Stock code: 3114

# HOWTEH TECHNOLOGY CO., LTD.

2023

# Annual Report

**The Annual Report is available at: https://mops.twse.com.tw**
**Company website: http://www.howteh.com.tw**

Published on May 9, 2024

**I. The Company's spokesperson and acting spokesperson:**
**Name of spokesperson: Wang, Chang-Hui (temporary)**
**Title: Audit Office Manager**
**Contact No.: (02) 2570-8818**
**Email: angle@howteh.com.tw**

**Name of acting spokesperson: Wang, Chang-Hui**
**Title: Audit Office Manager**
**Contact No.: (02) 2570-8818**
**Email: angle@howteh.com.tw**

**II. Address and contact number of headquarters:**
**Address of headquarters: 6F, No. 25, Sec. 1, Dunhua South Road, Taipei**
**Contact No.: (02) 2570-8818**
**FAX: (02) 2570-9888**

**III. Agency handling shares transfer:**
**Name: Stock Agency Department of MasterLink Securities Corp.**
**Address: B1, No. 35, Lane 11, Guangfu North Road, Taipei**
**Contact No.: (02) 2768-6668**
**Website: https://www.masterlink.com.tw**

**IV. CPAs who duly audited the annual financial report for the most recent fiscal year:**
**CPAs: Wang, Hsuan-Hsuan; Chang, Chih-Ming**
**CPA frim: Ernst & Young**
**Address: 9F, No. 333, Sec. 1, Keelung Road, Taipei**
**Contact No.: (02)2757-8888**
**Website:https://www.ey.com**

**V. Name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: None.**

**VI. Company website: http://www.howteh.com.tw**

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# One. Letter to Shareholders

## I. 2023 Business Performance

(I) Business Plan implementation achievements:

The world has experienced high inflation and interest rates in the past year, while China's post-pandemic economic performance has been worse than expected, all contributing to a weak international economic performance. This has been further exacerbated by factors such as the U.S.-China trade confrontation, the Russia-Ukraine war, and the ongoing Israeli-Palestinian conflict, together leading to a suppression of worldwide end-product demand. International orders have declined, supply chains continue to face inventory adjustments, and industrial activities have slowed, trends that have together impacted the global economy.

In 2023, the Company recorded a consolidated revenue of NT$2.74 billion, down 15.4% from NT$3.24 billion in 2022; a gross profit of NT$290 million; a post-tax profit of NT$100 million; and an EPS of NT$1.55.

(II) Status of budget execution

Since the Company did not disclose a financial forecast for 2023, there was no such thing as budget implementation and achievement.

(III) An analysis of income and expenses and profitability

Unit: NT$1,000

| Item | 2023 | 2022 | Change |
|---|---|---|---|
| Operating revenue | 2,743,028 | 3,244,029 | -15.44% |
| Operating gross profit | 287,387 | 354,003 | -18.82% |
| Operating profit | 99,728 | 131,016 | -23.88% |
| Net profit after tax | 100,772 | 208,799 | -51.74% |

| Item | 2023 | 2022 |
|---|---|---|
| Return on assets (%) | 4.12 | 7.52 |
| Return on equity (%) | 6.70 | 15.63 |
| Operating profit to paid-in capital (%) | 15.31 | 20.92 |
| Profit before tax to paid-in capital (%) | 19.57 | 41.31 |
| Net profit margin (%) | 3.67 | 6.44 |
| Earnings per share (NT$) | 1.55 | 3.21 |

(IV) Research and Development

The Company is mainly engaged in the trading of electronic components and related products, and has no R&D investment expenses for its own production. With professional marketing and sales personnel, in addition to the existing connectors, acoustic products, wires, driving IC, PCB equipment, and other products, we continue to develop more new application products as the agent, such as Potens Semiconductor Corp., Ingenic Semiconductor Co., Ltd., Motorcomm Electronic Technology Co., Ltd., etc., and have successfully assisted in the introduction of the application and sales of end customers' products. With our newly established sales offices in Vietnam and Beijing, China, we have successively developed contacts with customers of development potential, expanded the scale of the Company's operational services, and created more growth opportunities.

II. Summary of the 2023 Business Plan

(I) Business strategies

1. Developing new suppliers, new products, new applications, and new services
   Setting up a development department, which shall keep abreast of current events in the technology industry, and shall be exclusively responsible for developing the ODM business and agency business, and for creating product applications, so as to broaden the business reach. Actively deepening the cooperative and dependent relationship with existing customers and developing new customer bases.
2. Improving the ability of the professional technical team, integrating demand with applications, and providing comprehensive services
   The Company attaches importance to human resources use and improvement. By holding various internal education and training courses and on-the-job training, and by actively participating the seminars on industrial trends and technologies, the Company hones employees’ professional skills. By developing solutions tailored to the needs of clients and original manufacturers, the Company betters its service quality and operating procedures, in order to align with market trends and demand.
3. Implementing the operating and administrative mechanism to better market competitiveness.
   The Company will respond to global economic growth and grasp industry changes and clients’ operating status in order to develop the strategy for developing products tailored to the local’s needs; manage accounts in relation to clients and implement the purchase-sales-inventory mechanism; reduce cost and expenditures; and properly manage cash flows, so as to increase competitiveness in the market.

(II) Expected sales and expectation basis

The Company is a professional agent for electronic components, and process equipment and consumables, the products include electronic components (connectors, audio component and wires in principle), and PCB manufacturing equipment, testing instruments and materials.

Entering 2024, although there are still many uncertainties in the world economy, fortunately, the annual growth rate of the US consumer price index is gradually declining, inflation will continue to cool down, the pace of interest rates will also slow down, and there is a possibility of gradual reduction of interest rates. At the same time, the demand for emerging technology applications, the AI boom in electronics and semiconductors and other technology industries, and the fulfillment of net zero emission commitments by international companies will help boost production momentum and equipment demand, as well as promote a recovery in investment. As the global economy recovers, it drives Taiwan's external trade performance, which has gradually stabilized, and consumer demand for end products has recovered, which will help the Company's revenue growth from electronic components.

(III) Important production and sales policies

Since the Company’s operations are mainly marketing and trading of products on an agency basis, the Company’s production and sales policy will excessively focus on the following:

1. Improvement in professional competency

   To improve employees’ understanding of professional knowledge on product properties, features, and functions; to grasp industry trends; to actively use the core products of original manufacturers; and to introduce a wide range of innovative service models and solutions, to seek more opportunities to launch applications tailored to demand.

2. To develop markets outside the China block

   We will actively tap into the markets other than the China block. For instance, we will launch suitable products and services in Southeast Asia.

3. Effective prevention of credit risks

   We will strictly control and monitor clients’ financial structure and credit rating, and will insure accounts receivables to lower the risk of default on debt.

4. Scheduling and management of a suitable level of inventories

   We will always keep an eye on clients’ demand, according to which we will adjust inventory levels to avoid overstock. In addition, through our systematic and well-organized internal inventory management system, we will make the inbound and outbound inventories more smooth and more readily available for clients in need; doing so can avoid unnecessary loss as a result of mismanagement.

III. The Company’s development strategy for the future

The products which the Company sells as an agent include electronic components/printed circuit board process equipment, testing instruments and related consumables for mainstream products that are required to produce mainstream products. Since the demand for end products, e.g., smartphones, tablet PCs, notebooks, wearing devices, and system peripheral industry, electronic communications remain strong every year and keeps the output value high, and they don’t feature alternate peak seasons and low seasons, the Company is less prone to the impact of change in general business climate or ups and downs of a single industry.

In response to future market demand and competitive environment, the Company will adopt the following development strategy:

1. Short-term Development Plans

(1) Developing new suppliers, new products, new applications, and new services

Stay informed of the latest trends in the tech industry whenever necessary and solicit the ODM business and agency business from brands.

(2) Product application development

A. Smart speakers/5G/electric vehicles are the largest growing applications

-Provide as many (much) smart speakers/5G/electric vehicles products and services to customers.

-Embrace Thunderbolt & USB Type-C possibilities and actively pursue new customer sources.

-Utilize MEMS related products more extensively and reach out to new customer groups.

B. PCB related equipment development

Seize the opportunity to invest in expanding the flexible PCB factory and IC carrier board factory and bring in corresponding equipment products where appropriate; solicit consumables business, OEM business, and agency business; and foster a close cooperation and interdependence relationship with the equipment clients.

2. Long-term Development Plans

(1) Strengthen the strategic alliance partnership with upstream and downstream manufacturers and clients, and jointly carry out business expansion in the Greater China region to achieve the goal of a win-win situation for all parties involved.

(2) To cope with the migration of clients and suppliers in this industry, the Company will construct a thorough marketing and service team in the Greater China region based on the current bases in East China and South China to present comprehensive and prompt services.

(3) Persevere in winning agentship for new products, and collaborate with clients on the R&D of new products, so as to increase the Company's added value.

(4) Continue to develop independent products, and increase operating profit through value-added technical services.

IV. Effects of environmental changes in terms of external competition, laws and regulations, and the macro business environment

(I) Effect of external competition

Nowadays innovation and application of technological products have become more intensive, and fierce competition remains among industry peers. Under such circumstance, overall competitiveness can be improved only by cultivating one's sensitivity to market changes, by grasping market demand shift and product technology evolution, by introducing business of new product applications and innovation in the capacity of an agent in a timely manner, by adopting excellent marketing techniques, and by enhancing the indispensable partnership of companies throughout the supply chain.

(II) Effects of laws and regulations

The Company will keep abreast of the international relationship, politics, and monetary policy of Taiwan, China, Hong Kong, and Vietnam, and changes in important policy and laws therein, that might impact the Company's business or financial performance, so as to formulate countermeasures and methods. Doing so will enable the Company to comply with laws and regulations while achieving optimal corporate governance and operational performance.

(III) Effect of macroeconomic environment

In 2023, the global economy will continue to recover from the impacts of COVID-19 and the Russian-Ukrainian/Israeli-Palestinian wars. With the impact of tightening monetary policy, weak trade growth, declining business, and lower consumer confidence becoming increasingly apparent, according to the “Global Economic Prospects” published by the World Bank, global GDP growth in 2024 will be 2.4%, slowing down for the third consecutive year, but it will not cause fear of economic recession. Taiwan's economic growth in 2024 is expected to be mainly supported by consumption and investment, and external demand will recover. In terms of external demand, as the global electronics industry is improving, global trade has bottomed out, and the destocking of production lines has come to an end, with global end demand expected to recover. In terms of domestic demand, given the stable development of the job market, various private consumption indicators are still strong, and it is expected that private consumption will remain stable, while private investment has benefited from the recovery of exports and the return of inventory to normal levels, which will help manufacturers implement investment plans. Meanwhile, public investment has maintained steady growth and relatively low impact from the base period. It is expected that the annual growth rate of fixed capital formation will turn from negative to positive in 2024. Looking forward to 2024, the global economy will still face many uncertainties, such as the Red Sea crisis, the race for green subsidies, extreme weather events, and geopolitical risks. Facing such severe industrial transitions, our marketing strategy and orientation will focus on the market trend. Aside from consolidating the existing client bases for traditional electronic products, we will develop and invest in product applications that are potentially the mainstream products in the future, so as to gain momentum for our steady and persistent growth.

The global economy will still face many challenges going forward. Nonetheless, the Company will continue actively exploring various market opportunities, closely maintaining good relationships and trust with customers and OEMs. We shall also implement risk management and talent training, strengthen corporate governance, foster a solid operating performance, practice sustainable business development, and repay shareholders for their support.

