023, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2023.

No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2023.

(18) Non-operating income and expenses

(a) Interest income

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Bank interest income | $4,317 | $2,146 |
| Financial assets measured at amortized cost | 8,793 | 2,790 |
| Others Interest income | 161 | 32 |
| Total | $13,271 | $4,968 |

(b) Other income

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Rental income | $5,963 | $5,589 |
| Dividend income | 39,407 | 56,623 |
| Others income | 24,238 | 16,351 |
| Total | $69,608 | $78,563 |

(c) Other gains and losses

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Gains (losses) on disposal of property, plant and equipment | $(23,373) | $29,557 |
| Foreign exchange losses (gains), net | (3,023) | 15,520 |
| Gain on reversal of impairment loss | 144 | 144 |
| Gains (losses) on financial assets at fair value through profit or loss (Note) | 44,812 | (95,593) |
| Other expenses | (9,331) | (13,229) |
| Total | $9,229 | $(63,601) |

Note: Balances were arising from financial assets mandatorily measured at fair value through profit or loss.

(d) Finance costs

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Deposit imputed interest | $1,283 | $1,026 |
| Interest on lease liabilities | 94 | 99 |
| Total finance costs | $1,377 | $1,125 |

(19) Components of other comprehensive income

For the year ended December 31, 2023

| | Arising during the period | Reclassification adjustments during the period | Other comprehensive income, before tax | Income tax relating to components of other comprehensive income | Other comprehensive income, net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss in subsequent periods: | | | | | |
| Remeasurements of defined benefit plans | $4,361 | $- | $4,361 | $(872) | $3,489 |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | 307,206 | - | 307,206 | (4,363) | 302,843 |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 18,346 | - | 18,346 | - | 18,346 |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | (32,688) | - | (32,688) | - | (32,688) |
| Total other comprehensive income | $297,225 | $- | $297,225 | $(5,235) | $291,990 |

For the year ended December 31, 2022

| | Arising during the period | Reclassification adjustments during the period | Other comprehensive income, before tax | Income tax relating to components of other comprehensive income | Other comprehensive income, net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss in subsequent periods: | | | | | |
| Remeasurements of defined benefit plans | $(1,244) | $- | $(1,244) | $249 | $(995) |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | (169,180) | - | (169,180) | (4,305) | (173,485) |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | (34,565) | - | (34,565) | - | (34,565) |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | 28,962 | - | 28,962 | - | 28,962 |
| Total of other comprehensive income | $(176,027) | $- | $(176,027) | $(4,056) | $(180,083) |

(20) Income tax

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Current income tax expense (income): | | |
| Current income tax charge | $114,794 | $191,755 |
| Adjustments in respect of current income tax of prior periods | (1,509) | 52 |
| Deferred tax expense (income): | | |
| Deferred tax expense (income) relating to origination and reversal of temporary differences | 12,834 | 6,889 |
| Total income tax expense (income) | $126,119 | $198,696 |

Income tax relating to components of other comprehensive income

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Deferred tax expense (income): | | |
| Remeasurements of defined benefit plans | $872 | $(249) |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | 4,363 | 4,305 |
| Income tax relating to components of other comprehensive income | $5,235 | $4,056 |

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Accounting profit (loss) before tax from continuing operations | $754,586 | $552,458 |
| Tax at the domestic rates applicable to profits in the country concerned | $150,917 | $110,492 |
| Corporate income surtax on undistributed retained earnings | - | 77,940 |
| Tax effect of revenues exempt from taxation | (20,494) | 9,874 |
| Tax effect of expenses not deductible for tax purposes | 91 | 23 |
| Tax effect of deferred tax assets/liabilities | (4,000) | - |
| Adjustments in respect of current income tax of prior periods | (1,509) | 52 |
| Others income tax adjustments | 1,114 | 315 |
| Total income tax expense (income) recognized in profit or loss | $126,119 | $198,696 |

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2023

| | Beginning balance as of Jan. 1 | Deferred tax income (expense) recognized in profit or loss | Deferred tax income (expense) recognized in other comprehensive income | Ending balance as of Dec. 31 |
|---|---|---|---|---|
| *Temporary differences* | | | | |
| Financial assets at fair value through profit or loss evaluation | $(1,674) | $78 | $- | $(1,596) |
| Unrealized Liquidation loss | 320 | - | - | 320 |
| Unrealized exchange loss (gain) | (1,142) | 1,949 | - | 807 |
| Impairment on investment property | 1,681 | - | - | 1,681 |
| Impairment on property, plant and Equipment | 1,400 | (28) | - | 1,372 |
| Investments accounted for using the equity method | (30,594) | (9,268) | - | (39,862) |
| Allowance to reduce inventory market | 8,919 | (2,645) | - | 6,274 |
| Non-current liability — Defined benefit liability | 5,483 | (2,919) | (872) | 1,692 |
| Financial assets at fair value through other comprehensive income evaluation | 7,845 | - | (4,363) | 3,482 |
| Deferred tax income (expense) | | $(12,833) | $(5,235) | |
| Net deferred tax assets (liabilities) | $(7,762) | | | $(25,830) |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | $25,648 | | | $15,627 |
| Deferred tax liabilities | $33,410 | | | $41,457 |

For the year ended December 31, 2022

| | Beginning balance as of Jan. 1 | Deferred tax income (expense) recognized in profit or loss | Deferred tax income (expense) recognized in other comprehensive income | Ending balance as of Dec. 31 |
|---|---|---|---|---|
| *Temporary differences* | | | | |
| Financial assets at fair value through profit or loss evaluation | $(1,279) | $(395) | $- | $(1,674) |
| Unrealized Liquidation loss | 320 | - | - | 320 |
| Unrealized exchange loss (gain) | (114) | (1,028) | - | (1,142) |
| Impairment on investment property | 1,681 | - | - | 1,681 |
| Impairment on property, plant and Equipment | 1,428 | (28) | - | 1,400 |
| Investments accounted for using the equity method | (25,360) | (5,234) | - | (30,594) |
| Allowance to reduce inventory market | 7,742 | 1,177 | - | 8,919 |
| Non-current liability — Defined benefit liability | 6,615 | (1,381) | 249 | 5,483 |
| Financial assets at fair value through other comprehensive income evaluation | 12,150 | - | (4,305) | 7,845 |
| Deferred tax income (expense) | | $(6,889) | $(4,056) | |
| Net deferred tax assets (liabilities) | $3,183 | | | $(7,762) |
| Reflected in balance sheet as follows: | | | | |
| Deferred tax assets | $29,936 | | | $25,648 |
| Deferred tax liabilities | $26,753 | | | $33,410 |

Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounted to NT$36,839 thousand and NT$40,839 thousand, respectively.

The assessment of income tax returns

As of December 31, 2023, the assessment of the income tax returns of the Company is as follows:

| | The assessment of income tax returns |
|---|---|
| The Company | Assessed and approved up to 2021 |

(21) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Basic earnings per share | | |
| Profit attributable to ordinary equity holders of the Company (in thousands NT$) | $628,467 | $353,762 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 316,080 | 316,080 |
| Basic earnings per share (NT$) | $1.99 | $1.12 |

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Diluted earnings per share | | |
| (Loss) profit attributable to ordinary equity holders of the Company (in thousand NT$) | $628,467 | $353,762 |
| Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$) | $628,467 | $353,762 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 316,080 | 316,080 |
| Effect of dilution: | | |
| Employee compensation－stock (in thousands) | 2,091 | 4,110 |
| Weighted average number of ordinary shares outstanding after dilution (in thousands) | 318,171 | 320,190 |
| Diluted earnings per share (NT$) | $1.98 | $1.10 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

| Name of the related parties | Nature of relationship of the related parties |
|---|---|
| South Ocean Holdings Ltd. | Associate |
| Safety Investment Corp. | Subsidiary |
| Hong-Hong Engineer Co. Ltd. | Subsidiary |
| Lianfa Metal Enterprise Co., Ltd. | Other (Director of the related party) |
| United Electric Industry Co., Ltd. | Other (Director of the related party) |
| Key management personnel | Key management personnel |

Significant transactions with the related parties

(1) Sales

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Subsidiary | | |
| Hong-Hong Engineer Co. Ltd. | $85,808 | $69,193 |
| Other | | |
| Lianfa Metal Enterprise Co., Ltd. | 5,460 | 40,588 |
| Total | $91,268 | $109,781 |

The terms and conditions of sales (including prices) to related parties are similar to those with non-related parties.

(2) Purchases

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Subsidiary | | |
| Hong-Hong Engineer Co. Ltd. | $4,453 | $4,000 |
| Other | | |
| Lianfa Metal Enterprise Co., Ltd. | 1,444,511 | 1,507,800 |
| United Electric Industry Co., Ltd. | 229,078 | 137,552 |
| Total | $1,678,042 | $1,649,352 |

The terms and conditions of sales (including prices) to related parties are similar to those with non-related parties.

(3) Accounts receivables – related parties

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Subsidiary | | |
| Hong-Hong Engineer Co., Ltd. | $6,427 | $7,101 |

(4) Notes receivables – related parties

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Subsidiary | | |
| Hong-Hong Engineer Co. Ltd. | $- | $2,541 |

(5) Other receivables – related parties

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Subsidiary | | |
| Hong-Hong Engineer Co. Ltd. | $322 | $27 |

(6) Accounts payables – related parties

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Subsidiary | | |
| Hong-Hong Engineer Co. Ltd. | $1,810 | $1,257 |
| Other | | |
| Lianfa Metal Enterprise Co., Ltd. | 1,119 | 1,201 |
| United Electric Industry Co., Ltd. | 25,301 | 37,857 |
| Total | $28,230 | $40,315 |

(7) Notes payables – related parties

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Other | | |
| United Electric Industry Co., Ltd. | $- | $63,177 |

(8) Other payables – related parties

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Subsidiary | | |
| Hong-Hong Engineer Co. Ltd. | $14,225 | $5,905 |

(9) Rental income

| | For the years ended | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Subsidiary | | |
| Safety Investment Corp. | $96 | $96 |
| Hong-Hong Engineer Co. Ltd. | 576 | 576 |
| Total | $672 | $672 |

(10) Others

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Prepayments | | |
| Other | | |
| United Electric Industry Co., Ltd. | $4,384 | $- |
| Refundable deposits | | |
| Other | | |
| Lianfa Metal Enterprise Co., Ltd. | $29,227 | $29,227 |

| | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| Dividend income | | |
| Other | | |
| Lianfa Metal Enterprise Co., Ltd. | $- | $9,681 |
| United Electric Industry Co., Ltd. | 9,540 | 8,342 |
| Total | $9,540 | $18,023 |

| | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| Other income | | |
| Associate | | |
| South Ocean Holdings Ltd. | $805 | $- |
| Subsidiary | | |
| Safety Investment Corp. | - | 104 |
| Hong-Hong Engineer Co. Ltd. | 745 | 452 |
| Other | | |
| Lianfa Metal Enterprise Co., Ltd. | - | 325 |
| United Electric Industry Co., Ltd. | 926 | 804 |
| Total | $2,476 | $1,685 |

| | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| Operating costs | | |
| Subsidiary | | |
| Hong-Hong Engineer Co. Ltd. | $31,363 | $31,996 |
| Other | | |
| United Electric Industry Co., Ltd. | - | 24 |
| Total | $31,363 | $32,020 |

| | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| Operating expenses | | |
| Associate | | |
| South Ocean Holdings Ltd. | $255 | $- |
| Other | | |
| United Electric Industry Co., Ltd. | - | 25 |
| Total | $255 | $25 |

(11) Key management personnel compensation

| | For the years ended December 31, 2023 | For the years ended December 31, 2022 |
|---|---|---|
| Short-term employee benefits | $52,795 | $46,536 |
| Post-employment benefits | 553 | 695 |
| Total | $53,348 | $47,231 |

8. Assets pledged as security

The following table lists assets of the Company pledged as security:

| Items | Carrying amount December 31, 2023 | Carrying amount December 31, 2022 | Secured liabilities |
|---|---|---|---|
| Property, plant and equipment - land and buildings | $799,372 | $818,750 | Long-term and short-term borrowings, Performance Guarantee, General credit limit |
| Investment property – land and buildings | 54,610 | 55,207 | 〃 |
| Total | $853,982 | $873,957 | |

9. Significant contingencies and unrecognized contractual commitments

(1) For the needs of bank financing, purchase of materials, sales of goods, tax after release, and engineering guarantee funds, the guarantee bill is issued as follows:

| Guaranteed Bill Company | Item | As of December 31, 2023 |
|---|---|---|
| The Company | Bank loan and purchase guarantee | $60,000 |
| 〃 | Sales contract guarantee | 342,027 |
| 〃 | Comprehensive bank credit limit | 450,000 |
| 〃 | Performance guarantee and tax guarantee after release | 167,546 |
| Total | | $1,019,573 |

(2) As of December 31, 2023, the Company has opened an unused letter of credit for USD 341 thousand and JPY 69,122 thousand.

(3) As of December 31, 2023, the Company has signed a sales contract and has not yet delivered the amount of NT$1,151,472 thousand.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Financial assets at fair value through profit or loss: | | |
| Designated at fair value through profit or loss | $265,111 | $229,865 |
| Financial assets at fair value through other comprehensive income | 1,517,778 | 1,032,152 |
| Financial assets measured at amortized cost (Note) | 3,115,179 | 3,254,176 |
| Total | $4,898,068 | $4,516,193 |

Financial liabilities

| | As of | |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| Financial liabilities at amortized cost: | | |
| Short-term loans | $4,214 | $- |
| Notes and Accounts payables (including related party) | 402,291 | 431,960 |
| Other payables (including related party) | 221,591 | 188,310 |
| Lease liability | 4,365 | 9,236 |
| Guarantee deposits received | 1,503 | 1,503 |
| Total | $633,964 | $631,009 |

Note: Including Cash and Cash Equivalents (excluding cash in hand and petty cash), notes receivable, accounts receivable (including related parties), other receivables (including related parties) and refundable deposits.

(2) Financial risk management objectives and policies

The Company’s principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The company identifies measures and manages the aforementioned risks based on the company’s policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended December 31, 2023 and 2022 is increased/decreased by NT$899 thousand and NT$883 thousand.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2023 and 2022 to decrease/increase by NT$4 thousand and NT$200 thousand, respectively.

Equity price risk

The fair value of the Company's listed and unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed equity securities measured at fair value through profit or loss could increase/decrease the Company's profit for the years ended December 31, 2023 and 2022 by NT$2,129 thousand and NT$2,036 thousand, respectively.

At the reporting date, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$8,477 thousand and NT$4,407 thousand on the equity attributable to the Company for the years ended December 31, 2023 and 2022, respectively.

Please refer to Note 12.8 for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The company is exposed to credit risk from operating activities (primarily for trade and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to our company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and our company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2023 and 2022, trade receivables from top ten customers represent 78% and 72% of the total trade receivables of the Company, respectively. The credit concentration risk of other trade receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the company's treasury in accordance with the company's policy. The company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

In addition, when the company assesses that it cannot reasonably expect to recover financial assets (for example, the issuer or debtor has major financial difficulties, or has gone bankrupt), it will be written off.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

| | Less than 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| As of Dec. 31, 2023 | | | | | |
| Loans | $4,214 | $- | $- | $- | $4,214 |
| Trades payables | 402,291 | - | - | - | 402,291 |
| Other payables | 221,591 | - | - | - | 221,591 |
| Lease liabilities | 4,060 | 279 | 66 | - | 4,405 |

| | Less than 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| As of Dec. 31, 2022 | | | | | |
| Loans | $- | $- | $- | $- | $- |
| Trades payables | 431,960 | - | - | - | 431,960 |
| Other payables | 188,310 | - | - | - | 188,310 |
| Lease liabilities | 5,558 | 3,792 | - | - | 9,350 |

(6) Reconciliation of liabilities arising from financing activities

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

| | Short-term borrowings | Deposit received | Leases liabilities | Total liabilities from financing activities |
|---|---|---|---|---|
| As of Jan. 1, 2023 | $- | $1,503 | $9,236 | $10,739 |
| Cash flows | 4,214 | - | (5,564) | (1,350) |
| Non-cash changes | - | - | 693 | 693 |
| As of Dec. 31, 2023 | $4,214 | $1,503 | $4,365 | $10,082 |

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

| | Short-term borrowings | Deposit received | Leases liabilities | Total liabilities from financing activities |
|---|---|---|---|---|
| As of Jan. 1, 2022 | $- | $1,482 | $2,978 | $4,460 |
| Cash flows | - | 21 | (2,490) | (2,469) |
| Non-cash changes | - | - | 8,748 | 8,748 |
| As of Dec. 31, 2022 | $- | $1,503 | $9,236 | $10,739 |

(7) Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, trade receivables, accounts payables and other current liabilities approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

| As of December 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Stocks | $212,937 | $- | $20,521 | $233,458 |
| Corporate bonds | 25,531 | - | - | 25,531 |
| Government bonds | 6,122 | - | - | 6,122 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity instruments measured at fair value through other comprehensive income | | | | |
| Stocks | 847,740 | - | 670,038 | 1,517,778 |

As of December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Stocks | $203,570 | $- | $20,795 | $224,365 |
| Corporate bonds | 5,500 | - | - | 5,500 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity instruments measured at fair value through other comprehensive income | | | | |
| Stocks | 440,746 | - | 591,406 | 1,032,152 |

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

The change details of recurring fair value of Level 3 during the period

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

| | For the year ended December 31, 2023 | |
|---|---|---|
| | At fair value through profit or loss | At fair value through other comprehensive income |
| | Stocks | Stocks |
| Beginning balances as of January 1, 2023 | $20,795 | $591,406 |
| Total gains and losses recognized for the year ended December 31, 2023 | | |
| Amount recognized in profit or loss (presented in “other profit or loss”) | (576) | - |
| Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | - | 101,362 |
| Acquisition/issues for the year ended December 31, 2023 | 332 | 115,253 |
| Disposal/settlements for the year ended December 31, 2023 | - | (41,428) |
| Transfer in/(out) of Level 3 | (30) | (96,555) |
| Ending balances as of December 31, 2023 | $20,521 | $670,038 |

Note: The investment subject is converted to listed company.

| | For the year ended December 31, 2022 | |
|---|---|---|
| | At fair value through profit or loss | At fair value through other comprehensive income |
| | Stocks | Stocks |
| Beginning balances as of January 1, 2022 | $79,552 | $530,981 |
| Total gains and losses recognized for the year ended December 31, 2022: | | |
| Amount recognized in profit or loss (presented in "other profit or loss") | (51,743) | - |
| Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income) | - | (32,009) |
| Acquisition/issues for the year ended December 31, 2022 | 8,108 | 101,767 |
| Disposal/settlements for year ended December 31, 2022 | (15,122) | (9,333) |
| Ending balances as of December 31, 2022 | $20,795 | $591,406 |