We wish everyone the best.
Sincerely,

Chairman: Chen, Kuo-Hung

# Two. Company Profile

I. Incorporation date: September 23, 1978

II. Company history:

| | |
|---|---|
| September 1978 | Established HOWTEH Enterprise Co., Ltd. with a registered capital of NT$3 million at 6th Floor, No. 262, Section 3, Nanjing East Road, Taipei City, to engage only in import business. |
| April 1979 | Increased registered capital to NT$5 million after a follow-on offering. |
| July | Relocated to 6th Floor, No. 65, Songjiang Road, Taipei City. |
| August | Increased registered capital to NT$10 million after a follow-on offering. |
| March 1984 | Established the Electronic Components Division (renamed EPC- Electronic Passive Components Division in June 2002), with connectors and bushings as its main products, and expanded the scope of customer service. |
| October 1986 | Increased registered capital to NT$15 million after a follow-on offering. |
| January 1987 | The office address was relocated to the 5F, No. 6, Dunhua N. Rd., Taipei City. |
| July 1988 | The capital was increased to NT$32 million after a follow-on offering, and the business scope was expanded. Offices were established in Taichung and Kaohsiung to serve our customers. |
| January 1991 | The business scope was further expanded, and the E&M Department was established, mainly served as the distributor of BICC's wires and cables. |
| June 1992 | The registered capital was increased to NT$50 million after a follow-on offering and recapitalization of earnings. |
| August 1996 | The Company was relocated to 9F, No. 12, Linsen S. Rd., Taipei City. |
| June 1997 | The registered capital was increased to NT$65 million after a follow-on offering and earnings recapitalization. |
| May 1998 | The affiliate Tailyn Technologies, Inc.'s shares began to trade on the OTC market on TPEx. |
| June | The registered capital was increased to NT$83.2 million after a follow-on offering and recapitalization of earnings. |
| June 1999 | The registered capital was increased to NT$108.16 million after a follow-on offering and earnings recapitalization. |
| September | The Hong Kong subsidiary Giteh Electronic Industries Co., Ltd. set up a processing factory for imported materials in Dongguan. |
| October | The Company purchased its own office building located at 6F, No. 25, Sec. 1, Dunhua S. Rd., Taipei City. |
| January 2000 | Passed ISO9002 quality certification. |
| April | The registered capital was increased to NT$173.056 million after a follow-on offering and earnings recapitalization. |
| June | SIT-Semiconductor & IT Business Division was established to expand the scope of customer service with active components as the main products. |
| November | The Company was renamed Howteh Technology Co., Ltd., and become a dedicated high-tech service provider. |
| December | The registered capital was increased to NT$199 million after a follow-on offering. |
| May 2001 | The registered capital was increased to NT$243.8 million after recapitalization of earnings. |
| June | SFI approved the supplementary application for public listing. |
| June 2002 | The registered capital was increased to NT$283.37 million after the recapitalization of earnings. |

| | |
|---|---|
| August | The General Manager's Office added a functional organization for new product development, thereby increasing the Company's product line and market breadth, and assisting business departments in improving operational performance. |
| December | The subsidiary Shanghai Howteh International Trading Inc. was established, and an office was set up in Kunshan, which is responsible for operations in East China. |
| February 2003 | AT-Advanced Technology Business Division was established to provide semiconductors, optoelectronic equipment and vacuum systems and expand the scope of customer service. |
| June | The Company's application for trading its stocks at emerging stock market was approved, and it was officially listed for trading in the emerging market on June 23. |
| August | The registered capital was increased to NT$345.05 million after recapitalization of earnings. |
| January 2004 | The application for listing at TEPx was approved by SFI. |
| March | On March 25, the Company was officially listed at TPEx. |
| July | The registered capital was increased to NT$404.81 million after recapitalization of earnings. |
| March 2005 | The Strategy & Marketing Center was established |
| July | The registered capital was increased to NT$430 million after a follow-on offering and earnings recapitalization. |
| October | Hong Kong Giteh Electronic Industries Co., Ltd. established a subsidiary, Shenzhen Howteh Technology Co., Ltd., to serve customers in southern China, and closed the processing factory in Dongguan. |
| March 2006 | Shanghai Howteh International Trading Inc. set up an office in Shanghai, which is responsible for operations in East China. |
| May | The SIP-System in Package Business Division was established to develop SIP/MCP products and apply them to mobile phones, digital cameras, PDAs, GPS and other products. |
| July | The registered capital was increased to NT$443 million after recapitalization of earnings. |
| October | Due to organizational needs, the Strategy & Marketing Center was reorganized to NBD-New Business Development Center, which is responsible for new product/new industry development. |
| July 2007 | The registered capital was increased to NT$452.6 million after a follow-on offering and earnings recapitalization. |
| November | The Company Purchased an office in Kunshan through Shanghai Howteh. |
| May 2008 | The CSM-Corporate Strategy & Marketing Center was established. |
| June | Shanghai Howteh International Trading Inc. purchased its own office in Kunshan and was relocated therein for operation. |
| August | The registered capital was increased to NT$463.2 million after a follow-on offering and earnings recapitalization. |
| April 2009 | The Corporate Strategy & Marketing Center and the New Business Development were merged into the Business Development & Strategy Center, which is responsible for development of product distribution, the Company's future development direction and PR. |
| May | Mr. Tsai, Tsai-Tien, the former general manager, retired and was succeeded by Mr. Sha, Ching-Chih. |
| June | The Company's Articles of Association were amended at the shareholders' meeting, and a position of vice chairman was added, which was seated by Mr. Chen, Kuo-Hung. |

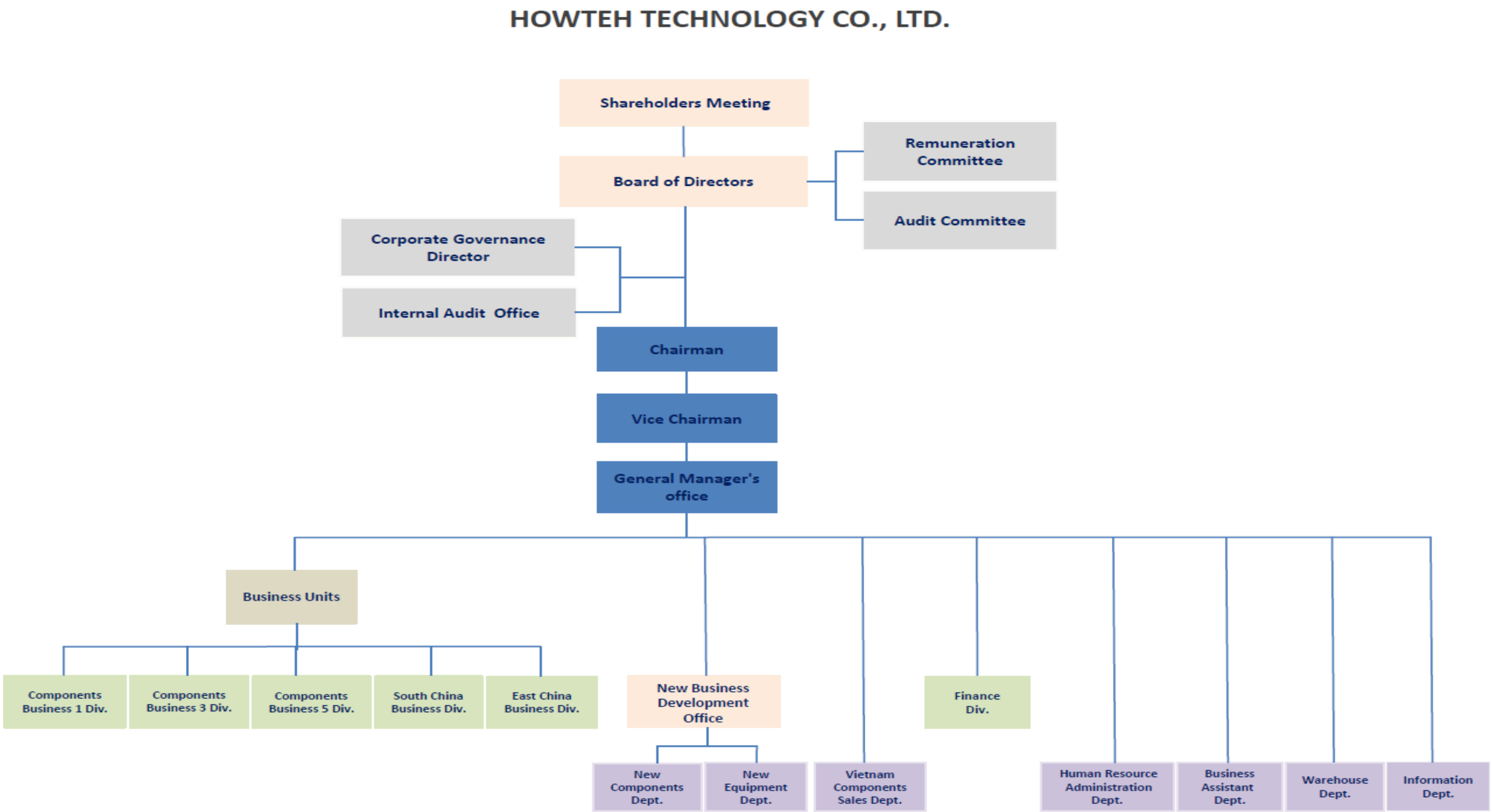
| | |
|---|---|
| July | The registered capital was increased to NT$486.057 million after a follow-on offering and earnings recapitalization. |
| June 2010 | The Company began to serve as the distributor of KNOWLES products. |
| July | The paperless share was fully adopted. |
| July | Mr. Sha, Ching-Chih, the former general manager, resigned due to personal career planning, and Mr. Chen, Kuo-Hung, the vice chairman of the board, began to concurrently serve as the general manager. |
| August | The registered capital was increased to NT$500.45691 million after a follow-on offering and earnings recapitalization. |
| December | The Company repurchased a total of 574,000 treasury stocks for the second time, all of which were distributed to employees. |
| March 2011 | In consideration of the sustainable operation of the Company and the cultivation of long-term senior executives, Mr. Chen, Che-Yao, the general manager of Giteh Electronic Industries Co., Ltd., a subsidiary of the Company, was appointed to serve as the general manager of the Company. |
| April | The 3-year period for treasury stocks repurchased by the Company expired. The board of directors resolved to regard the 32,000 un-transferred shares as unissued shares of the Company, which shall be subject to go the registration of changes. The capital after the decrease was NT$500,136,910. |
| June | The Company served as the distributor of the product “Nano coating system” under the Japanese YE DATA Group, which was expected to continue to achieve remarkable results in the touch panel industry. |
| December | The board of directors of the Company determined to establish the Remuneration Committee. |
| January 2012 | The Company appointed Mr. Kuo, Tsang-He, who has more than 25 years of experience in the IT industry, as the general manager. |
| June | The Company’s directors and supervisors were re-elected, Mr. Chen, Kuo-Hung took over as the chairman, and Mr. Chen, Che-Hung was transferred to serve as the honorary chairman. |
| November 2013 | The board of directors of the Company determined to establish Kunshan Howteh International Trade Co., Ltd. |
| April 2014 | The Innovative Product Business Division (IPBD) was established, responsible for promoting and selling the new MEMS distributed by the Company and related product lines. |
| February 2015 | The Global Semiconductor Business Division (GSBD) was established, which is responsible for the promotion and sales of new semiconductor parts distributed by the Company. |
| March 2016 | The former general manager Mr. Kuo, Tsang-He resigned due to personal career planning, and Mr. Chen, Kuo-Hung, the vice chairman of the board, began to concurrently serve as the general manager. |
| October | The Components Business III Division (CB3) was established, which specializes in the marketing of electronic passive, active and mechanical components, and provides professional and comprehensive services for related industries at domestic and overseas. |
| August 2017 | In order to maintain the stable development and sustainable operation of the Company, Mr. Wu Li-Shan, the vice general manager, was appointed as the acting general manager of the Company. |
| June 2018 | In order to strengthen the development and sustainable operation of the Company, the board of directors determined that Mr. Chen Chun-Ting, the director, take over the position of vice chairman. |
| August | The registered capital was increased to NT$520.14239 million after a follow-on offering and earnings recapitalization. |

| | |
|---|---|
| August | The board of directors of the Company approved to transfer the acting general manager, Mr. Wu Li-Shan, to be the officially appointed general manager. |
| July 2019 | The registered capital was increased to NT$560 million after a follow-on offering and earnings recapitalization. |
| November | The board of directors of the Company determined to establish Howteh Vietnam Co., Ltd. |
| August 2020 | The registered capital was increased to NT$590.8 million after recapitalization of earnings. |
| September 2022 | The registered capital was increased to NT$626.248 million after recapitalization of earnings. |
| January 2023 | The Company set up New Business Development Office, which would take charge of expanding the project-based product business; specifically, the Component Department will preferentially develop the agency business of new semiconductor products, and the Equipment Department will develop the agency business of new equipment and materials in Japan. |
| January | The former Innovative Product Business Division (IPBD) was renamed Components Business V Division (CB5). |
| August | The registered capital was increased to NT$651.298 million after recapitalization of earnings. |

# Three. Corporate Governance Report

## I. Organizational system

### (I) Organizational structure



(II) Business of each major department

| Department | Main duties |
|---|---|
| General Manager | To formulate the Company's annual business goals; to be in charge of the Company's overall business and strategy implementation; to supervise the operational effectiveness of each department; and to provide professional support. |
| Internal Audit Office | To review and audit the internal control system; to submit a report regularly to the Board of Directors and managers; to measure operational efficiency and provide timely recommendations for improvement; so as to ensure the effective implementation of the internal control system and improve the performance of each organization. |
| New Business Development Office | Components Department:<br>To expand project-based product business and preferentially develop the agency business of new semiconductor products.<br>Equipment Department:<br>To Expand project-based product business and preferentially develop the agency business of new equipment and materials in Japan. |
| Business Units | Components Business I Division:<br>Dedicated distributor for marketing electronic passive, active and mechanism components, provide professional and comprehensive services for related industries at domestic and overseas.<br>Components Business III Division:<br>Dedicated distributor for marketing electronic passive, active and mechanism components, provide professional and comprehensive services for related industries at domestic and overseas.<br>Components Business V Division:<br>Dedicated distributor for marketing electronic passive, active and mechanism components, provide professional and comprehensive services for related industries at domestic and overseas.<br>East China Business Division:<br>Professional agent for marketing electronic passive, active and mechanism components and providing professional and comprehensive services for state-owned and private companies in East China/North China.<br>South China Business Division:<br>Professional agent for marketing electronic passive, active and mechanism components and providing professional and comprehensive services for state-owned and private companies in Hong Kong / South China. |
| Vietnam Component Sales Department | Dedicated distributor for marketing electronic passive, active and mechanism components, provide professional and comprehensive services for related industries at domestic and overseas. |
| Business Assistant Department | 1. To review and manage various procurement and sales contracts.<br>2. To take charge of business process control, e.g., control of purchase and sale process, and inventory tracking and management.<br>3. To analyze, track, and control inventories. |
| Finance Division | Responsible for fund management and financial planning; accounting and taxation management; operation and cost analysis; stock affairs; financial statements preparation; and budget development. |
| Human Resource Administration Department | Responsible for formulating and implementing human resources recruitment; salary and benefits; training and personnel cultivation and management; asset management; general affairs; access control and safety management; environmental management; engineering and maintenance works. |
| Information Department | Responsible for the establishment, integration, and control of information systems, to improve the efficiency and benefits of business and administration information. |
| Warehouse Department | Responsible for import and export business and warehouse inbound and outbound management. |

## II. Information on directors, the general manager, vice general manager, associate general manager, and heads of various departments and branches

### (I) Directors

### 1. About the Directors

April 23, 2024

| Title | Nationality or Place of Registration | Name | Gender Age | Date of election | Tenure | Date first elected or appointed | Shareholding when elected or appointed | | Current shareholding | | Shareholding of spouse and underage children | | Shareholding in the name of others | | Main career (academic) achievements | Concurrent duties in the Company and other companies | Spouse or relatives of the second degree or closer acting as manager, director or supervisor | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | Shareholding Percentage | Shares | Shareholding Percentage | Shares | Shareholding Percentage | Shares | Shareholding Percentage | | | Title | Name | Relationship | |
| Chairman | ROC | Chen, Kuo-Hung | Male 61~70 | July 22, 2021 | 3 years | September 5, 1992 | 3,580,116 | 6.06% | 5,548,984 | 8.52% | 2,595,564 | 3.99% | 0 | 0% | Department of Electrical Engineering, National Taiwan University<br>General manager, Tailyn Technologies, Inc.<br>Chief Strategy Officer, Stark Technology Inc. | Representative of a corporate director, Tailyn Technologies, Inc.<br>Director, Stark Technology Inc.<br>Chairman, Chaintel Technology Co., Ltd<br>Chairman, Litetech System Co., Ltd. | Director | Chen, Che-Hung | Second-degree relative by marriage | None |
| Director | ROC | Liu Yi Investment Co., Ltd. | - | July 22, 2021 | 3 years | June 21, 2018 | 800,785 | 1.36% | 912,628 | 1.40% | 0 | 0% | 0 | 0% | None | None | None | None | None | None |
| Representative of corporate director | ROC | Chen, Che-Hung | Male 81~90 | July 22, 2021 | 3 years | June 21, 2018 | 0 | 0% | 1,161,206 | 1.78% | 0 | 0% | 0 | 0% | Department of Political Science, National Taiwan University<br>Chairman, Howteh Technology Co., Ltd.<br>Chairman, Tailyn Technologies, Inc. | Chairman, Hui Hong Investment Co., Ltd.<br>Chairman/Representative of a corporate director, Zhu Lin Investment Co., Ltd.<br>Representative of a corporate director, Tailyn Technologies, Inc.<br>Representative of a corporate supervisor, Treasure Island Trading Co., Ltd.<br>Chairman, Taipei Rosyclouds Foundation for Education | Chairman | Chen, Kuo-Hung | Second-degree relative by marriage | None |
| | | | | | | | | | | | | | | | | | Director | Chen Chun-Ting | Immediate family member | None |

| Title | Nationality or Place of Registration | Name | Gender Age | Date of election | Tenure | Date first elected or appointed | Shareholding when elected or appointed | | Current shareholding | | Shareholding of spouse and underage children | | Shareholding in the name of others | | Main career (academic) achievements | Concurrent duties in the Company and other companies | Spouse or relatives of the second degree or closer acting as manager, director or supervisor | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | Shareholding Percentage | Shares | Shareholding Percentage | Shares | Shareholding Percentage | Shares | Shareholding Percentage | | | Title | Name | Relationship | |
| Director | ROC | Tsai, Tsai-Tien | Male 71~80 | July 22, 2021 | 3 years | March 15, 1991 | 1,229,486 | 2.08% | 1,315,698 | 2.02% | 0 | 0% | 0 | 0% | Division of Chemical Engineering, Hua Xia Institute of Technology<br>General Manager, Howteh Technology Co., Ltd. | None | None | None | None | None |
| Director | ROC | Zhu Lin Investment Co., Ltd. | - | July 22, 2021 | 3 years | June 23, 2015 | 2,109,277 | 3.57% | 2,325,266 | 3.57% | 0 | 0% | 0 | 0% | None | None | None | None | None | None |
| Representative of corporate director | ROC | Chen Chun-Ting | Male 41~50 | July 22, 2021 | 3 years | June 23, 2015 | 0 | 0% | 2,051,325 | 3.15% | 182,000 | 0.28% | 0 | 0% | Institute of Electrical Engineering, University of California<br>Chairman and General Manager, Tailyn Technologies, Inc. | Vice Chairman/Representative of a corporate director, Howteh Technology Co., Ltd.<br>Chairman and General Manager, Tailyn Technologies, Inc.<br>Representative of a corporate director, Zhu Lin Investment Co., Ltd.<br>Director, Hui Hong Investment Co., Ltd. | Director | Chen, Che-Hung | Immediate family member | None |
| Director | ROC | Hung, Ming-Chi | Male 51~60 | July 22, 2021 | 3 years | June 16, 2009 | 387,426 | 0.66% | 430,405 | 0.66% | 0 | 0% | 0 | 0% | University of Houston-Downton, Computer Science Major.<br>IBM Engineer<br>Technological manager, Metaage Corporation | Division Chief, Ardentec Corporation | None | None | None | None |

| Title | Nationality or Place of Registration | Name | Gender Age | Date of election | Tenure | Date first elected or appointed | Shareholding when elected or appointed | | Current shareholding | | Shareholding of spouse and underage children | | Shareholding in the name of others | | Main career (academic) achievements | Concurrent duties in the Company and other companies | Spouse or relatives of the second degree or closer acting as manager, director or supervisor | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | Shareholding Percentage | Shares | Shareholding Percentage | Shares | Shareholding Percentage | Shares | Shareholding Percentage | | | Title | Name | Relationship | |
| Independent director | ROC | Tseng, Ming-Jen | Male 61~70 | July 22, 2021 | 3 years | June 21, 2018 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | MBA, Tamkang University<br>Bachelor of Electrical Engineering, National Taiwan University<br>General Manager, Ability Enterprise Co., Ltd.<br>General Manager, ViewQuest Technology Co., Ltd. | Chairman/Representative of a corporate director, Ability Enterprise Co., Ltd.<br>Chairman/Representative of a corporate director, Ability Investment Co., Ltd.<br>Chairman, Ability Enterprise (Bvi) Co., Ltd.<br>Chairman, Dongguan ABICO Technology Co., Ltd.<br>Chairman/Representative of a corporate director, E-Pin Optical Industry Co., Ltd.<br>Representative of a corporate director, Ability Technologies Co., Ltd. | None | None | None | None |
| Independent director | ROC | Li, Ta-Ching | Male 61~70 | July 22, 2021 | 3 years | June 23, 2015 | 0 | 0% | 0 | 0% | 1,251 | 0% | 0 | 0% | PhD in Administration Science, Tamkang University<br>COO, Stark Technology Inc.<br>General Manager, Sun Microsystems, Inc. | Representative of a corporate director, Yuanta Commercial Bank<br>Representative of a corporate director, Yuanta Securities Investment Trust Co., Ltd. | None | None | None | None |
| Independent director | ROC | Cheng, Tien-Tsung | Male 71~80 | July 22, 2021 | 3 years | July 22, 2021 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | MBA, Santa Clara University, California, USA<br>CEO, FIH Mobile Limited<br>Vice President, FOXCONN Group Asia Region<br>President, Texas Instruments of USA<br>President of China Region, HP | Independent director, WT Microelectronics Co., Ltd.<br>Chairman, Aurotek Corporation.<br>Representative of a corporate director, 3e Yamaichi Electronics Co., Ltd.<br>Chairman/Representative of a corporate director, Taiwan Oiles Industry Co., Ltd. | None | None | None | None |

Note: If the general manager or person of an equivalent post (the highest level manager) and the chairman of the board of directors of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer): None.

2. Major shareholders of corporate shareholders

April 23, 2024

| Names of corporate shareholders | Major shareholders of corporate shareholders | Shareholding percentage |
|---|---|---|
| Zhu Lin Investment Co., Ltd. | Tailyn Technologies, Inc. | 100.00% |
| Liu Yi Investment Co., Ltd. | Chen Chun-Ting | 33.33% |
| | Chen, Shang-Yi | 14.29% |
| | Chen, Liang-Wei | 14.29% |
| | Chen, Che-Yao | 14.29% |
| | Lai, Yu-Chi | 23.81% |

3. If any major shareholder listed in table 1 is a corporate/juristic person, list its major shareholders in this Table

April 23, 2024

| Name of corporate/juristic person | Major shareholders of the corporate/juristic person | Shareholding percentage |
|---|---|---|
| Tailyn Technologies, Inc. (Shareholding record date was March 26, 2024) | Howteh Technology Co., Ltd. | 11.05% |
| | Hui Hong Investment Co., Ltd. | 5.01% |
| | Yang Jing Investment Co., Ltd. | 3.45% |
| | Chen Chun-Ting | 3.15% |
| | Hong Tai Investment Co., Ltd. | 3.15% |
| | Chen, Wen-Hsiung | 2.12% |
| | Chen, Cheng | 1.96% |
| | Liu, Lin-Sheng | 1.95% |
| | Chen, Wen-Shang | 1.85% |
| | Yu, Chang-Tsan | 1.84% |

4. Disclosure of information on directors’ professional qualifications and independent directors’ independence

| Criteria / Name | Professional qualifications and experience (Note 1) | State of independence (Note 2) | Number of concurrent duties as an independent director at a public company |
|---|---|---|---|
| Chen, Kuo-Hung | Currently serving as the Chairman of Chaintel Technology Co., Ltd.; used to be the General Manager of Tailyn Technologies, Inc., and Chief Strategy Officer of Stark Technology Inc.<br>Mr. Chen, Kuo-Hung possesses practical experience and is an expert in strategy management, leadership, marketing, and industrial technology; he communicates business administration strategy to all directors a Board of Directors meetings and interacts with them, in addition to providing his opinion on business administration.<br>Not a person with any of the circumstances under Article 30 of the Company Act. | — | None |
| Liu Yi Investment Co., Ltd. Representative: Chen, Che-Hung | Currently serving as the Chairman of Hui Hong Investment Co., Ltd., and Chairman of Zhu Lin Investment Co., Ltd.; used to be the Chairman of Tailyn Technologies, Inc. and the Chairman of Zhowteh Technology Co., Ltd.<br>Mr. Chen, Che-Hung possesses practical experience and is able to submit opinions and strategies with respect to corporate governance and business administration at Board of Directors meetings in a timely manner, so as to provide a basis for the management team to formulate and execute business strategy.<br>Not a person with any of the circumstances under Article 30 of the Company Act. | — | None |
| Tsai, Tsai-Tien | Used to be the General Manager of Howteh Technology Co., Ltd.<br>Mr. Tsai, Tsai-Tien possesses practical experience and is able to submit opinions and strategies with respect to corporate governance and business administration at Board of Directors meetings in a timely manner, so as to provide a basis for the management team to formulate and execute business strategies.<br>Not a person with any of the circumstances under Article 30 of the Company Act. | — | None |

| Name \ Criteria | Professional qualifications and experience (Note 1) | State of independence (Note 2) | Number of concurrent duties as an independent director at a public company |
|---|---|---|---|
| Zhu Lin Investment Co., Ltd. Representative: Chen Chun-Ting | Currently serving as the Chairman and General Manager of Tailyn Technologies, Inc.; used to be the Business Vice General Manager of Tailyn Technologies, Inc.<br>Mr. Chen Chun-Ting is an expert in marketing and industrial technologies and is able to submit opinions and strategies with respect to corporate governance and business administration at Board of Directors meetings in a timely manner, so as to provide a basis for the management team to formulate and execute business strategy.<br>Not a person with any of the circumstances under Article 30 of the Company Act. | — | None |
| Hung, Ming-Chi | Currently serving as the Division Chief of Ardentec Technology Inc.<br>Mr. Hung, Ming-Chi possesses practical experience and is able to submit opinions and strategies with respect to corporate governance and business administration at Board of Directors meetings in a timely manner, so as to provide a basis for the management team to formulate and execute business strategy.<br>Not a person with any of the circumstances under Article 30 of the Company Act. | — | None |
| Tseng, Ming-Jen | MBA, Tamkang University; Bachelor of Electrical Engineering, National Taiwan University. Currently serving as the Chairman and General Manager of Ability Enterprise Co., Ltd.<br>Being an expert in tech industry management, financial analysis, and corporate governance, Mr. Tseng, Ming-Jen is able to submit recommendations with respect to industry analysis and integration, risk management, and business decision-making, to an extent that improves the Board of Directors' corporate governance quality and the supervisory function of the Audit Committee.<br>Not a person with any of the circumstances under Article 30 of the Company Act. | During the two years before being elected or during the term of office, the independent director has met the following independence criteria:<br>(1) Not an employee of the Company or any of its affiliates.<br>(2) Not a director or supervisor of the Company or any of its affiliates.<br>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate that reaches one percent or more of the total number of issued shares of the company or ranks among the top 10 in terms of shareholding.<br>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under Subparagraph 1 or any of the persons in the preceding two subparagraphs. | None |