Total gains and losses recognized in profit or loss for the years ended December 31, 2023 and 2022 in the table above contain gains and losses related to assets on hand as of December 31, 2023 and 2022 in the amount of NT$(546) thousand and NT$14,277 thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2023

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| At fair value through profit or loss | | | | | |
| Stocks | Market approach | discount for lack of marketability | 10%~20% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 1% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's profit or loss by NT$205 thousand |
| At fair value through other comprehensive income | | | | | |
| Stocks | Market approach | discount for lack of marketability | 10%~35% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 1% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$6,700 thousand |

As of December 31, 2022

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| At fair value through profit or loss | | | | | |
| Stocks | Market approach | discount for lack of marketability | 10%~20% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 1% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's profit or loss by NT$208 thousand |
| At fair value through other comprehensive income | | | | | |
| Stocks | Market approach | discount for lack of marketability | 10%~35% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 1% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$5,914 thousand |

(c) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties (please refer to Note 6) | $- | $- | $377,748 | $377,748 |
| Investments accounted for using the equity method (please refer to Note 6) | 115,827 | - | - | 115,827 |

As of December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets not measured at fair value but for which the fair value is disclosed: | | | | |
| Investment properties (please refer to Note 6) | $- | $- | $379,323 | $379,323 |
| Investments accounted for using the equity method (please refer to Note 6) | 123,237 | - | - | 123,237 |

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

| | As of December 31, 2023 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $2,928 | 30.71 | $89,897 |
| SGD | 116 | 23.29 | 2,699 |
| ZAR | 19,327 | 1.66 | 32,025 |
| JPY | 10,718 | 0.22 | 2,328 |
| Investments accounted for using the equity method: | | | |
| USD | $4,082 | 30.71 | $125,339 |
| ZAR | 70,805 | 1.66 | 117,537 |
| Financial liabilities | | | |
| Monetary items: | | | |
| JPY | $19,401 | 0.22 | $4,214 |

| | As of December 31, 2022 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $3,648 | 30.71 | $112,044 |
| SGD | 115 | 22.88 | 2,624 |
| ZAR | 14,865 | 1.81 | 26,920 |
| JPY | 4,969 | 0.23 | 1,155 |
| Investments accounted for using the equity method: | | | |
| USD | $3,587 | 30.71 | $110,158 |
| ZAR | 60,620 | 1.81 | 109,721 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $772 | 30.71 | $23,695 |

Due to the various types of corporate functional currencies of the company, it is not possible to disclose the exchange gains and losses of monetary financial assets and financial liabilities according to the foreign currencies that have a significant impact. The company's foreign currency exchange gains and losses in 2023 and 2022 were loss of NT$(3,023) thousand and gains of NT$15,520 thousand, respectively.

The above information is disclosed based on the foreign currency book value (which has been converted to functional currency).

(10) Capital management

The primary objective of the Company’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions

(a) Loan funds to others: (None).
(b) Endorsement and guarantee for others: (None).
(c) Status of holding marketable securities at the end of the period (excluding investment in subsidiaries, affiliates and joint venture equity): (Attachment 1).
(d) The cumulative amount of buying or selling of the same securities amounts to NT$300 million or more than 20% of the paid-in capital: (None).
(e) The amount of real estate acquired reaches 300 million NTD or more than 20% of the paid-in capital: (None).
(f) Disposal of real estate with an amount of NT$300 million or more than 20% of the paid-in capital: (None).
(g) The amount of goods purchased or sold with related parties is NT$100 million or more than 20% of the paid-in capital: (Attachment 2).
(h) Receivables from related parties amounting to NT$100 million or more than 20% of the paid-in capital: (None).
(i) Engaged in derivatives trading: (None).
(j) Others: business relations and various transactions and amounts between parent and subsidiary companies and between subsidiaries: (Attachment 4).

(2) Information on investees: (Attachment 3).

(3) Information on investments in mainland China: (None).

(4) Information on major shareholders: (Attachment 5)

14. Segment information

In accordance with IFRS No. 8 "Operation Department", The Company has provided the financial information of the operating segments in the consolidated financial statements. These parent company only financial statements do not provide such information.

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

Attachment 1: Securities held as of December 31, 2023 (not including subsidiaries, associates and joint ventures)

Unit: NTD thousand

| Company | Type and Name of the Securities | Relationship | Financial Statement Account | As of December 31, 2023 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Hong Tai Electric Industrial Co., LTD. | Ardentec Corporation | None | Financial assets at fair value through profit or loss, current | 191 | $14 | 0.00 | $14 | |
| | Advanced Ceramic X Corporation | 〃 | 〃 | 20,000 | 4,900 | 0.03 | 4,900 | |
| | ITEQ Corporation | 〃 | 〃 | 200,000 | 16,960 | 0.06 | 16,960 | |
| | Taiwan Semiconductor Manufacturing Co., Ltd. | 〃 | 〃 | 65,000 | 38,545 | 0.00 | 38,545 | |
| | Fubon Financial Holding Co., Ltd. | 〃 | 〃 | 110,250 | 7,144 | 0.00 | 7,144 | |
| | China Development Financial Holding Corporation | 〃 | 〃 | 100,000 | 1,255 | 0.00 | 1,255 | |
| | Macronix International Co., Ltd | 〃 | 〃 | 250,000 | 7,837 | 0.01 | 7,837 | |
| | United Microelectronics Corporation | 〃 | 〃 | 100,000 | 5,260 | 0.00 | 5,260 | |
| | Foresee Pharmaceuticals Co., Ltd. | 〃 | 〃 | 950 | 91 | 0.00 | 91 | |
| | Tm Technology, Inc. | 〃 | 〃 | 136,403 | 2,407 | 0.38 | 2,407 | |
| | Gomaji Corp., Ltd | 〃 | 〃 | 300,000 | 11,325 | 1.69 | 11,325 | |
| | Advanced Optoelectronic Technology Inc. | 〃 | 〃 | 375,000 | 11,100 | 0.26 | 11,100 | |
| | Grand Fortune Securities Co., Ltd. | 〃 | 〃 | 4,813,694 | 62,097 | 1.22 | 62,097 | |
| | Powerchip Semiconductor Manufacturing Corporation | 〃 | 〃 | 652,615 | 19,219 | 0.02 | 19,219 | |
| | Twi Biotechnology, Inc. | 〃 | 〃 | 500,000 | 5,845 | 0.57 | 5,845 | |
| | Raytek Semiconductor, Inc. | The supervisor of the company | 〃 | 1,500,000 | 10,050 | 1.25 | 10,050 | |
| | Vactronics Technologies Inc. | None | 〃 | 404 | 22 | 0.00 | 22 | |
| | Lin Bioscience, INC. | 〃 | 〃 | 47,983 | 4,626 | 0.06 | 4,626 | |
| | Tai Sin Electric Cables Manufacturer Limited | 〃 | 〃 | 1,580,189 | 14,538 | 0.00 | 14,538 | SGD 0.395 |
| | Gold Circuit Electronics Ltd. | 〃 | 〃 | 5,000 | 1,090 | 0.00 | 1,090 | |
| | Dynamic Holding Co., Ltd. | 〃 | 〃 | 7,000 | 606 | 0.00 | 606 | |
| | GIGA-BYTE Technology Co., Ltd. | 〃 | 〃 | 3,000 | 798 | 0.00 | 798 | |
| | Foxtron Vehicle Technologies Co., Ltd. | 〃 | 〃 | 80,000 | 3,568 | 0.00 | 3,568 | |
| | Chung-Hsin Electric and Machinery Manufacturing Corp. | 〃 | 〃 | 5,000 | 583 | 0.00 | 583 | |
| | M31 Technology Corporation | 〃 | 〃 | 1,000 | 1,060 | 0.00 | 1,060 | |
| | Faraday Technology Corporation | 〃 | 〃 | 1,000 | 357 | 0.00 | 357 | |
| | Zilltek Technology Corp. | 〃 | 〃 | 2,000 | 910 | 0.00 | 910 | |
| | King Slide Works Co., Ltd. | 〃 | 〃 | 1,000 | 914 | 0.00 | 914 | |
| | Asia Vital Components Co., Ltd. | 〃 | 〃 | 1,000 | 337 | 0.00 | 337 | |
| | TOPCO SCIENTIFIC Co., Ltd. | 〃 | 〃 | 121,000 | 13,201 | 0.00 | 13,201 | |
| | MO 5.8% 02/14/39 | 〃 | 〃 | 200,000 | 6,284 | 0.00 | 6,284 | |
| | T 4.5% 30/11/24 | 〃 | 〃 | 200,000 | 6,122 | 0.00 | 6,122 | |
| | AXP 3.95% 8/1/25 | 〃 | 〃 | 200,000 | 6,046 | 0.00 | 6,046 | |
| | Subtotal | | | | 265,111 | | 265,111 | |
| | Ardentec Corporation | None | Financial assets at fair value through other comprehensive income, non-current | 4,589,000 | 339,586 | 0.94 | 339,586 | |
| | Grand Fortune Securities Co., Ltd. | 〃 | 〃 | 12,594,298 | 162,467 | 3.18 | 162,467 | |
| | Foresee Pharmaceuticals Co., Ltd. | 〃 | 〃 | 1,192,244 | 114,694 | 0.88 | 114,694 | |
| | Taiwanj Pharmaceuticals, Co., Ltd. | 〃 | 〃 | 290,587 | 3,597 | 0.39 | 3,597 | |
| | Twi Biotechnology, Inc. | 〃 | 〃 | 813,556 | 9,510 | 0.93 | 9,510 | |
| | SyneuRx International (Taiwan) Corp. | 〃 | 〃 | 305,744 | 2,293 | 0.23 | 2,293 | |
| | Vactronics Technologies Inc. | 〃 | 〃 | 1,315,882 | 70,465 | 1.85 | 70,465 | |
| | Handa Pharmaceuticals,Inc | 〃 | 〃 | 574,190 | 90,441 | 0.41 | 90,441 | |
| | Fittech Co., Ltd. | 〃 | 〃 | 200,000 | 13,340 | 0.27 | 13,340 | |
| | Ever Fortune.AI Co., Ltd. | 〃 | 〃 | 150,000 | 14,475 | 0.15 | 14,475 | |
| | Raydium Semi-conductor Corporation | 〃 | 〃 | 50,000 | 20,025 | 0.07 | 20,025 | |
| | Co-Tech Development Corp. | 〃 | 〃 | 100,000 | 6,060 | 0.04 | 6,060 | |
| | Walsin Lihwa Corporation | 〃 | 〃 | 90,000 | 3,479 | 0.00 | 3,479 | |
| | TCM Biotech International Corp. | 〃 | 〃 | 287,000 | 14,123 | 0.00 | 14,123 | |
| | Foxtron Vehicle Technologies Co., Ltd. | 〃 | 〃 | 600,000 | 22,746 | 0.03 | 22,746 | |
| | American Belite Bio, Inc. | 〃 | 〃 | 66,666 | 79,811 | 0.00 | 79,811 | |
| | United Electric Industry Co., Ltd. | Director of the related party | 〃 | 5,760,816 | 121,899 | 6.91 | 121,899 | |
| | Lianfa Metal Enterprise Co., Ltd. | 〃 | 〃 | 8,067,300 | 122,865 | 16.13 | 122,865 | |
| | Athena Capital Management | None | 〃 | 3,000,000 | 15,270 | 6.50 | 15,270 | |
| | Powtec Electrochemical Corporation | 〃 | 〃 | 11,532,709 | - | 0.87 | - | |
| | SCI, StemCyte Taiwan Co., Ltd | 〃 | 〃 | 550,000 | 22,055 | 0.39 | 22,055 | |
| | American BriVision (Holding) Corporation | 〃 | 〃 | 1,667 | 594 | 0.00 | 594 | |
| | VM Discovery, Inc. | 〃 | 〃 | 142,858 | 2,786 | 0.57 | 2,786 | |
| | China Development Financial Holding Corporation | 〃 | 〃 | 677,143 | 24,702 | 1.71 | 24,702 | |
| | Hercules Bioventure,L.P. | 〃 | 〃 | 210,526 | 8,486 | 1.88 | 8,486 | |
| | Espero Biopharma Inc. | 〃 | 〃 | 130,619 | - | 0.56 | - | |
| | Allpass Limited | 〃 | 〃 | 255,658 | - | 0.32 | - | |
| | Raytek Semiconductor, Inc. | The supervisor of the company | 〃 | 2,168,027 | 14,526 | 1.81 | 14,526 | |
| | AmMax Bio, Inc. | None | 〃 | 301,100 | 1,513 | 7.63 | 1,513 | |
| | Foryou Venture Capital Limited Partnership | 〃 | 〃 | 2,000,000 | 15,000 | 3.85 | 15,000 | |
| | Dachang Venture Capital | 〃 | 〃 | 2,000,000 | 15,000 | 1.82 | 15,000 | |
| | eEver Technology Limited | 〃 | 〃 | 1,411,764 | 5,675 | 4.04 | 5,675 | |
| | Obigen Pharma, Inc. | 〃 | 〃 | 812,500 | 19,500 | 0.77 | 19,500 | |
| | BlossomHill Therapeutics, Inc. | 〃 | 〃 | 374,839 | 20,968 | 1.02 | 20,968 | |
| | Elixiron Immunotherapeutics (Cayman) Limited | 〃 | 〃 | 1,339,566 | 23,027 | 1.70 | 23,027 | |
| | eYs3D Microelectronics, Inc. | 〃 | 〃 | 1,904,761 | 26,324 | 2.02 | 26,324 | |
| | Clearmind Biomedical, Inc. | 〃 | 〃 | 400,000 | 36,848 | 2.47 | 36,848 | |
| | Foryou Private Equity Limited Partnership | 〃 | 〃 | 2,100,000 | 15,750 | 3.00 | 15,750 | |
| | Beiley Biofund Inc. | 〃 | 〃 | 3,000,000 | 22,500 | 0.00 | 22,500 | |
| | AnHorn Holdings Inc. | 〃 | 〃 | 581,396 | 15,378 | 1.92 | 15,378 | |
| | Subtotal | | | | 1,517,778 | | 1,517,778 | |
| | American HB Fund II | None | Prepayments for long-term investments | | 6,300 | | 6,300 | |
| | AZ Venture Investment II Limited | 〃 | 〃 | | 15,000 | | 15,000 | |
| | Subtotal | | | | 21,300 | | 21,300 | |
| | Total | | | | $ 1,804,189 | | $ 1,804,189 | |

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

Attachment 1.1: Securities held as of December 31, 2023 (not including subsidiaries, associates and joint ventures)

Unit: NTD thousand

| Company | Type and Name of the Securities | Relationship | Financial Statement Account | As of December 31, 2023 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Safety Investment Corp. | Grand Fortune Securities Co., Ltd. | None | Financial assets at fair value through profit or loss, current | 634,735 | $8,188 | 0.16 | $8,188 | |
| | TCI CO., LTD. | 〃 | 〃 | 744 | 127 | 0.00 | 127 | |
| | Advanced Ceramic X Corporation | 〃 | 〃 | 10,000 | 2,450 | 0.01 | 2,450 | |
| | TA-I Technology Co., Ltd. | 〃 | 〃 | 30,000 | 1,436 | 0.02 | 1,436 | |
| | Raydium Semi-conductor Corporation | 〃 | 〃 | 17,000 | 6,809 | 0.02 | 6,809 | |
| | Unictron Technologies Corporation | 〃 | 〃 | 40,000 | 3,520 | 0.08 | 3,520 | |
| | Wendell Industrial Co., Ltd. | 〃 | 〃 | 16,799 | 1,268 | 0.07 | 1,268 | |
| | Etron Technology, Inc. | 〃 | 〃 | 227 | 12 | 0.00 | 12 | |
| | Vivotek Inc. | 〃 | 〃 | 20,000 | 3,260 | 0.02 | 3,260 | |
| | Visco Vision Inc. | 〃 | 〃 | 15,000 | 3,255 | 0.02 | 3,255 | |
| | Subtotal | | | | 30,325 | | 30,325 | |
| | Grand Fortune Securities Co., Ltd. | None | Financial assets at fair value through other comprehensive income, current | 598,695 | 7,723 | 0.15 | 7,723 | |
| | Lianfa Metal Enterprise Co., LTD. | 〃 | 〃 | 398,000 | 6,062 | 0.80 | 6,062 | |
| | Ever Fortune.AI Co., Ltd. | 〃 | 〃 | 30,000 | 2,895 | 0.03 | 2,895 | |
| | Foresee Pharmaceuticals Co., Ltd. | 〃 | 〃 | 50,326 | 4,841 | 0.04 | 4,841 | |
| | Beiley Biofund Inc. | 〃 | 〃 | 174,810 | 1,311 | 0.00 | 1,311 | |
| | Subtotal | | | | 22,832 | | 22,832 | |
| | Total | | | | $53,157 | | $53,157 | |

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.
Notes To Parent Company Only Financial Statements
For the Years Ended December 31, 2023 and 2022

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

Attachment 1.2: Securities held as of December 31, 2023 (not including subsidiaries, associates and joint ventures)

Unit: NTD thousand

| Company | Type and Name of the Securities | Relationship | Financial Statement Account | As of December 31, 2023 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Moneywin International Ltd. | Hui Xian Real Estate Investment Trust | None | Financial assets at fair value through profit or loss, non-current | 315,000 | $1,257 | 0.00 | $1,257 | CNY 0.91 |
| | | | | | (USD 41 thousand) | | | |
| | Great Team Backend Foundry, Inc. | 〃 | 〃 | 1,012,578 | 26,743 | 1.12 | 26,743 | USD 0.86 |
| | | | | | (USD 871 thousand) | | | |
| | Pyxis Oncology, Inc. | 〃 | 〃 | 3,720 | 205 | 0.09 | 205 | USD 1.80 |
| | | | | | (USD 7 thousand) | | | |
| | American Well Corporation | 〃 | 〃 | 135,379 | 6,195 | 0.00 | 6,195 | USD 1.49 |
| | | | | | (USD 202 thousand) | | | |
| | WIN SEMICONDUCTORS CORP. | 〃 | 〃 | 200,000 | 5,237 | 0.00 | 5,237 | USD 0.8526 |
| | | | | | (USD 171 thousand) | | | |
| | Total | | | | $39,637 | | $39,637 | |

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

Attachment 2: Purchases or sales of goods from or to related parties exceeding NT$100 million or 20% of paid-in capital or more

Unit: NTD thousand

| Purchaser / Seller | Counter-party | Relationship | Transaction | | | | Details of non-arms Length transaction | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sale | Amount | Percentage of total Purchase/Sale | Term | Unit Price | Term | Balance | Percentage of total Receivable (Payable) | |
| Hong Tai Electric Industrial Co., LTD. | Lianfa Metal Enterprise Co., LTD. | Director of the related party | Purchase | $1,444,511 | 31.63% | 60 days | (Note 1) | (Note 1) | $(1,119) | (0.28%) | |
| 〃 | United Electric Industry Co., Ltd. | 〃 | 〃 | $229,078 | 5.02% | 〃 | 〃 | 〃 | $(25,301) | (6.29%) | |

(Note 1) The transaction terms are similar to those of general transactions.