<table>
<tr><th>Criteria<br>Name</th><th>Professional qualifications and experience (Note 1)</th><th>State of independence (Note 2)</th><th>Number of concurrent duties as an independent director at a public company</th></tr>
<tr><td>Li, Ta-Ching</td><td>PhD in Management Science, Management Science Institute of Tamkang University; used to be the COO of Stark Technology Inc.<br>Being an expert in industry analysis and management and corporate governance, Mr. Li, Ta-Ching is able to submit recommendations with respect to business decision-making, to an extent that improves the Board of Directors' corporate governance quality and the supervisory function of the Audit Committee.<br>Not a person with any of the circumstances under Article 30 of the Company Act.</td><td rowspan="2">(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.<br>(6) Not a director, supervisor, or employee of a company whose majority board seats and voting rights are controlled by a person same as the person controlling a majority seats and voting powers of the Company.<br>(7) Not a director, supervisor, or employee of a company or institution whose chairman, general manager, or a person holding an equivalent position is a person same as the chairman, general manager, or a person holding an equivalent position of the Company, or a spouse thereof.<br>(8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution with a financial or business relationship with the Company.<br>(9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the company over the past 2 years and has received cumulative compensation not exceeding NT$500,000, or a spouse thereof;<br>(10) Not a person who is a spouse or relatives of second degree of kinship of other directors.<br>(11) Not a person elected in the capacity of the government, a corporation, or a representative as provided in Article 27 of the Company Act.</td><td>None</td></tr>
<tr><td>Cheng, Tien-Tsung</td><td>MBA, Santa Clara Univeristy in California, USA; used to the CEO of FIH Mobile Limited, a subsidiary of FOXCONN Group, the Vice President of FOXCONN Group, the Asia Region President of Texas Instruments, and the President of China Region, HP.<br>Being an expert in industry management and administration, international marketing, and corporate governance, Mr. Cheng, Tien-Tsung is able to submit recommendations with respect to business decision-making, to an extent that improves the Board of Directors' corporate governance quality and the supervisory function of the Audit Committee.<br>Not a person with any of the circumstances under Article 30 of the Company Act.</td><td>1</td></tr>
</table>

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor.

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates? ; specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)?; specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

5. Diversity and Independence of the Board of Directors

(1) Diversity 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. It is advisable that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated. All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

A、Ability to make operational judgments
B、Ability to perform accounting and financial analysis.
C、Ability to conduct management administration.
D、Ability to conduct crisis management.
E、Knowledge of the industry.
F、An international market perspective.
G、Ability to lead.
H、Ability to make policy decisions.

Below are the Company's board diversity policy and its implementation:

| Title | name | Nationality | Gender / Age | Seniority of being an independent director | | | Management administration | Leadership | Knowledge of the industry | Financial and accounting | An international market perspective | Risk management | Information Technology | Percentage of all directors | | Proportion of independent directors to all directors | Age distribution | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Under 3 years | 3~9 years | More than 9 years | | | | | | | | Male | Female | | Over 65 years old | Under 65 years old |
| Chairman | Chen, Kuo-Hung | ROC | Male 61~70 | | | | V | V | V | V | V | V | | 100% | 0% | 37.5% | 75% | 25% |
| Vice Chairman | Chen Chun-Ting | | Male 41~50 | | | | V | V | V | V | V | V | | | | | | |
| Director | Chen, Che-Hung | | Male 81~90 | | | | V | V | V | V | V | V | | | | | | |
| Director | Tsai, Tsai-Tien | | Male 71~80 | | | | V | V | V | | V | V | | | | | | |
| Director | Hung, Ming-Chi | | Male 51~60 | | | | V | V | V | | V | V | V | | | | | |
| Independent director | Cheng, Tien-Tsung | | Male 71~80 | V | | | V | V | V | V | V | V | | | | | | |

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Independent director | Li, Ta-Ching | | Male 61~70 | | V | | V | V | V | V | V | V | V | | | | | |
| Independent director | Tseng, Ming-Jen | | Male 61~70 | | V | | V | V | V | V | V | V | | | | | | |

The Company’s concrete management goals of Board of Directors diversity, and the achievements thereof, are stated as follows:：

Expected goals:

1. Independent directors account for more than one-third of all directors.
2. The term of office of an independent director is not more than 3 terms, and each independent director concurrently serves as an independent director of no more than 3 other companies.
3. Gradually increase the number of female directors by 1 to 3 seats.
4. The number of directors who also serve as the Company's managers should not exceed one-third of the directors.

Current status of implementation:

1. Currently, the three independent directors seats account for three-eighth of the total, which is in line with the Company's target.
2. At present, all independent directors have served less than 3 terms, and each independent director has not concurrently served as an independent director of other companies for more than 3 companies, which is in line with the Company's goals.
3. The former directors (including independent directors) are all male. It is expected that when the Board of Directors is re-elected in 2024, the Company will actively seek suitable female director candidates and add one or more female director seats.

(2) Independence of the Board of Directors:

The Company’s incumbent Board of Directors is composed of 3 independent directors (37.5%) and 5 non-independent directors (62.5%). The 3 seats of independent directors meet the minimum requirement set forth by the Financial Supervisory Commission Securities and Futures Bureau, and all directors and independent directors comply with the particulars set forth in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act, which demand that the number of directors who are a spouse or a relative within second degree of kinship of another director not exceed half of the board seats. Currently, only three directors are a relative within second degree of kinship of one another. To sum up, the independence criteria are fully met.

(II) Information on the general manager, vice general manager, associate general manager, and heads of various departments and branches

April 23, 2024

| Title | Nationality | Name | Gender | Date of appointment to position | Shareholding | | Shareholding of spouse and underage children | | Shareholding in the name of others | | Main career (academic) achievements | Concurrent duties in the Company and other companies | Managers with spouses or relatives with second degree of kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | Shareholding Percentage | Shares | Shareholding Percentage | Shares | Shareholding Percentage | | | Title | Name | Relationship | |
| General Manager | Taiwan | Wu, Li-Shan | Male | August 10, 2017 | 445,132 | 0.68% | 663 | 0% | 0 | 0% | Electronics Department, Lee-Ming Institute of Technology<br>General Manager, Kuen Piin Enterprise Co., Ltd. | Director, Giteh Electronic Industries Co., Ltd.<br>Director, Howteh International Inc.(Samoa)<br>Director, Shanghai Howteh International Trading Inc.<br>Director, Kunshan Howteh International Trade Co., Ltd.<br>Director, Howteh Vietnam Co., Ltd. | None | None | None | None |
| Vice General Manager | Taiwan | Chuang, Kun-Lin | Male | July 1, 2016 | 54,042 | 0.08% | 0 | 0% | 0 | 0% | Institute of Enterprise Management, National Yunlin University of Science and Technology | None | None | None | None | None |
| Vice General Manager, CFO, and CGO (Note 2) | Taiwan | Chang, Da-Chien | Male | August 11, 2021 | 0 | 0% | 0 | 0% | 0 | 0% | Department of Business Administration, Chung Yuan University<br>Vice General Manager and CFO, Chaintel Technology Co., Ltd.<br>CFO, Splender Hospitality International Co., Ltd | None | None | None | None | None |

| Title | Nationality | Name | Gender | Date of appointment to position | Shareholding | | Shareholding of spouse and underage children | | Shareholding in the name of others | | Main career (academic) achievements | Concurrent duties in the Company and other companies | Managers with spouses or relatives with second degree of kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | Shareholding Percentage | Shares | Shareholding Percentage | Shares | Shareholding Percentage | | | Title | Name | Relationship | |
| Head of the Audit Department Manager | Taiwan | Wang, Chang-Hui | Female | October 20, 2005 | 6,080 | 0.01% | 0 | 0% | 0 | 0% | Graduate of the Commerce Department, National Open University<br>Section Chief of the Accounting Department, Howteh Technology Co., Ltd. | None | None | None | None | None |
| Chief of the Components Business I Division | Taiwan | Li, Kun-Cheng | Male | November 1, 2012 | 50,895 | 0.08% | 0 | 0% | 0 | 0% | Institute of Business Administration, National Chung Cheng University | None | None | None | None | None |
| Senior Manager of the Components Business III Division | Taiwan | Chiu, Chi-Wei | Male | October 1, 2016 | 20,824 | 0.03% | 0 | 0% | 0 | 0% | Institute of Business Administration, National Central University | None | None | None | None | None |
| Chief of the South China Business Division | Taiwan | Chuang, Jui-Te | Male | October 22, 2012 | 0 | 0% | 0 | 0% | 0 | 0% | Department of Mechanical Engineering, China Institute of Technology | None | None | None | None | None |

Note 1: If the general manager or person of an equivalent post (the highest level manager) and the chairman of the board of directors of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (e.g. increasing the number of independent directors and ensuring that a majority of directors do not concurrently serve as an employee or managerial officer): None.

Note 2: The Company’s Board of Directors meeting dated March 22, 2023 resolved to appoint Mr. Chang, Ta-Chien, Vice General Manager and CFO, to be the Chief Governance Officer (CGO), starting from June 1, 2023.

## III. Remuneration for directors, the general manager, and vice general manager in the most recent year

### (I) Remuneration to ordinary directors and independent directors

Unit: NT$1,000

| Title | Name | Directors' remuneration | | | | | | | | The ratio of the sum of A, B, C, and D to the net profit after tax (Note10) | | Remuneration for concurrent duty as an employee | | | | | | | | Sum of A, B, C, D, E, F, and G as a % of the net profit (loss) after tax (Note 10) | | Remuneration received from an investee other than a subsidiary, or the parent company (Note 11) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Compensation (A) (Note 2) | | Disability retirement benefits (B) | | Directors' compensation (C) (Note 3) | | Fees for professional practice (D) (Note 4) | | | | Salary, bonus, and special reimbursement (E) (Note5) | | Disability retirement benefits (F) | | Employee compensation (G) (Note 6) | | | | | | |
| | | | | | | | | | | | | | | | | The Company | | All companies within the financial statements (Note 7) | | | | |
| | | The Company | All companies within the financial statements (Note 7) | The Company | All companies within the financial statements (Note 7) | The Company | All companies within the financial statements (Note 7) | The Company | All companies within the financial statements (Note 7) | The Company | All companies within the financial statements (Note 7) | The Company | All companies within the financial statements (Note 7) | The Company | All companies within the financial statements (Note 7) | Amount in cash | Amount in shares | Amount in cash | Amount in shares | The Company | All companies within the financial statements (Note 7) | |
| Chairman | Chen, Kuo-Hung | | | | | | | | | | | | | | | | | | | | | |
| Director | Liu Yi Investment Co., Ltd. Representative: Chen, Che-Hung | | | | | | | | | | | | | | | | | | | | | |
| Director | Tsai, Tsai-Tien | 5,875 | 5,875 | 0 | 0 | 2,000 | 2,000 | 480 | 480 | 8.29% | 8.29% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8.29% | 8.29% | None |
| Director | Hung, Ming-Chi | | | | | | | | | | | | | | | | | | | | | |
| Director | Zhu Lin Investment Co., Ltd. Representative: Chen Chun-Ting | | | | | | | | | | | | | | | | | | | | | |
| Independent director | Tseng, Ming-Jen | | | | | | | | | | | | | | | | | | | | | |
| Independent director | Li, Ta-Ching | 0 | 0 | 0 | 0 | 1,000 | 1,000 | 840 | 840 | 1.83% | 1.83% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.83% | 1.83% | None |
| Independent director | Cheng, Tien-Tsung | | | | | | | | | | | | | | | | | | | | | |

1. Please describe the remuneration policy, system, criteria, and structure for independent directors, and the relevance of remuneration to factors such as the duty and risk they assume and the time they invest:
   Remuneration to independent directors is based on the results of director performance evaluation, and on the results of evaluation by the Remuneration Committee by looking at each director's extent of participation in the Company's operations and their contribution value. The remuneration proposes reasonable and fair remuneration that is linked to performance and risk, and submits the proposal to the Board of Directors for resolution.
2. Aside from the remuneration disclosed in the above table, is there any other remuneration received by directors in the most recent year from any company included in the financial statements for their services rendered (such as serving as an advisor other than an employee): None.