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.
Notes To Parent Company Only Financial Statements
For the Years Ended December 31, 2023 and 2022

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

Attachment 3: Names, locations and related information of investee companies as of December 31, 2023 (excluding Mainland China)

Unit: NTD thousand

| Investor | Investee | Region | Main Business | Initial Investment | | As of Dec 31, 2023 | | | Investees company net income in 2023 | Share of Profits/Losses | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance at December 31, 2023 | Balance at December 31, 2022 | Number of shares | Percentage | Amount | | | |
| Hong Tai Electric Industrial Co., LTD. | Safety Investment Corp. | Taiwan | Investing | $37,644 | $37,644 | 8,795,890 | 99.95% | $128,214 | $12,767 | $12,761 | |
| 〃 | Moneywin International Ltd. | Virgin Islands | Investing | 144,991 (USD 4,431 thousand) | 144,991 (USD 4,431 thousand) | 4,430,860 | 100.00% | 125,339 | 5,488 | 5,488 | |
| 〃 | Hong-Hong Engineer Co. Ltd. | Taiwan | Cable installation engineering industry | 18,630 | 18,630 | 3,575,880 | 86.00% | 51,060 | 6,933 | 5,962 | |
| 〃 | South Ocean Holdings Ltd. | South Africa | Holding company | 492,851 | 492,851 | 56,270,187 | 27.68% | 117,537 | 150,778 | 40,854 | |
| | | | | | | | | $422,150 | | $65,065 | |

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

Attachment 3.1: Names, locations and related information of investee companies as of December 31, 2023－Moneywin International Ltd. (excluding Mainland China)：

Unit: NTD thousand

| Investor | Investee | Region | Main Business | Initial Investment | | As of Dec 31, 2023 | | | Investees company net income in 2023 | Share of Profits/Losses | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance at December 31, 2023 | Balance at December 31, 2022 | Number of shares | Percentage | Amount | | | |
| Moneywin International Ltd. | South Ocean Holdings Ltd. | South Africa | Holding company | $71,618<br>(USD 2,401 thousand) | $71,618<br>(USD 2,401 thousand) | 6,222,630 | 3.06% | $15,479<br>(USD 504 thousand) | $150,778 | $4,489 | |

HONG TAI ELECTRIC INDUSTRIAL CO., LTD.
Notes To Parent Company Only Financial Statements
For the Years Ended December 31, 2023 and 2022

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

Attachment 3.2: Names, locations and related information of investee companies as of December 31, 2023－Safety Investment Corp. (excluding Mainland China)：

Unit: NTD thousand

| Investor | Investee | Region | Main Business | Original cost | | As of Dec 31, 2023 | | | Investees company net income in 2023 | Share of Profits/Losses | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance at December 31, 2023 | Balance at December 31, 2022 | Number of shares | Percentage | Amount | | | |
| Safety Investment Corp. | Hong-Hong Engineer Co. Ltd. | Taiwan | Cable installation engineering industry | $2,557 | $2,557 | 415,800 | 10.00% | $5,937 | $6,933 | $693 | |

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

Attachment 4: Significant intercompany transactions between consolidated entities

Unit: NTD thousand

| No. | Company name | Counterparty | Relationship | Transaction | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Transaction terms | Percentage of consolidated total operating revenues or total assets |
| 0 | Hong Tai Electric Industrial Co., LTD. | Safety Investment Corp. | The Company to subsidiaries | Rent income | $96 | Regular | 0.00% |
| | | Hong-Hong Engineer Co. Ltd. | The Company to subsidiaries | Sale | 85,808 | Regular | 1.39% |
| | | | | Purchase | 4,453 | Regular | 0.07% |
| | | | | Operating costs | 31,363 | Regular | 0.51% |
| | | | | Rent income | 576 | Regular | 0.01% |
| | | | | Other income | 745 | Regular | 0.01% |
| | | | | Accounts receivable | 6,427 | - | 0.08% |
| | | | | Other receivables | 322 | - | 0.00% |
| | | | | Accounts payable | 1,810 | - | 0.02% |
| | | | | Other payables | 14,225 | - | 0.17% |

Attachment 5: Information of major shareholder

Unit: Share

| Major shareholder | Number of common shares | Number of special shares | Total | Percentage of shareholding (%) |
|---|---|---|---|---|
| SLZ INVESTMENT CO., LTD | 23,730,000 | - | 23,730,000 | 7.50% |
| LAWRENCE LI, CHEN | 22,884,153 | - | 22,884,153 | 7.23% |

(Note 1) The information of major shareholders in this table is based on the last business day of the end of each quarter by CCB, and calculates that shareholders hold more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). As for the share capital recorded in the company's financial report and the company's actual completed number of shares delivered without physical registration, there may be differences or differences due to different calculation bases.

(Note 2) In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, their shareholding includes their own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider's equity declaration, please refer to Market Observation Post System.

# G.Review and Analysis of Financial Status and Business Results, and Risk Items

## I.Consolidated financial standing - International Financial Reporting Standards:

Unit: NTD thousand

| Item / Year | 2023 | 2022 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Current asset | 5,163,388 | 5,470,716 | (307,328) | (5.62) |
| Funds and investments | 1,690,432 | 1,183,381 | 507,051 | 42.85 |
| Real estate, plants, and equipment | 1,295,077 | 1,333,899 | (38,822) | (2.91) |
| Investments and other assets | 347,282 | 221,070 | 126,212 | 57.09 |
| Total assets | 8,496,179 | 8,209,066 | 287,113 | 3.50 |
| Current liability | 791,366 | 916,545 | (125,179) | (13.66) |
| Non-current liability | 151,845 | 186,142 | (34,297) | (18.43) |
| Total liabilities | 943,211 | 1,102,687 | (159,476) | (14.46) |
| Capital stock | 3,160,801 | 3,160,801 | - | - |
| Capital reserve | 191,704 | 191,704 | - | - |
| Retained earnings | 4,159,736 | 3,931,185 | 228,551 | 5.81 |
| Other equities | 38,293 | (179,493) | 217,786 | 121.33 |
| Treasury stock | - | - | - | - |
| Non-controlling interest | 2,434 | 2,182 | 252 | 11.55 |
| Total equity | 7,552,968 | 7,106,379 | 446,589 | 6.28 |

Notes: Information on primary causes of major changes to assets, liabilities, and shareholder's equity in the past year (with variation of 20% and above or NTD 10 million and above) and their impacts and the countermeasures in the future.
Primary cause:
Funds and investments: It was mainly because of the increase in fair value of the valuation of investee subjects for the current term.
Investments and other assets: It was mainly because of the increase in tender cases.
Other equities: It was mainly because of the increase in unrealized profits or losses on FVOCI valuation, which are fairly adequate after the valuation is reviewed.
Impacts: No major impacts.
Countermeasures in the future: Not applicable.

## II.Financial performance:

(I)Consolidated financial performance analysis - International Financial Reporting Standards:

Unit: NTD thousand

| Item | 2023 | | 2022 | | Increase (Decrease) Amount | Change Ratio |
|---|---|---|---|---|---|---|
| | Subtotal | Total | Subtotal | Total | | |
| Operating income | | | | | | |
| Sales income | 6,232,231 | | 6,437,068 | | (204,837) | (3.18) |
| Less: Rejected sales | 663 | | 1,112 | | (449) | (40.38) |
| Sales discounts | 36,543 | | 50,011 | | (13,468) | (26.93) |
| Net operating income | | 6,195,025 | | 6,385,945 | (190,920) | (2.99) |
| Operating cost | | 5,323,372 | | 5,618,483 | (295,111) | (5.25) |
| Operating gross profit | | 871,653 | | 767,462 | 104,191 | 13.58 |
| Operating expense | | 265,580 | | 244,575 | 21,005 | 8.59 |
| Operating profit (loss) | | 606,073 | | 522,887 | 83,186 | 15.91 |
| Non-operating income and profit | | 124,099 | | 71,815 | 52,284 | 72.80 |
| Non-operating expenditure and loss | | (26,416) | | 41,831 | (68,247) | (163.15) |
| Pre-tax profit | | 756,588 | | 552,871 | 203,717 | 36.85 |
| Expected profit (expenditure) from income tax | | (127,837) | | (198,742) | 70,905 | 35.68 |
| Net profit of current term | | 628,751 | | 354,129 | 274,622 | 77.55 |

Information on the analysis of variation in the ratio of increase/decrease:
Non-operating income and profit: It was mainly because of the increase in FVTPL valuation benefits.
Non-operating expenditure and loss: It was mainly because of the loss on disposal of equipment.

(II)Analysis of variation in operating gross profit:

| Item | 2023 | 2022 | Ratio of increase/decrease | Variation (%) |
|---|---|---|---|---|
| Gross profit (%) | 14.07% | 12.02% | 2.05% | 17.05% |

| Item / Year | Operating income | Sales return and discounts | Operating cost | Operating gross profit | Gross profit (%) (%) |
|---|---|---|---|---|---|
| 2023 | 6,232,231 | 37,206 | 5,323,372 | 871,653 | 14.07% |
| 2022 | 6,437,068 | 51,123 | 5,618,483 | 767,462 | 12.02% |

Price/Volume analysis:

| | Sales income | | Sales cost | | |
|---|---|---|---|---|---|
| Major products | Price difference (Undesirable) | Quantity difference (Undesirable) | Price difference (Desirable) | Quantity difference (Desirable) | Gross profit from sales |
| Wire/cable | (371,117) | 175,910 | (521,955) | 150,655 | 894,120 |
| Bare copper wire | 5,817 | (4,679) | (457) | (4,549) | 11,262 |
| Communication cable and optical cable | (246) | (9,841) | (18) | (9,077) | 1,746 |
| Electronic material | (147,352) | (265,397) | (80,776) | (244,591) | (49,947) |
| Other | - | - | - | - | - |
| Total | (512,898) | (104,007) | (603,206) | (107,562) | 857,181 |

Description of the causes:

1 The cost of PVC insulated wires & cables dropped for the current term and the selling price increased due to market adjustments to result in the preferred income price difference and preferred cost price difference. The slight decrease in sales for the current term, on the other hand, led to the undesirable income quantity difference and desirable cost quantity difference.

2 The selling prices and costs of cross-linked PE wires and cables basically fluctuate with prices of copper. Due to the change in product mix for the current term, there are undesirable income price difference and desirable cost price difference. Meanwhile, the change in product mix and the slight increase in the sales give rise to the desirable income quantity difference and undesirable cost quantity difference.

3 The majority of bare copper wires are sold with wires and cables, which is subject to fluctuations in copper prices and order placement, resulting in desirable income price difference and desirable cost price difference. The decrease in sales, on the other hand, led to the undesirable income quantity difference and desirable cost quantity difference.

4 The cost of communication wires and cables slightly dropped for the current term and hence the selling price was adjusted downward slightly to result in the undesirable income price difference and desirable cost price difference for the current term. Meanwhile, the year-on-year decrease in the sales of the current term leads to the undesirable income quantity difference and desirable cost quantity difference.

5 Copper clad laminates are used in computer motherboard-related products; they are products of re-processed prepregs. A certain safety inventory is maintained for copper clad laminates and because of the requirement to use up the copper foil within 3 months, the turnover rate is relatively high. The cost and selling price of the products for the current period were significantly discounted from the market price due to the discontinuance of the electronic material division and liquidation of inventory at the end of the year, which resulted in undesirable income price difference and desirable cost price difference. In addition, the drop in the quantity of purchase orders taken for the current term led to the undesirable income quantity difference and the decrease cost quantity difference.

## III. Cash flows:

Unit: NTD thousand

| Cash balance at start of term (1) | Annual net cash flows from operating activities(2) | Annual cash flows from investment and fund-raising activities(3) | Impacts from changes in exchange rates (4) | Cash balance (shortage) (1)+(2)+(3)+(4) | Remedies for shortage in cash | |
|---|---|---|---|---|---|---|
| | | | | | Investment plans | Fundraising plans |
| 2,420,702 | 366,081 | (856,907) | (797) | 1,929,079 | Not applicable | Not applicable |

(I)Analysis of variance in current flows for the year:

1.Net cash inflows from operating activities: The decrease in cash inflow from operating activities was mainly due to the increase in income tax and unappropriated earnings tax paid in the current year as compared to the previous year.

2.Net cash outflows for investment activities: Cash outflows from investing activities for the current term amounted to NT$380,114 thousand. The significant increase for the current term was due to the increase in the acquisition of financial assets at fair value through other comprehensive income compared with the previous period, and the purchase of more stocks and bonds.

3.Net cash outflows for fund-raising activities: The cash outflow from financing activities for the current term was NT$476,793 thousand, which was attributable to the cash dividends of NT$474,120 thousand from the appropriation of 2022 earnings.

(II)Remedies in case of cash shortage and liquidity analysis:

Not applicable because the Company does not have cash shortage.

The liquidity analysis is provided below:

| | 2023 | 2022 | Ratio of increase (decrease) (%) |
|---|---|---|---|
| Cash flow ratio (%) | 46.26 | 53.59 | 13.68 |
| Cash flow adequacy ratio (%) | 34.40 | 28.44 | 20.96 |
| Cash Reinvestment Ratio (%) | (1.24 ) | (4.33) | (71.36) |

Information on the variation in the ratio of increase/decrease:

1.Cash flow ratio: The ratio showed a year-on-year drop mainly because of the decrease in cash inflows from operating activities. Refer to (I) 1. for the causes.

2.Cash flow adequacy ratio: The increase in ratio was mainly due to the increase in cash flows from operating activities in the last five years compared to the same period of last year.

3.Cash Reinvestment Ratio: This ratio showed a year-on-year increase and was negative because of the decrease in cash dividends compared to the previous term and greater cash dividends than the cash inflows from operating activities.

(III)Analysis of cash flow liquidity for the coming year:

| Cash balance at start of term (1) | Expected annual net cash flows from operating activities(2) | Expected annual net cash flows from investment and fund-raising activities (3) | Estimated cash balance (shortage) (1)+(2)+(3) | Expected remedites in case of cash shortage | |
|---|---|---|---|---|---|
| | | | | Investment plans | Fundraising plans |
| 1,920,079 | 600,504 | (947,526) | 1,582,057 | Not applicable | Not applicable |

1.Analysis of expected variance in cash flows:

(1)Expected annual net cash flows from operating activities:

Net cash in-flows of operating activities mainly come from operating income.

(2)Expected annual net cash flows from investment and fund-raising activities:

A.Investing activities: Net cash outflow from investment activities was mainly due to the procurement of plant and equipment update.

B.Fund-raising activities: Net cash out-flows of fund-raising activities are meant mainly to distribute cash dividends.

2.Expected remedies in case of cash shortage and flow analysis:

Not applicable because the Company does not have cash shortage.

## IV.Impacts of significant capital expenditure on financial operations in 2023:

(I)Utilization and funding source of major capital expenditure:

Significant capital expenditure throughout 2023 totaled around NTD93 million and the source of funding was the working capital. The main purposes were to upgrade wire and cable equipment, improve manufacturing processes, and purchase land and buildings for the operation office in Jiali, Tainan.

(II)Expected possible benefits:

The capital expenditure mentioned above are expected to enhance the overall competitiveness of the Company by increasing the production capacity of the machines, improving the quality of the products, lowering the production costs, and strengthening the service network.

## V.Reinvestment policy in 2022 and main reasons for profits or deficits and the improvement plan as well as the investment plan for the coming year:

(I)Our company's investment strategy is to timely invest in accordance with major international and domestic issues.

(II)The main reasons for the profit from investments are as follows

Due to weak global consumption and cooling inflation, the Federal Reserve's policy has gradually shifted from hawkish to dovish, prompting a recovery in global stock markets and a thriving bond market. In terms of international geopolitical tensions, they are limited to certain regions (such as Russia-Ukraine and the Middle East), easing pressure on the global economy. Additionally, the resumption of dialogue between the US and China, coupled with the heating up of the domestic presidential election, has stimulated the biotechnology, medical, and energy industries. In the field of technology, the rise of AI has driven the recovery of Taiwan's electronics industry. The market experienced significant volatility in 112, exacerbated by factors such as the Israel-Palestine conflict and the slower-than-expected economic recovery in China. Frictions between the US and China continue to arise intermittently, necessitating close observation for long-term investment strategies.

(III)In the 2024 investment plan, considerations include the following directions: Paying close attention to the timing and extent of interest rate cuts by the Federal Reserve, positioning in appropriate commodities, and monitoring the trends of the US presidential election and selecting themes benefiting from policies. In terms of popular industries, focusing on the popularization and application of AI, and investing in related industries; Additionally, continuing to monitor the prospects of emerging markets and the recovery of the global economy. In 2024, the focus of investment is on monitoring the risks of rising inflation, interest rate cuts, geopolitical tensions, etc. Given the high base period of short-term investments, the company will flexibly deploy investments and dispose of holdings at the right time to realize investment returns as early as possible. Regarding long-term investments, the company will continue to deepen post-investment management and actively research industry sectors to expand future investment opportunities.

## VI.Analysis and Evaluation of Risk Matters:

(I)Impacts of changes in interest rate and exchange rate and inflation on the Company’s profits or losses in the past year and the countermeasures in the future.

1.Impacts of changes in interest rate in the past year on the Company’s profits or losses and the countermeasures in the future:

Unit: NTD thousand

| Item\Year | 2023 |
|---|---|
| Consolidated net interest income (expenditure) (1) | 13,365 |
| Consolidated operating income (2) | 6,195,025 |
| Consolidated operating profit (loss) (3) | 606,073 |
| (1)/(2) | 0.21% |
| (1)/(3) | 2.20% |

The Company’s consolidated net interest of 2023 was an income of NT$13,365 thousand, accounting for 0.21% and 2.2%, respectively, of the consolidated operating income and operating profit for the same year and an increase from 2022, mainly because of the amount of notes purchased, the increase in government bonds and increase in interest rates on deposits in 2023. Due to the fact that interest expenditure of the Company does not account for a large ratio, in cases of rising interest rates in the future, there will be no major impacts on the Company because of changes in interest rate. In case of any demand for funds in the future, on the other hand, the Company will take the following countermeasures depending on the circumstances:

(1)In the future, depending on the operational condition and the demand for funds, capital increase in cash will be adequately initiated or commercial papers and corporate bonds will be adequately issued or short-to-long-term financing will be applied for with financial institutions in order to reduce the interest rate risk.