## Table of Remuneration Ranges

| Directors' remuneration range | Name of Director | | | |
|---|---|---|---|---|
| | Remuneration equal to the sum of A, B, C, and D | | Remuneration equal to the sum of A, B, C, D, E, F, and G | |
| | The Company (Note 8) | All consolidated entities (Note 9) H | The Company (Note 8) | All consolidated entities (Note 9) I |
| Under NT$1,000,000 | Representative of Zhu Lin Investment Co., Ltd.: Chen Chun-Ting:Hung, Ming-Chi; Tsai, Tsai-Tien; Tseng, Ming-Jen; Li, Ta-Ching; Cheng, Tien-Tsung | Representative of Zhu Lin Investment Co., Ltd.: Chen Chun-Ting;Hung, Ming-Chi; Tsai, Tsai-Tien; Tseng, Ming-Jen; Li, Ta-Ching; Cheng, Tien-Tsung | Representative of Zhu Lin Investment Co., Ltd.: Chen Chun-Ting;Hung, Ming-Chi; Tsai, Tsai-Tien; Tseng, Ming-Jen; Li, Ta-Ching; Cheng, Tien-Tsung | Representative of Zhu Lin Investment Co., Ltd.: Chen Chun-Ting;Hung, Ming-Chi; Tsai, Tsai-Tien; Tseng, Ming-Jen; Li, Ta-Ching; Cheng, Tien-Tsung |
| NT$1,000,000 (incl.)～NT$2,000,000 (excl.) | | | | |
| NT$2,000,000 (incl.)～NT$3,500,000 (excl.) | Representative of Liu Yi Investment Co., Ltd.: Chen, Che-Hung | Representative of Liu Yi Investment Co., Ltd.: Chen, Che-Hung | Representative of Liu Yi Investment Co., Ltd.: Chen, Che-Hung | Representative of Liu Yi Investment Co., Ltd.: Chen, Che-Hung |
| NT$3,500,000 (incl.)～NT$5,000,000 (excl.) | Chen, Kuo-Hung | Chen, Kuo-Hung | Chen, Kuo-Hung | Chen, Kuo-Hung |
| NT$5,000,000 (incl.)～NT$10,000,000 (excl.) | | | | |
| NT$10,000,000 (incl.)～NT$15,000,000 (excl.) | | | | |
| NT$15,000,000 (incl.)～NT$30,000,000 (excl.) | | | | |
| NT$30,000,000 (incl.)～NT$50,000,000 (excl.) | | | | |
| NT$50,000,000 (incl.)～NT$100,000,000 (excl.) | | | | |
| Above NT$100,000,000 | | | | |
| Total | 8 persons | 8 persons | 8 persons | 8 persons |

Note 1: The name of each director shall be stated separately (for a corporate shareholder, the names of the corporate shareholder and its representative shall be stated separately) and the names of the ordinary directors and independent directors shall be stated separately, based on the amount of the aggregated remuneration items paid to each. If a director concurrently serves as a general manager or a vice general manager, please complete this Table and Table 3-1, or Tables 3-2-1 and 3-2-2.

Note 2: This refers to director base compensation in the most recent fiscal year (including director salary, duty allowances, severance pay, and various rewards and incentives, etc.).

Note 3: Please fill in the amount of director profit-sharing compensation approved by the board of directors for distribution for the most recent fiscal year.

Note 4: This refers to director expenses and perquisites in the most recent fiscal year (including travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, etc.). If housing, car or other forms of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Company to the driver, but do not include it in the calculation of the director remuneration.

Note 5: This includes any remuneration received by a director for concurrent service as an employee in the most recent year (including concurrent service as general manager, vice general manager, other managerial officers, or non-managerial employee) including salary, duty allowances, severance pay, rewards, incentives, travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, etc. If housing, car or other forms of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2—including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc.—should be included in the calculation of remuneration.

Note 6: This refers to employee profit-sharing compensation (including stocks and cash) received by a director for concurrent service as an employee in the most recent fiscal year (including concurrent service as general manager, vice general manager, other managerial officers, or non-managerial employee). Disclose the amount of profit-sharing compensation approved or expected to be approved by the board of directors for distribution for the most recent fiscal year. If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Note 7: Disclose the total amount of remuneration in each category paid to the directors of the Company by all companies in the consolidated financial report (including the Company).

Note 8: Disclose the names of the directors in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each director by the Company.

Note 9: Disclose the names of the directors in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each director of the Company by all companies in the consolidated financial report (including the Company).

Note 10: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 11: a. In this column, specifically disclose the amount of remuneration received by the directors of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state "None").

b. If directors of the Company have received remuneration from investee enterprises other than subsidiaries or from the parent company, that remuneration shall be added into the amount in Column I of the Remuneration Range Table, and the name of that column shall be changed to "Parent company and all investee enterprises."

c. Remuneration means remuneration received by directors of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

∗The concept of the remuneration contents disclosed in this table is different from the concept of the Income Tax Act. As such, this table serves the purpose only of information disclosure, not of taxation.

## (II) Remuneration to the general manager and vice general managers

Unit: NT$1,000

| Title | Name | Salary (A) (Note 2) | | Disability retirement benefits (B) | | Bonus and special reimbursement (C) (Note 3) | | Employee compensation (D) (Note 4) | | | | The ratio of the sum of A, B, C, and D to the net profit after tax (%) (Note 8) | | Remuneration received from an investee other than a subsidiary, or the parent company (Note 9) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies within the financial statements (Note 5) | The Company | All companies within the financial statements (Note 5) | The Company | All companies within the financial statements (Note 5) | The Company | | All companies within the financial statements (Note 5) | | The Company | All companies within the financial statements (Note 5) | |
| | | | | | | | | Amount in cash | Amount in shares | Amount in cash | Amount in shares | | | |
| General Manager | Wu, Li-Shan | 6,672 | 6,672 | 206 | 206 | 4,095 | 4,095 | 810 | 0 | 810 | 0 | 11.69% | 11.69% | None |
| Vice General Manager | Chuang, Kun-Lin | | | | | | | | | | | | | |
| Vice General Manager, CFO, and CGO (Note 10) | Chang, Da-Chien | | | | | | | | | | | | | |

*Disclosures must be made for all persons in positions equivalent to the general manager or vice general manager, regardless of job title (e.g., president, chief executive officer, chief administrative officer…etc.)

### Table of Remuneration Ranges

| The President's and vice presidents' remuneration ranges | Name of President and vice president | |
|---|---|---|
| | The Company (Note 6) | All companies within the financial statements (Note 7) E |
| Under NT$1,000,000 | | |
| NT$1,000,000 (incl.)～NT$2,000,000 (excl.) | | |
| NT$2,000,000 (incl.)～NT$3,500,000 (excl.) | Chang, Da-Chien | Chang, Da-Chien |
| NT$3,500,000 (incl.)～NT$5,000,000 (excl.) | Wu, Li-Shan; Chuang, Kun-Lin | Wu, Li-Shan; Chuang, Kun-Lin |
| NT$5,000,000 (incl.)～NT$10,000,000 (excl.) | | |
| NT$10,000,000 (incl.)～NT$15,000,000 (excl.) | | |
| NT$15,000,000 (incl.)～NT$30,000,000 (excl.) | | |
| NT$30,000,000 (incl.)～NT$50,000,000 (excl.) | | |
| NT$50,000,000 (incl.)～NT$100,000,000 (excl.) | | |
| Above NT$100,000,000 | | |
| Total | 3 persons | 3 persons |

Note 1: The name of each general manager and vice general manager shall be stated separately, based on the amount of the aggregated remuneration items paid to each. If a director concurrently serves as a general manager or an vice general manager, please complete this table and Table (1-1), or Tables (1-2-1) and (1-2-2).

Note 2: This includes salary, duty allowances, and severance pay to the general manager(s) and vice general manager(s) in the most recent fiscal year.

Note 3: This includes the amounts of all types of rewards, incentives, travel expenses, special disbursements, stipends of any kind, provision of facilities such as accommodations or vehicle, and other compensation to the general manager(s) and vice general managers(s) in the most recent fiscal year. If housing, car or other forms of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2—including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc.—should be included in the calculation of remuneration.

Note 4: This refers to employee profit-sharing compensation (including stocks and cash) received by the general manager(s) and vice general manager(s) as approved or expected to be approved by the board of directors for the most recent fiscal year (including concurrent service as general manager, vice general manager, other managerial officer, or non-managerial employee). If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Note 5: Disclose the total amount of remuneration in each category paid to the general manager(s) and vice general manager(s) by all companies in the consolidated financial report (including the Company).

Note 6: Disclose the names of the general manager(s) and vice general manager(s) in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each general manager and vice general manager by the Company.

Note 7: Disclose the names of the general manager(s) and vice general manager(s) in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each general manager and vice general manager of the Company by all companies in the consolidated financial report (including the Company).

Note 8: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 9: a. In this column, specifically disclose the amount of remuneration received by the general manager(s) and vice general manager(s) of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state "None").

b. If general manager(s) or vice general manager(s) of the Company have received remuneration from investee enterprises other than subsidiaries or from the parent company, that remuneration shall be added into the amount in Column E of the Remuneration Range Table, and the name of that column shall be changed to "Parent company and all investee enterprises."

c. Remuneration means remuneration received by the general manager(s) and vice general manager(s) of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

Note 10: The Company's Board of Directors meeting dated March 22, 2023 resolved to appoint Mr. Chang, Ta-Chien, Vice General Manager and CFO, to be the Chief Governance Officer (CGO), starting from June 1, 2023.

＊The concept of the remuneration contents disclosed in this table is different from the concept of the Income Tax Act. As such, this table serves the purpose only of information disclosure, not of taxation.

(III) Name of managers who received employee remuneration; status of remuneration distribution:

Unit: NT$1,000

| | Title (Note 1) | Name (Note 1) | Amount in shares | Amount in cash | Total | Ratio of total amount to the net profit after tax (%) |
|---|---|---|---|---|---|---|
| Manager | General Manager | Wu, Li-Shan | – | 810 | 810 | 0.80% |
| | Vice General Manager | Chuang, Kun-Lin | | | | |
| | Vice General Manager, CFO, and CGO (Note 4) | Chang, Da-Chien | | | | |

Note 1: Names and job titles should be disclosed individually, but profit distributions received may be disclosed in aggregate.

Note 2: Fill in the amount of employee profit-sharing compensation (including stocks and cash) received by the managerial officers as approved or expected to be approved by the board of directors for the most recent fiscal year. If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Net income means the net income of the most recent year. If the Company has already adopted the IFRS, net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 3: The applicable scope of "managerial officers" is defined under the 27 March 2003 FSC Order No. Tai-Cai-Zheng-III-0920001301 as persons in the following positions:
(1) General manager(s) and equivalent level positions
(2) Vice general manager(s) and equivalent level positions
(3) Deputy assistant general manager(s) and equivalent level positions
(4) Chief officer of the finance division
(5) Chief officer of the accounting division
(6) Other persons who have the power to manage affairs and sign for the Company

Note 4: The Company's Board of Directors meeting dated March 22, 2023 resolved to appoint Mr. Chang, Ta-Chien, Vice General Manager and CFO, to be the Chief Governance Officer (CGO), starting from June 1, 2023.

(IV) Analysis, comparison, and description of the ratio of total directors'/the general manager's/ vice general managers' remuneration paid by the Company and all companies in the consolidated financial statements in the most recent two years to the net profit after tax indicated on the parent company only or individual financial statements; description of the relevance of operational performance to the remuneration policy, criteria and portfolio, determination procedures, and future risks.

1. Total remuneration paid to the Company's directors, general manager, and vice general managers, as a percentage of net profit after tax, for the last two years by the Company and all companies in the consolidated financial statements:

Unit: NT$1,000

| Category | The Company | | Consolidated entities | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Directors' remuneration | 10,195 | 9,536 | 10,195 | 9,536 |
| Ratio of total director remuneration to the net profit after tax | 10.12% | 4.57% | 10.12% | 4.57% |
| Remuneration of general manager and vice general managers | 11,783 | 13,022 | 11,783 | 13,022 |
| Remuneration to general manager and vice general managers as a percentage of net income after tax | 11.69% | 6.24% | 11.69% | 6.24% |
| Net income after tax | 100,772 | 208,799 | 100,772 | 208,799 |

2. The Company pays remuneration to directors, general manager, and vice general managers based on their extent of participation in the Company's operations, their contribution, and their performance evaluation results, and by reference to the industry's payment standards and future risks, upon approval from the Board of Directors, as required by the Company Act and the Company's Articles of Association.