(2)The Company will periodically evaluate the interest rates for borrowings offered by financial institutions while at the same time obtaining the mean interest rate on the market and keep in close contact with them in order to seek the most preferred interest rate for borrowings.

2.Impacts of changes in exchange rate on the Company’s profits or losses and the countermeasures in the future:

Unit: NTD thousand

| Item\Year | 2023 |
|---|---|
| Consolidated net foreign currency exchange (loss) profit (1) | (3,316) |
| Consolidated operating income (2) | 6,195,025 |
| Consolidated operating profit (3) | 606,073 |
| (1)/(2) | (0.05)% |
| (1)/(3) | (0.54)% |

The Company’s consolidated net foreign currency exchange interest 2023 was a loss of NT$3,316 thousand, accounting for-0.05% and-0.54%, respectively, of the consolidated operating income and operating profit for the same year, which was mainly due to changes in foreign exchange rates. Due to the fact that foreign exports do not account for a large ratio of the Company’s revenue, the changes in the exchange rates of NTD versus USD and other currencies have limited impacts on the Company profits or losses. Nevertheless, the Company has been paying attention to the fluctuating exchange rates on the international market and continues to impose the following countermeasures:

(1) Remain in close contact with the Foreign Exchange Department of each corresponding financial institution and collect information about changes in exchange rate at all times in order to fully keep track of trends in exchange rate, among other, and to proactively deal with negative impacts brought about by fluctuating exchange rates.

(2) Open deposit accounts for foreign currencies and adjust the positions of foreign currencies held reflective of the actual demand for funds and trends in exchange rate.

(3) Support expenditure for purchases with income from sales in the same currency as a hedging approach.

3.Impacts of inflation on the Company’s profits or losses and the countermeasures in the future:

Prices of raw materials and supplies have been fluctuating recently due to the international economic and political situations. The Company will continue to pay close attention to inflation and changes in purchase orders, adequately adjust prices of products and the inventory of raw materials and supplies in order to reduce the impacts of inflation on the Company and sign long-term purchase contracts on major raw materials with collaborative suppliers in order to reduce impacts from fluctuating prices of major raw materials and supplies.

(II)Policies on high-risk, high-leverage investments, lending to others, endorsements/guarantees, and transactions of derivative financial instruments, main causes of profits or losses, and countermeasures in the future:

| Affected Item | Policy | Main cause of profit or loss | countermeasure in the future |
|---|---|---|---|
| High-risk/high-leverage investment | The Company focuses on its mainstream business and is not engaged in high-risk/high-leverage investments. | None | None |
| Lending to others | 1. Lending occurs only to subsidiaries; there are no funds lent to other companies and the value has not been out of bound.<br>2. The Company's "Operating Procedure for Lending Funds to Others" is followed. | None | None |
| Endorsements and guarantees | 1. Endorsements and guarantees occur only to subsidiaries; there are no endorsements or guarantees for other companies and the value has not been out of bound.<br>2. The Company's "Procedure for Processing Endorsements and Guarantees" is followed. | None | None |
| Experience in the transactions of derivative financial products | 1. The Company deals with derivative financial instruments mainly for hedging transactions of operating and investing activities and has not engaged in trading of derivatives for the purpose of speculation.<br>2. The Company's Procedure for Acquiring or Disposing of Assets is followed. | None | None |

(III) Future R&D programs and expected R&D investments:

1.R&D programs in the past year:

| R&D programs in the past year | Date of completion |
|---|---|
| 1. Development of nylon coatings for anti-termite cables | 2018 |
| 2. Development of 33kV XLPE-MDPE anti-gopher/termite cables | 2019 |
| 3. Development of UL solar power cables | 2019 |
| 4. Development of IEC/EN solar power cables | 2020 |
| 5. Development of ultra-heat-resistant aluminum steel-reinforced conductors | 2020 |
| 6. Development of wind power cables | 2020 |
| 7. Development of hypalon lead cables | 2020 |
| 8. Novel structure flame-retardant cables | 2020 |
| 9. Gopher and termite resistant UL PV cables | 2020 |
| 10. Development of IEC/EN gopher and termite resistant PV cables | 2021 |
| 11. Ultra-high voltage PVC termite resistant materials | 2021 |
| 12. Development of ultra-high voltage PVC gopher and termite resistant materials | 2022 |
| 13. Development of IEC/EN gopher and termite resistant PV cables | 2023 |

2. Pending additional R&D investments, expected time of completion of mass production, current progress, and major influential factors for successful R&D in the future:

| No. | R&D item | R&D expenditure | Expected time of completion of mass production | Current progress | Major influential factors for successful R&D in the future |
|---|---|---|---|---|---|
| 1 | Development of novel materials and other supply sources for the green energy sector | NTD 1,000,000 | October, 2024 | 20% | 1. Suitability of equipment transformation<br>2. Technology innovation and production process improvement<br>3. Product application market expansion |
| 2 | Development of 230kV XLPE cables | NTD 3,000,000 | October, 2024 | 30% | 1. Suitability of processing equipment<br>2. Production technology upgrade and product verification<br>3. Increased market demand |
| 3 | Development of 345kV XLPE cables | NTD 6,000,000 | December, 2024 | 30% | 1. Suitability of processing equipment<br>2. Production technology upgrade and product verification<br>3. Product quality and application of innovative technology |
| 4 | Development of ultra-heat-resistant aluminum steel-reinforced conductors | NTD 14,000,000 | December, 2024 | 10% | 1. Suitability of processing equipment<br>2. Production technology upgrade and product verification<br>3. Increased market demand |
| 5 | Development of connector cables | NTD 2,000,000 | December, 2024 | 10% | 1. Suitability consideration of inspection equipment<br>2. Processing and production quality technology upgrade and product verification<br>3. Market demand and channel determination |

(IV)Major changes in government policies and laws at home and broad, the impact on Company finance and business, and response measures: None.

(V) Impacts of technological and industrial changes on the Company's finance and countermeasures:

The sluggish global economy impacts the market as a whole significantly; nevertheless, the demand for new materials and products remains. As the international society is paying increased attention to the quality of products and improvement in technical capabilities as well as the needs of domestic and international customers, new products will be developed in the most economical way in 2024. New products that combine design and technical application of new technological materials and meet the demand on the market will be developed in order to explore business opportunities. Examples include: green-energy new materials, 230kV XLPE cables, 345kV XLPE cables, among other new products. Meanwhile, competitive and technical capabilities will be improved to expand the market share and to improve the corporate image and profitability.

(VI)Impacts of change in corporate image on corporate crisis management and the countermeasures: None.

(VII) Expected benefits and possible risks of mergers and acquisitions and the countermeasures: None.

(VIII) Risks facing focused purchases or sales and the countermeasures:

Copper and copper sheets for wires and cables are obtained directly from the international market. Copper strips, on the other hand, are from multiple domestic OEM contractors or are bought directly. There are no risks of focused purchases. PVC powder is sufficiently supplied by domestic heavyweights. The price is transparent and there are sufficient sources of supply both domestically and internationally to ensure long-term stability. XLPE particles are provided by the world's two largest chemical groups and the partnership has been optimal over the long term. The cost fluctuates with the price of crude oil.

For the sales of power wires and cables, besides the TaiPower transmission project, there are other institutional users such as CPC, TRA, and MRT and more than a hundred other public projects, distributors and agents. The market is decentralized. There is no risk of focused sales, either.

Telecommunication cables are known for their ample sources of materials, mature processing techniques and steady quality and purchase order-based production model that is relatively free of the inventory stress and risk. Their sales, however, are focused on fixed network operators. Countermeasures include continuous development of new markets, etc.

For peripheral solar power parts and components, as the government proactively promotes renewable energy and the clause for major electricity consumers is enforced, related demand is climbing rapidly and it is required to proactively explore a second source to decentralize the procurement risk. As far as sales are concerned, it is required to continue increasing domestic and international customers for decentralization of the distribution risk.

(X) Impacts of extensive transfer or swap of shares by directors, supervisors, or major shareholders holding over 10% of shares on the Company and the risks and countermeasures: None.

(XI) Impacts of change in management on the Company and the risks and countermeasures: None.

(XII) Disclosure of lawsuit or non-lawsuit events whose outcome had major impacts on the shareholder equity or prices of securities: None.

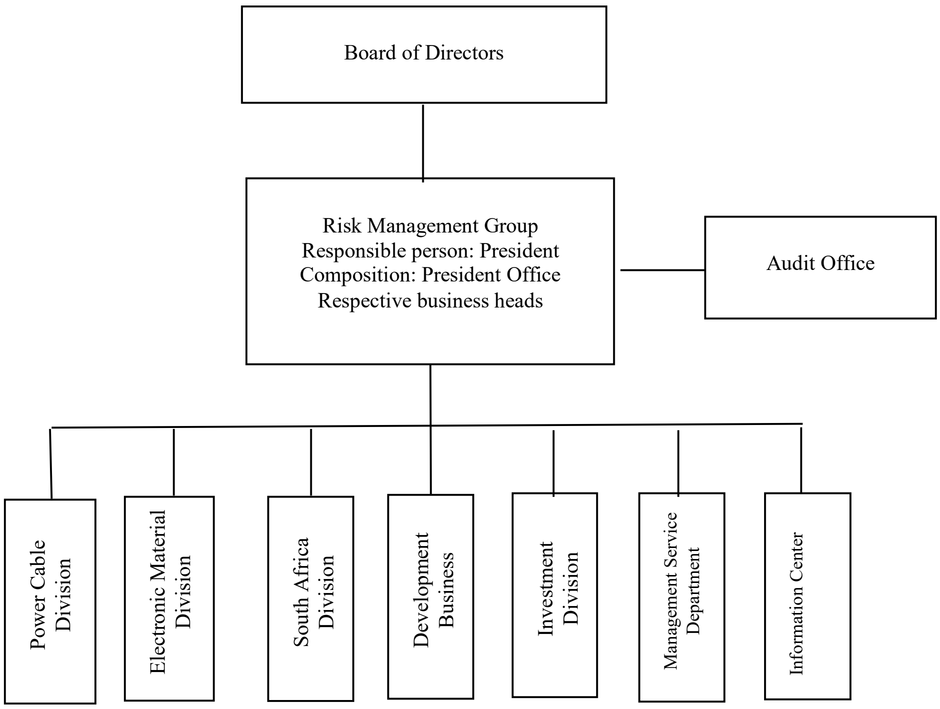
(XIII) Other significant risks and countermeasures:

In light of the increasing threat on the Internet, related protection is in place and the matching digital software and hardware equipment as well as close collaboration with information security and related service providers is being reinforced each year.

In 2023, the Company did not find any major cyber attacks and there were no incidents with existing or imminent significant impacts on the Company's sales and operation.

(XIV) Organizational structure of risk management:

| Unit | Functions and Responsibilities |
|---|---|
| Board of Directors | The Company's Board of Directors is the highest risk management body in the Company; it is responsible for finalizing the risk management policy and structure and ensuring that the operational strategy and direction are consistent to the risk management policy. |
| Risk Management Group | The President is the person in charge of the Group; he/she is responsible for organizing and supervising the implementation and operations associated with risk management as a whole and top-ranking managers of respective business units and the President's Office are members of the Group. |
| Audit Office | The Audit Office reports to the Board of Directors. The Annual Audit Plan is prepared with reference to the risk management policy and risk assessment findings. Respective business units are audited in compliance with the Plan and the Company's internal control system. |
| Respective Business Units | Respective business units shall specifically identify, analyze, evaluate, and respond to various encountered risks to ensure that their risk management and related control procedures are effectively enforced and the risk control involved is within a bearable range. |

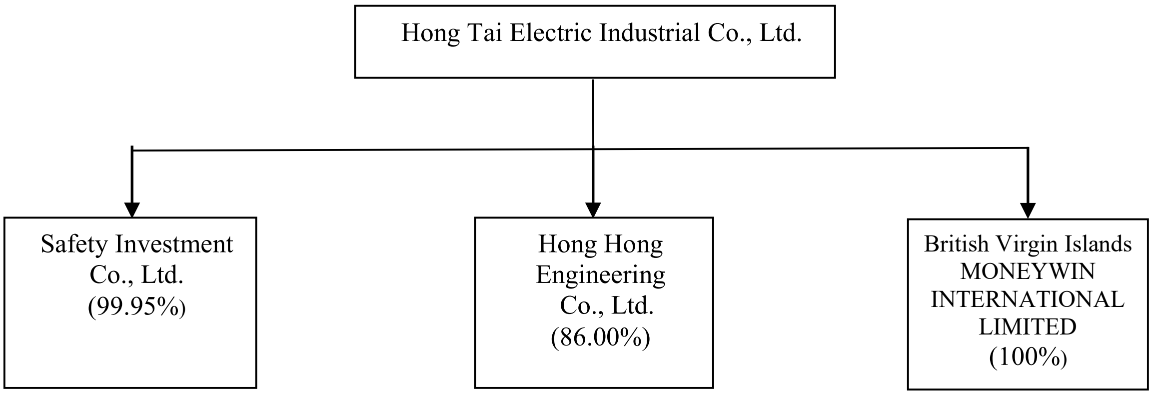



**VII.Other Important Matters:** None.

# H. Special Notes

**I. Profiles of Affiliates**:

(I) Organizational Chart of Affiliates (3/31/2024):




(II)Profiles of affiliates:

Unit: $ 1,000

| Name of business | Date of establishment | Address | Paid-in capital size | Main scope of operation or production |
|---|---|---|---|---|
| Safety Investment Co., Ltd. | 1994.09.13 | 20F, No. 65, Dunhua South Road Section 2, Da'an District, Taipei City | 88,000 | General investment |
| Hong Hong Engineering Co., Ltd. | 2005.01.19 | No. 248, Zhongshan North Road, Dayuan District, Taoyuan City | 41,580 | Cable installation engineering |
| British Virgin Islands MONEYWIN INTERNATIONAL LIMITED. | 1997.05.15 | VISTRA CORPORATE SERVICES CENTRE,WICKHAMS CAY II,ROAD TOWN,TORTOLA,VG1110,B.V.I. | USD4,431 | General investment |

(III) Information of Directors, Supervisors, and Presidents of Affiliates:

Unit: share/%

| Name of business | Title | Name or representative | Number of shares held | |
|---|---|---|---|---|
| | | | Number of shares | Shareholding ratio |
| SAFETY INVESTMENT CO., LTD. | Chairman<br>Director<br>Director<br>Director<br>Director<br>Supervisor | Hong Tai Electric Industrial Co., Ltd. (Representative: Chen Shi-Yi)<br>Hong Tai Electric Industrial Co., Ltd. (Representative: Chen Chieh-Fu)<br>Hong Tai Electric Industrial Co., Ltd. (Representative: Chang Ping-Jen)<br>Hong Tai Electric Industrial Co., Ltd. (Representative: Chen Liang-Hua)<br>Hong Tai Electric Industrial Co., Ltd. (Representative: Chang Hsiao-Ming)<br>Pan Shao-Ping | 8,795,890 shares<br>0 shares | 99.95%<br>0% |
| Hong Hong Engineering Co., Ltd. | Chairman<br>Director<br>Director<br>Supervisor | Hong Tai Electric Industrial Co., Ltd. (Representative: Yu Shih-wei)<br>Hong Tai Electric Industrial Co., Ltd. (Representative: Shen Wei-Nan)<br>Hong Tai Electric Industrial Co., Ltd. (Representative: Chang Hsiao-Ming)<br>Chien Ying-Che) | 3,575,880 shares<br>0 shares | 86.00%<br>0% |
| British Virgin Islands MONEYWIN INTERNATIONAL LIMITED. | Chairman<br>Director | Hong Tai Electric Industrial Co., Ltd. (Representative: Chen Liang-Hua)<br>Hong Tai Electric Industrial Co., Ltd. (Representative: Pan Shao-Ping) | 4,430,860 shares | 100.00% |

(IV) Business overview of affiliates:

Unit: NTD thousand; Earnings/NTD

| Name of business | Capital size | Total assets | Total liabilities | Net worth | Operating income | Operating profit or loss | Current Profit/Loss (After-tax) | Earnings per share (After-tax) |
|---|---|---|---|---|---|---|---|---|
| SAFETY INVESTMENT CO., LTD. | 88,000 | 128,659 | 386 | 128,273 | 51,296 | (2,121) | 12,767 | 1.45 |
| Hong Hong Engineering Co., Ltd. | 41,580 | 75,552 | 16,180 | 59,372 | 129,732 | 8,250 | 6,933 | 1.67 |
| British Virgin Islands MONEYWIN INTERNATIONAL LIMITED | 139,652 | 125,372 | 33 | 125,339 | 0 | (263) | 5,488 | 0.04 |

(V) Information of common shareholders who are presumed to have a relationship of control and subordination: Not applicable.

(VI) Report of Affiliates: Not applicable.

(VII)Overall scope of operation of affiliates:

| Name of Company | Sector | Controlling (Subordinate) company | Control (Subordination) | Scope of operation among the affiliates and the interaction and division of labor |
|---|---|---|---|---|
| Hong Tai Electric Industrial Co., Ltd. | Wire/cable<br>Optoelectronics<br>Copper clad laminate | Controlling company | Control through shares held | Manufacturing and distribution of wires and cables, photovoltaic parts and components of solar power modules, copper clad laminates, and insulating materials |
| Safety Investment Co., Ltd. | Investment | Subordinate company | Control through shares held | General investments in a variety of production businesses, investments in securities, and banks and companies |
| Hong Hong Engineering Co., Ltd. | Cable installation engineering | Subordinate company | Control through shares held | Production of wires and cables and cable installation engineering, etc. |
| British Virgin Islands MONEYWIN INTERNATIONAL LIMITED | Investment | Subordinate company | Control through shares held | Holding companies that are reinvested in overseas |

(VIII)Consolidated financial statement of affiliates:

Refer to "Six. Financial Overview IV. Financial Statements from Last Year and Declaration on Consolidated Financial Statement of Affiliates in the CPA's Audit Report" herein.

(IX)Disclosure of information on transactions Involving related parties (including affiliates):

Refer to "Six. Financial Overview, IV. Financial Statements from Last Year and CPA's Audit Report, and Seven. Transactions Involving Related Parties" herein.

(X)Disclosure of information on endorsements/guarantees for affiliates, lending to others, and transactions of derivative financial instruments:

Refer to "Six. Financial Overview, IV. Financial Statements from Last Year and XIII. Other Disclosures of the CPA's Audit Report" herein.

**II.Private placement of securities:** None.

**III.Shares held or disposed of by subsidiaries in the Company:** None**.**

**IV.Other Necessary Supplementary Information: None.**

**V.Other Disclosures:**

Matters with significant impacts on shareholder's equity or prices of securities as set forth in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the past year up to the date the Annual Report was printed: None.

Hong Tai Electric Industrial Co., Ltd.

Chairman：Chiu Chiang Investment Co., Ltd

Representative: Chen Shih Yi