## IV. State of operation of corporate governance

### (I) The state of operation of the Board of Directors

In 2023, the Board of Directors held a total of 5 meetings (A); the attendance by directors is stated as follows:

| Title | Name | Number of attendance (presence) in person (B) | Number of attendance by proxy | Attendance (presence) rate (B/A) | Remarks |
|---|---|---|---|---|---|
| Chairman | Chen, Kuo-Hung | 5 | 0 | 100% | |
| Director | Liu Yi Investment Co., Ltd. Representative: Chen, Che-Hung | 5 | 0 | 100% | |
| Director | Tsai, Tsai-Tien | 5 | 0 | 100% | |
| Director | Zhu Lin Investment Co., Ltd. Representative: Chen Chun-Ting | 4 | 0 | 80% | |
| Director | Hung, Ming-Chi | 5 | 0 | 100% | |
| Independent director | Tseng, Ming-Jen | 4 | 0 | 80% | |
| Independent director | Li, Ta-Ching | 5 | 0 | 100% | |
| Independent director | Cheng, Tien-Tsung | 5 | 0 | 100% | |

Other matters to be recorded:

1. In the event of any of the following in a Board of Directors meeting, the dates of the meeting, session, contents of motions, the opinions of independent directors, and the Company's response to the opinions should be specified:

(1) Items listed in Article 14-3 of the Securities and Exchange Act:

<table>
<tr><th>Board of Directors</th><th>Motion contents and measures taken afterwards</th><th>Items listed in Article 14-3 of the Securities and Exchange Act</th><th>Reservation or objection by independent directors</th></tr>
<tr><td rowspan="6">9th term<br>9th meeting<br>March 22, 2023</td><td>1. Passed the proposal on appointment of attesting CPAs for 2023 and review of audit fees.</td><td>V</td><td>None</td></tr>
<tr><td>2. Passed the proposal to recapitalize earnings into new shares</td><td>V</td><td>None</td></tr>
<tr><td>3. Passed the proposal to provide endorsements and guarantees to the subsidiary "Giteh Electronic Industries Co., Ltd."</td><td>V</td><td>None</td></tr>
<tr><td colspan="3">Independent director's opinion: None.</td></tr>
<tr><td colspan="3">Measures taken by the Company in response to independent director's opinion: None.</td></tr>
<tr><td colspan="3">Resolution: The proposal was passed in its entirety by all directors present.</td></tr>
<tr><td rowspan="5">9th term<br>10th meeting<br>May 9, 2023</td><td>1. Passed the proposal to provide endorsement and guarantee for the Company's sub-subsidiary "Howteh Vietnam Co., Ltd."</td><td>V</td><td>None</td></tr>
<tr><td>2. Passed the proposal to extend the expiration date of the redevelopment contract of old and dangerous building Xubo Building Office in Taipei held by the Company</td><td>V</td><td>None</td></tr>
<tr><td colspan="3">Independent director's opinion: None.</td></tr>
<tr><td colspan="3">Measures taken by the Company in response to independent director's opinion: None.</td></tr>
<tr><td colspan="3">Resolution: The proposal was passed in its entirety by all directors present.</td></tr>
</table>

| Board of Directors | Motion contents and measures taken afterwards | Items listed in Article 14-3 of the Securities and Exchange Act | Reservation or objection by independent directors |
|---|---|---|---|
| 9th term 12th meeting August 11, 2023 | 1. The Company passed the proposal to amend the subsidiary's "Internal Control System." | V | None |
| | 2. The Company passed the "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises." | V | None |
| | 3. Passed the proposal to allow the Company's sub-subsidiary "Shenzhen Howteh Technology Co., Ltd." to loan funds to the Company's sub-subsidiary "Shanghai Howteh International Trading Inc." | V | None |
| | Independent director's opinion: None. | | |
| | Measures taken by the Company in response to independent director's opinion: None. | | |
| | Resolution: The proposal was passed in its entirety by all directors present. | | |
| 9th term 13th meeting November 10, 2023 | 1. Passed the proposal to allow the Company's sub-subsidiary "Shanghai Howteh International Trading Inc." to loan funds to the Company's sub-subsidiary "Shenzhen Howteh Technology Co., Ltd." | V | None |
| | Independent director's opinion: None. | | |
| | Measures taken by the Company in response to independent director's opinion: None. | | |
| | Resolution: The proposal was passed in its entirety by all directors present. | | |

(2) Any other documented objections or qualified opinions raised by an independent director against a board resolution: No such occurrence.

2. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process: No such occurrence.

3. Evaluation of the Board of Directors:

| Evaluation periodicity | Evaluation period | Evaluation scope | Evaluation method | Evaluation content |
|---|---|---|---|---|
| Once per year | January 1, 2023 through December 31, 2023 | 1. Board of Directors<br>2. Members of Board of Directors<br>3. Remuneration Committee<br>4. Audit Committee | Internal self-evaluation | For details, see the "2023 Board of Directors Performance Evaluation Results" |

[2023 Board of Directors Performance Evaluation Results]

(1) Referencing regulations: To implement corporate governance and improve the Board of Directors' functions, the Company carried out its 2023 Board of Directors performance evaluation by the "Rules for Performance Evaluation of Board of Directors" passed through a resolution at the Board of Directors meeting dated August 11, 2020.

(2) Evaluation scope: Evaluation of Board of Directors as a whole, individual Board of Directors members, and functional committees (including Remuneration Committee and Audit Committee), by means of internal self-evaluation.

(3) Evaluation results: Each evaluation indicator is ranked on a scale from 5 points to 1 point, with 5 being prime, 4 being excellent, 3 being good, 2 being mere satisfactory, and 1 being deficient; below is a summary of the evaluation results:

(A) Board of Directors Performance Self-evaluation Results

| Evaluation aspect | Item | Average score | Total score |
|---|---|---|---|
| A. Participation in the operations of the Company | 12 | 4.83 | 4.94 |
| B. Improvement in the quality of the Board of Directors' decision making | 12 | 5.00 | |
| C. Composition and structure of the Board of Directors | 7 | 4.86 | |
| D. Election and continuing education of the directors | 7 | 5.00 | |
| E. Internal control | 7 | 5.00 | |

(B) Board of Directors Members Performance Self-evaluation Results

| Evaluation aspect | Item | Average score | Total score |
|---|---|---|---|
| A. Alignment with the goals and tasks of the Company | 3 | 4.96 | 4.95 |
| B. Awareness of the duties of a director. | 3 | 4.96 | |
| C. Participation in the operations of the Company | 8 | 4.89 | |
| D. Management of internal relationship and communication | 3 | 4.88 | |
| E. Professionalism and continuing education of the directors | 3 | 5.00 | |
| F. Internal control | 3 | 5.00 | |

(C) Functional Committees (Remuneration Committee) Performance Self-evaluation Results

| Evaluation aspect | Item | Average score | Total score |
|---|---|---|---|
| A. Participation in the operations of the Company | 4 | 4.75 | 4.94 |
| B. Awareness of the duties of the functional committee | 5 | 5.00 | |
| C. Improvement in the quality of decision-making of the functional committee | 7 | 5.00 | |
| D. Composition and election of members of the functional committee | 3 | 5.00 | |

(D) Functional Committees (Audit Committee) Performance Self-evaluation Results

| Evaluation aspect | Item | Average score | Total score |
|---|---|---|---|
| A. Participation in the operations of the Company | 4 | 5.00 | 5.00 |
| B. Awareness of the duties of the functional committee | 5 | 5.00 | |
| C. Improvement in the quality of decision-making of the functional committee | 7 | 5.00 | |
| D. Composition and election of members of the functional committee | 3 | 5.00 | |
| E. Internal control | 3 | 5.00 | |

Summary conclusion:
The performance of the Board of Directors as a whole, Board of Directors members, the Remuneration Committee, and the Audit Committee was ranked either "Prime" or "Excellent," indicating that the Board of Directors and functional committees function well and comply with corporate governance standards. The evaluation results will be taken to improve the Board of Directors' functions and operating efficiency and used as a reference for selection or nomination of directors in the future.

4. An evaluation of targets (e.g., establishment of an audit committee and improvement in information transparency) for strengthening of the functions of the board during the current and immediately preceding fiscal years, and measures taken toward achievement thereof:

(1) The Company's Board of Directors operates and exercise its powers by laws and regulations, its Articles of Association, and resolutions of the Shareholders' Meeting. All directors possess the professional knowledge, skills, and literacy necessary for performing their duties and uphold the principle of fiduciary duty and duty of care, aiming to maximize the profits for all shareholders.

(2) The Company pays close attention to any change in the regulatory framework made by the competent authorities, reviews, where appropriate, the "Rules of Procedure for Board of Directors Meetings," assesses the "Audit Committee Charter" and "Remuneration Committee Charter," and implements any amended laws or regulations, aiming to improve information transparency. So far the implementation goes well.

(3) The Company set up functional committees, e.g., Remuneration Committee and Audit Committee, in 2011 and 2021, respectively, and continues to improve their functions.

(4) The Company has disclosed its internal regulations and material Board of Directors resolutions on its website and the Market Observation Post System, so as to facilitate shareholders' understanding of the Company's dynamics and improve the transparency of its information.

(5) To implement corporate governance, protect shareholders' rights and interests, and strengthen the functions of the Board of Directors, the Company passed a resolution at the Board of Directors meeting dated March 22, 2023 to appoint a Chief Governance Officer starting from June 1, 2023, who would assist in the operation of the Board of Directors.

(6) The Company arranges for directors to take external corporate governance courses every year. The continuing education courses taken by the Company's directors in 2022 are as follows:

| Title | Name | Course date | Organizer | Course name | Course hours |
|---|---|---|---|---|---|
| Chairman | Chen, Kuo-Hung | August 9, 2023 | Taiwan Investor Relations Institute | Strategy for business management and news crisis management | 3 |
| | | November 9, 2023 | Taiwan Investor Relations Institute | Practical analysis of the new version of corporate governance and board performance evaluation in 2023 | 3 |
| Director | Chen, Che-Hung | August 9, 2023 | Taiwan Investor Relations Institute | Strategy for business management and news crisis management | 3 |
| | | November 9, 2023 | Taiwan Investor Relations Institute | Practical analysis of the new version of corporate governance and board performance evaluation in 2023 | 3 |
| Director | Tsai, Tsai-Tien | September 4, 2023 | Financial Supervisory Commission | The 14th Taipei Corporate Governance Forum | 6 |
| Director | Chen Chun-Ting | August 9, 2023 | Taiwan Investor Relations Institute | Strategy for business management and news crisis management | 3 |
| | | November 9,2023 | Taiwan Investor Relations Institute | Practical analysis of the new version of corporate governance and board performance evaluation in 2023 | 3 |
| | | November 13, 2023 | Taiwan Institute for Sustainable Energy | Strategy for excellent CEO and leadership and sustainable innovation | 5 |

| Title | Name | Course date | Organizer | Course name | Course hours |
|---|---|---|---|---|---|
| Director | Hung, Ming-Chi | September 4, 2023 | Financial Supervisory Commission | The 14th Taipei Corporate Governance Forum | 6 |
| Independent director | Li, Ta-Ching | March 9, 2023 | Securities and Futures Institute (SFI) | The future of the metaverse and cryptocurrency blockchain | 3 |
| | | March 16, 2023 | Institute of Financial Law and Crime Prevention | Money laundering prevention and counter-terrorism financing practices and directors' legal obligations and responsibilities promotion | 3 |
| | | April 11, 2023 | Securities and Futures Institute (SFI) | Server system integration technology and application opportunities | 3 |
| | | September 4, 2023 | Financial Supervisory Commission | The 14th Taipei Corporate Governance Forum | 6 |
| Independent director | Tseng, Ming-Jen | July 21, 2023 | Taiwan Investor Relations Institute | How do the company respond to ESG challenges and create opportunities for transformation | 3 |
| | | November 9, 2023 | Taiwan Investor Relations Institute | Practical analysis of the new version of corporate governance and board performance evaluation in 2023 | 3 |
| Independent director | Cheng, Tien-Tsung | March 27, 2023 | Chinese National Association of Industry and Commerce | Corporate resilience and Taiwan's competitiveness | 3 |
| | | Octorber 27, 2023 | Securities and Futures Institute (SFI) | Challenges and opportunities for businesses in the net-zero era | 3 |
| | | November 27, 2023 | Securities and Futures Institute (SFI) | Technical development and application opportunities of chatbot ChatGPT | 3 |

(II) Operation of the Audit Committee

The Audit Committee held 4 meetings [A] in the most recent year (2023); the attendance of independent directors is as follows:

| Title | Name | Number of attendance in person (B) | Number of attendance by proxy | % of attendance in person 【B/A】 | Remarks |
|---|---|---|---|---|---|
| Independent director | Li, Ta-Ching | 4 | 0 | 100% | |
| Independent director | Tseng, Ming-Jen | 4 | 0 | 100% | |
| Independent director | Cheng, Tien-Tsung | 4 | 0 | 100% | |

Other matters to be recorded:

1. In the event of any of the following in the audit committee, the dates of audit committee meetings, sessions, contents of motions, the dissenting opinion, qualified opinion, or significant suggestions of the independent director, resolutions of the audit committee meetings, and the Company's response to audit members' opinion should be specified:

(1) Items listed in Article 14-5 of the Securities and Exchange Act:

| Audit Committee meeting date | Motion contents and measures taken afterwards | Items listed in Article 14-5 of the Securities and Exchange Act | Matters not approved by the Audit Committee but approved by more than two-thirds of all directors |
|---|---|---|---|
| 1st term 7th meeting March 22, 2023 | 1. passed the proposal on appointment of attesting CPAs for 2023 and review of audit fees. | V | None |
| | 2. passed the proposal on the Company's statement of effectiveness of its internal control system for 2022. | V | None |
| | 3. passed the proposal on the Company's Business Report and Financial Statements for 2022. | V | None |
| | 4. passed the proposal to recapitalize earnings into new shares. | V | None |
| | 5. passed the proposal to provide endorsements and guarantees to the subsidiary "Giteh Electronic Industries Co., Ltd." | V | None |
| | Audit Committee resolution: The proposal was passed in its entirety by all members present. | | |
| | The Company's response to Audit Committee members' opinion: None. The proposals were submitted to and approved by the Company's Board of Directors. | | |
| 1st term 8th meeting May 8, 2023 | 1. Passed the proposal to allow the Company to provide endorsement and guarantee for the Company's sub-subsidiary "Howteh Vietnam Co., Ltd." | V | None |
| | 2. Passed the proposal to extend the expiration date of the redevelopment contract of old and dangerous building Xubo Building Office in Taipei held by the Company. | V | None |
| | Audit Committee resolution: The proposal was passed in its entirety by all members present. | | |
| | The Company's response to Audit Committee members' opinion: None. The proposals were submitted to and approved by the Company's Board of Directors. | | |
| 1st term 9th meeting August 11, 2023 | 1. Passed the proposal to amend the subsidiary's "Internal Control System." | V | None |
| | 2. Passed the "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises." | V | None |
| | 3. Passed the proposal to allow the Company's sub-subsidiary "Shenzhen Howteh Technology Co., Ltd." to loan funds to the Company's sub-subsidiary "Shanghai Howteh International Trading Inc." | V | None |
| | Audit Committee resolution: The proposal was passed in its entirety by all members present. | | |
| | The Company's response to Audit Committee members' opinion: None. The proposals were submitted to and approved by the Company's Board of Directors. | | |
| 1st term 10th meeting November 10, 2023 | 1. Passed the proposal on the Company's 2024 annual audit plan. | V | None |
| | 2. Passed the proposal to allow the Company's sub-subsidiary "Shanghai Howteh International Trading Inc." to loan funds to the Company's sub-subsidiary "Shenzhen Howteh Technology Co., Ltd." | V | None |
| | Audit Committee resolution: The proposal was passed in its entirety by all members present. | | |
| | The Company's response to Audit Committee members' opinion: None. The proposals were submitted to and approved by the Company's Board of Directors. | | |

(2) Any other resolutions that were approved by two thirds of Board members but not approved by the Audit Committee other than those described above: No such occurrence.

2. Implementation of recusal by independent directors due to conflict of interests: No such occurrence.
3. Status of communication between independent directors, the chief internal auditor, and CPAs:
   (1) The Company's Chief Internal Auditor regularly reports to and discusses with the Audit Committee members on audit matters and, after the monthly audit report was issued, immediately discusses and communicates with the same on any doubts they have. Communication between the Company's independent directors and Chief Internal Officers is good.
   (2) The Company's CPAs communicate mandatory matters and their review or audit results of the Company's quarterly financial statements at the quarterly Audit Committee meeting. Communication between the Company's independent directors and CPAs is good.

(III). Operations of the Remuneration Committee

1. Remuneration Committee members

| Position \ Name \ Criteria | | Professional qualifications and experience | State of independence | Number of concurrent duty as a Remuneration Committee member at a public company |
|---|---|---|---|---|
| Independent director (convener) | Tseng, Ming-Jen | Please refer to "Disclosure of information on directors' professional qualifications and independent directors' independence" on p.16 to p.18. | | 0 |
| Independent director | Li, Ta-Ching | | | 0 |
| Independent director | Cheng, Tien-Tsung | | | 0 |

2. Remuneration Committee duties

   The Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion.
   (1) Establishing and periodically reviewing the policies, systems, standards, and structure for the compensation of the directors, and managerial officers.
   (2) Periodically reviewing and formulating remuneration for directors and managers.

3. Information on the operations of the Remuneration Committee

   The Company's remuneration committee has a total of 3 members. The term of the current members is from July 22, 2021 to July 21, 2024. The number of remuneration committee meetings held in the most recent fiscal year (2023) was 2 (A). The qualifications and attendance of the members were as follows:

| Title | Name | Number of attendance in person (B) | Number of attendance by proxy | % of attendance in person 【B/A】 | Remarks |
|---|---|---|---|---|---|
| Independent director (convener) | Tseng, Ming-Jen | 2 | 0 | 100% | |
| Independent director (member) | Li, Ta-Ching | 2 | 0 | 100% | |
| Independent director (member) | Cheng, Tien-Tsung | 2 | 0 | 100% | |

Other matters to be recorded:

(1) If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it should state the date, session, proposal content, resolution of the board, and its handling of the committee's opinions (if the remuneration approved by the board is better than the recommendation proposed by the committee, the difference and reasons should be stated): No such occurrence.

(2) For the proposals by the Remuneration Committee, if any members have objections or reservations that are put down in records or written statements, the date, session, proposal content, the opinions of all members, its handling of the members' opinions should be stated:

| Remuneration Committee | Motion contents and measures taken afterwards | Reservation or objection by Remuneration Committee members |
|---|---|---|
| 5th term 6th meeting March 22, 2023 | 1.Review of the proposal to distribute remuneration to employees and directors of 2022 | None |
| | 2. Establishment and appointment of of the Chief Governance Officer。 | None |
| | Remuneration Committee resolution: The proposal was passed in its entirety by all members present. | |
| | The Company's response to Remuneration Committee members' opinion: None. The proposals were submitted to and approved by the Company's Board of Directors. | |
| 5th term 7th meeting November 10, 2023 | 1.Discussion on the proposal for distribution of the 2023 year-end bonus to managers. | None |
| | Remuneration Committee resolution: The proposal was passed in its entirety by all members present. | |
| | The Company's response to Remuneration Committee members' opinion: None. The proposals were submitted to and approved by the Company's Board of Directors. | |

(IV) The Company's implementation of corporate governance and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor

| Evaluation Items | The State of Operation | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| I. Has the Company formulated and disclosed its corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?" | V | | To implement corporate governance, the Company has formulated its "Corporate Governance Best Practice Principles" by referencing the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and disclosed the same on its website. | No significant difference |
| II. The Company's equity structure and shareholder equity<br>(I) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes and litigations and implemented them in accordance with the procedures?<br>(II) Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders?<br>(III) Has the Company established and implemented risk control and firewall mechanisms between affiliated companies? | <br>V<br>V<br>V | | (I) The Company designated a spokesperson and a deputy spokesperson and set up a grievance filing channel for stakeholders; in doing so, the Company is able to properly handle shareholder suggestions, doubts, disputes, and litigations.<br>(II) The Company is able to grasp the list of its major shareholders; it also files any information on changes according to the "Taipei Exchange Rules Governing Information Reporting by Companies with TPEx Listed Securities," and keeps close contact with major shareholders.<br>(III) The powers for the management of financial and business affairs are properly segregated among the Company and affiliates. The Company has also formulated its "Regulations for Management of Material Investees" and "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties" to provide a basis | No significant difference |

| Evaluation Items | The State of Operation | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| (IV) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market? | V | | for compliance.<br>(IV) The Company has formulated its "Procedures for Processing Material Inside Information to Prevent Insider Trading" and "Procedures for Ethical Management and Guidelines for Conduct," which prohibit insiders from using non-public information to trade marketable securities. | |
| III. Composition and responsibilities of the Board of Directors<br>(I) Has the Board of Directors formulated policy and specific management goals regarding the diversity and implemented the same accordingly?<br>(II) In to the Remuneration Committee and the Audit Committee established in accordance with law, has the company voluntarily set up other functional committees? | V<br><br>(II) | <br><br>(II) V | (I) The Company has formulated its Board of Directors membership diversity policy in its "Corporate Governance Best Practice Principles." The Company elects to have 8 directors, including 3 independent directors, in consideration of its business development and scale and practical operating needs. All incumbent Board of Directors members possess the knowledge, skills, and literacy required for performing their duties; they have also set concrete management goals to implement the Board of Directors diversity policy. For details, see Diversity and Independence of the Board of Directors on p.19 to p.20 of this annual report.<br>(II) The Company has set up its Remuneration Committee and Audit Committee, which exercise powers by the "Remuneration Committee Charter" and the "Audit Committee Charter," respectively. Both committees function well. In the future, the Company might set up other functional committees depending on actual | No significant difference |

| Evaluation Items | The State of Operation | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| (III) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as a reference in determining salary/compensation for individual directors and their nomination and additional office terms? | V | | operational needs.<br>(III) In order to implement corporate governance, enhance the functions of the Company's Board of Directors, and establish performance targets to enhance the operational efficiency of the Board of Directors, the Company has formulated its "Rules for Performance Evaluation of Board of Directors," by which the Company internally evaluates the performance of the Board of Directors annually and submits the evaluation results to the Board of Directors. For the status of implementation of Board of Directors performance evaluation, see p.29 to p.30 on this annual report. The 2023 self-evaluation results have been submitted to the Board of Directors meeting dated March 14, 2024. | |
| (IV) Does the company regularly evaluate the independence of attesting CPAs? | V | | (IV) By referencing the "Certified Public Accountant Act" and Statement No.10 of "The Norm of Professional Ethics for Certified Public Accountant of the Republic of China," the Company formulates independence evaluation criteria to assess the independence of CPAs every year. In addition, the Company requires attesting CPAs to provide a statement of independence and audit quality indicators, and submits the same to the Audit Committee and Board of Directors for approval. The results of assessment of the 2024 attesting CPAs' independence were submitted to and approved by the Audit Committee on March 14, 2024, and then by the Board of Directors on March 14, 2024. According to the | |

| Evaluation Items | The State of Operation | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | Company's assessment, CPA Chang, Chiao-Ying and CPA Chang, Chih-Ming from Ernst & Young meet the Company's independence criteria, and are therefore qualified to be the Company's attesting CPAs. For the criteria for assessing CPA independence, see the notes. | |

| Evaluation Items | The State of Operation | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| IV. Does the Company as a listed company have a suitable and appropriate number of corporate governance personnel and appoint a corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors in complying with laws and regulations, conducting board meeting and shareholders' meeting related matters in accordance with the law, handling company registration and alteration registration and preparing minutes of board meetings and shareholders' meetings, etc.)? | V | | To implement corporate governance and make the Board of Directors live up to its occupational functions, to uphold investors' interests, the Company's Board of Directors meeting dated March 22, 2023 resolved to appoint Mr. Chang, Ta-Chien, Vice General Manager and CFO, to be the Chief Governance Officer (CGO), starting from June 1, 2023. Mr. Chang, Ta-Chien meets the criterion of being a managerial officer in charge of financial, stock, or corporate governance affairs at a public company for more than 3 years. The duties of the CGO include handling matters relating to board meetings and shareholders' meetings according to laws; producing minutes of board meetings and shareholders' meetings; assisting in onboarding and continuous development of directors; furnishing information required for business execution by directors; assisting directors with legal compliance; briefing the board of directors on his examination as to whether the independent directors' qualifications comply with regulatory requirements during nomination, selection, and term of office; and taking charge of the matters assigned to him by the Articles of Association or contracts. The CGO completed the 18-hour orientation courses within one year after assuming office and will take continuing education courses for 12 hours every year thereafter. | No significant difference |

| Evaluation Items | The State of Operation | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| V. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholder's section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues? | V | | The Company maintains a clear communication channel with stakeholders, including customers, shareholders, banks, creditors, and employees, and respects and safeguards their legitimate rights and interests. In addition, the Company has a spokesperson and acting spokesperson, who will serve as the company's communication channel with stakeholders. Stakeholders may contact the Company at any time by telephone, letter, fax, e-mail, etc. if necessary. | No significant difference |
| VI. Has the company appointed a professional stock affairs agency to handle matters for shareholders' meetings? | V | | The Company appointed the Stock Affairs Department of MasterLink Securities Corp., a professional stock affairs agent, to handle the Company's stock affairs. | No significant difference |
| VII. Public disclosure of information | | | | |
| (I) Has the Company set up a website to disclose finance and business matters and corporate governance information? | V | | (I) The Company already set up a website (http://www.howteh.com.tw), where it discloses company information from time to time for reference by investors. | No significant difference |
| (II) Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for the collection and disclosure of Company information, implementing a spokesperson system, posting the Company's earnings calls on its website, etc.)? | V | | (II) The company has set up a Chinese and English website and has a dedicated person responsible for the collection and disclosure of company information. The Company also has a spokesperson and an acting spokesperson, who are responsible for communicating company information to outsiders and holding investors' conferences. | |
| (III) Does the Company publish and make an | | V | (III)The Company files its annual and quarterly financial | |

| Evaluation Items | The State of Operation | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| official filing of an annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with the monthly business performance statements before the required due dates? | | | statements within specified due dates and declares its monthly operating performance every month as required by law. | |
| VIII. Does the company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the company's purchase of liability insurance for directors and supervisors, and so on)? | V | | 1. Employee rights:<br>To safeguard employees' rights, the Company has formulated its "Work Rules" and "Measures of Prevention, Complaint, and Punishment of Sexual Harassment," by which it respects employees' human rights and uphold their legitimate rights. In addition, the Company has also set up an internal website, where employees may submit their opinions and discuss about benefits, and which is a real-time communication channel with employees.<br>2. Employee care:<br>The Company puts people first in that it has formulated comprehensive management system with respect to working environment, benefits, on-the-job training, retirement, and dependent care, so as to enable employees to devote themselves to promoting the various types of business, thereby jointly maximizing profits. Benefits in this regard include group insurance for all employees; childbirth allowance; funeral subsidies; insurance for employees on business travel; parental leave without pay; and various measures for family care. | No significant difference |

| Evaluation Items | The State of Operation | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor |
| --- | --- | --- | --- | --- |
| | Yes | No | Summary description | |
| | | | Since the Company is an agent of other companies, employees work mainly in office buildings; the Company's office is a commercial building guarded by dedicated security guards day and night and regularly maintained, which should be considered a safe workplace for employees. The Company values employees' health, so it offers a complimentary physical checkup for employees every year. More physical checkup items are added year on year at the request of employees. To insure employees against physical injury, the Company purchased an Employer's Liability Insurance, which will entitle employees to insurance benefits if they sustain injury at work during their employment. The Company further purchased a public liability insurance for persons going in and out of the Company's warehouse, and for tally clerks.<br>3. Investor relations:<br>By disclosing its financial, business, and corporate governance information on its website, the Company enhances information transparency and maintains a good interaction with investors. Please visit the Company's website: http://www. howteh.com.tw.<br>4. Supplier relations:<br>The Company has set up its Supplier Management Rules, and designated different departments to be responsible for communication with different suppliers and stakeholders, and to coordinate any related affairs. In doing so, the Company | |

| Evaluation Items | The State of Operation | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | provides a clear communication channel.<br>5. Stakeholders' rights:<br>The Company has clearly indicated a stakeholder complaint filing channel on its website and annual report, so as to maintain stakeholders' rights.<br>6. Directors' continuing education:<br>The Company provides directors with information on applicable laws and regulations and continuing education courses as required by law. The Company's directors also take continuing education courses that offer professional information with respect to corporate governance, finance, and business. Please see p.31 to p.32 in the annual report.<br>7. Implementation of risk management policies and risk measurement standards:<br>By following its comprehensive internal control system and relevant regulations, the Company prevents the occurrence of fraud and reduces risks. Please see p.111 to p.113 of this annual report.<br>8. Implementation of customer policies:<br>The Company has set up customer complains processing procedures, by which it opens to, and deals with, customer complaints; it also establishes preventive measures accordingly to prevent recurrence.<br>9. The Company's purchase of liability insurance for directors:<br>The Company has purchase directors and officers liability insurance of USD3 million from MSIG Mingtai Insurance | |

| Evaluation Items | The State of Operation | | | The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | Company, Limited. for directors to cover the period from August 25, 2023 and August 25, 2024. Such purchase has been reported to the Board of Directors on August 11, 2023. | |
| IX. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement:<br>The company has improved information transparency and disclosure timeliness and will enhance disclosure on its website to improve information transparency. | | | | |

(Note) Evaluation of the attesting CPAs

| Evaluation Items | Evaluation results | Whether the person qualifies for independence |
|---|---|---|
| (1) Does the CPA have direct or indirect material financial interests with the Company? | No | Yes |
| (2) Does the CPA provide/accept endorsement and guarantees or lend or borrow funds from/to the Company or its directors? | No | Yes |
| (3) Does the CPA have a business relationship with the Company, or have an implicit employment relationship with the Company? | No | Yes |
| (4) Is/Was the CPA or any member of the engagement team one of the Company’s directors, managers, or a person wielding significant influence over the Company’s audit work currently or in the past two? years? | No | Yes |
| (5) Does the CPA simultaneously provide the Company with non-audit service items that will directly impact the audit work? | No | Yes |
| (6) Does the CPA serve as an agent of the stock or securities issued by the Company? | No | Yes |
| (7) Does the CPA serve as a defendant for the Company or mediate the disputes with another party on behalf of the Company? | No | Yes |

| | | |
|---|---|---|
| (8) Is the CPA a relative or family member of the Company's directors, managers, or persons wielding significant influence over the audit case? | No | Yes |
| (9) Is there a partner CPA who has resigned within the past year and used to be the Company's director, manager, or a person wielding significant influence over the audit work? | No | Yes |
| (10) Did the CPA accept gifts or giveaways of significant value from the Company's director or manager? | No | Yes |
| (11) Does the CPA provide the Company with audit service for seven years or more in a row? | No | Yes |

(V) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons

| Evaluation Items | The State of Operation | | | Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons: |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| I. Has the Company established a governance structure to promote sustainable development, and designated a full-time (part-time) unit to promote sustainable development, which is to be handled by the senior management with the authorization of the Board of Directors, and the actual supervision of the Board of Directors? | V | | The Company's Board of Directors designated the General Manager Office to be a full-time (part-time) unit, which shall take charge of developing sustainable development policy and system or relevant management approaches, setting feasible goals and implementing the same, and tracking implementation achievements and reporting the same to the Board of Directors. | No significant difference |
| II. Does the company conduct risk assessments on environmental, social, and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? | V | | (I) Environmental protection<br>Being an electronic components distributor, the Company is mainly engaged in trading and R&D of electronic components, and is not involved in any manufacturing activities. Due to the nature of the industry it is in, the Company did not pollute the environment in any way. Nonetheless, being aware of a corporate citizen, the Company profoundly understands the importance of environmental sustainability. Therefore, the Company introduces an environmental management system to minimize the | No significant difference |

| Evaluation Items | The State of Operation | | | Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons: |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | risk of environmental violations; what’s more, it has been promoting its carbon reduction and energy conservation program, through which it enhances employees’ environmental awareness and improves the efficiency in resource consumption.<br>(II) Product liability<br>The Company demands that suppliers obtain necessary environmental certificates (e.g., emissions monitoring), permits, and registration documents and regularly maintain and update the same. The Company also demands that suppliers identify and manage the chemical substances and other substances that, if released to the environment, will cause hazards, and thereby ensure substances can be safely processed, transported, stored, used, recycled, reused, and disposed of. The Company also abides by the Restriction of Hazardous Substances (RoHS) and the Registration, Evaluation, Authorization, Restriction of Chemicals (REACH) promulgated by the European Union. Aside from that, the Company also demand that suppliers disclose a statement on their website asserting compliance with the said regulations, or provide a certificate issued by Taiwan Testing and Certification Center or SGS, in order to ensure the regulatory compliance of the electronic components sold by the Company to downstream manufacturers.<br>(III) Labor relations | |

| Evaluation Items | The State of Operation | | | Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons: |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | Human resources are allocated based on each department's annual plans. Through diverse recruitment channels, HOWTEH pursues talents who satisfy its core values.<br>The Company values talent retention. By having an interview with terminated employees, the Company gathers the causes of their termination and related information, analyzes the data to formulate remedial plans, and then gives feedback to department chiefs so that they can carry out remedial measures, e.g., personnel management, adjustment of job design, and improvement in recruitment offers.<br>(IV) Anti-corruption<br>By putting in place anti-fraud measures, e.g., the "Ethical Corporate Management Best Practice Principles," "Codes of Ethical Conduct," "Procedures for Ethical Management and Guidelines for Conduct," "Internal Control System," "Authorization System," and division of function, coupled with the implementation of internal audit, internal control self-evaluation, and provision of a channel for reporting unethical conduct, the Company implements its anti-corruption measures.<br>(V) Customer privacy<br>The Company keeps trade secrets strictly confidential. No person of the Company may disclose to any other party any trade secrets, trademarks, copyrights, and other intellectual | |

| Evaluation Items | The State of Operation | | | Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons: |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | properties of the clients or suppliers of which they have learned, nor may they inquire about or collect any trade secrets, trademarks, copyrights, and other intellectual properties of clients and suppliers unrelated to their individual duties. The Company further entered into a non-disclosure agreement (NDA) with clients and original brands. The Company has also launched 5 concrete measures to protect trade secrets.<br>(VI) Compliance with socioeconomic laws and regulations<br>The Company abides by the Fair Trade Act, Foreign Trade Act, Regulations Governing Export and Import of Strategic High-tech Commodities, the USA's Export Administration Regulations, Regulations Governing Trade between the Taiwan Area and the Mainland Area, and other international standards. All products comply with international safety standards and import and export laws. The Company verifies the compliance of its operations and abides by its ethical code; it also publicizes laws and regulations internally. | |
| III. Environmental Issues<br>(I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry? | V | | (I) Since the Company is an agent, ISO14001 and related environmental management systems do not apply to the industry to which the Company belongs. Despite so, the Company still strives to create proper systems for the management of operating activities | No significant difference |

| Evaluation Items | The State of Operation | | | Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons: |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | and office environment. In terms of operating activities, the Company urges its suppliers to value compliance of their production environment and products with RoHS directives, and monitors their compliance. In terms of the internal environment, the Company purchases energy-efficient electric appliances and lighting fixtures, reduces the use of disposable products, and sets the switch of lights on automatically during noon break and the start and end of business hours to reduce unnecessary waste. | |
| (II) Is the Company committed to improving the efficiency of resource utilization and using recycled materials with a low impact on the environment? | V | | (II) The Company launches a green campaign and continues to promote the reuse of paper; practices in this regard include waste paper recycling, the use of both sides of paper, and the use of office accessories and equipment made of eco-friendly materials and bearing an energy efficiency mark. | |
| (III) Does the Company evaluate the potential risks and opportunities of climate change to the Company now and in the future, and take corresponding measures to respond to climate related issues? | V | | (III) The Company continues to promote energy conservation measures, greening work, and tree planting work. | |
| (IV) Does the Company make statistics on greenhouse gas emissions, water consumption and the total weight of waste for the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management? | V | | (IV) Although the Company did not make statistics or formulate a carbon reduction and energy conservation policy, the Company puts in place its principles for energy efficient conduct in offices during daily operations. The Company actively promotes environmental awareness and encourages employees to practice green conduct in day-to-day | |

| Evaluation Items | The State of Operation | | | Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons: |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | life, e.g., use of e-statements to reduce consumption of paper and transportation resources and turning off lights when leaving. The Company increasingly digitalizes its approval process and cancels the original paperwork approval process, thereby slashing paper consumption. The Company aims to create a sustainable environment, actively implement eco-friendly operational approaches, and reduce energy consumption. | |
| IV. Social Issues<br>(I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights? | V | | (I) The Company recognizes and supports principles set forth in the various international human rights conventions, e.g., "Universal Declaration of Human Rights," "United Nations Guiding Principles on Business and Human Rights," "The United Nations Global Compact," and "ILO Convention." In addition, the Company has drafted its policy that values human rights at the workplace, provides a safe and healthy workplace, and respects employees' rights to free association; the policy is applicable to the Company, subsidiaries over which the Company has substantive control, and suppliers. By putting in place proper management approaches and procedures, the Company eliminates any conduct that infringes or violates human rights; it also regularly reviews safety and health risks facing employees, and carries out remedial plans based on the identification results. The Company will also pay close attention to | No significant difference<br>1 |

| Evaluation Items | The State of Operation | | | Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons: |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | the development of the human rights policy of domestic and foreign enterprises and the changes in the business environment, so as to gain a reference for reviewing and refining this policy. | |
| (II) Has the Company formulated and implemented reasonable employee welfare measures (including remuneration, vacation, and other benefits, etc.), and appropriately reflected operating performance or results in employee remuneration? | V | | (II) The Company provides employees with multiple benefits measures that are beyond the legal requirements. For instance, the Company's leave system is better than what is required by the "Labor Standards Act;" employees start enjoying annual leave in proportion to their service days, starting from their first day at the Company, and are offered fully-paid sick leave and injury leave according to their service years. In addition, employees are offered bonuses for the three major Chinese festivals, group comprehensive insurance, subsidies for continuing education, congratulation money for marriage, childbirth subsidies, and funeral subsidies. Furthermore, to take care of employees' health, the Company offers them free health checkup that surpasses the mandatorily required one in terms of both frequency and number of checkup items. The Company's remuneration system is formulated by taking into consideration industry characteristics, overall remuneration planning, market competitiveness, the Company's operating performance, risk management, and industry peers' payment standards. This precludes the possibility in which managers and salespersons engage in business | |

| Evaluation Items | The State of Operation | | | Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons: |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | conduct that exceeds the Company’s risk appetite in order to pursue remuneration. The Company also regularly reviews the remuneration system and performance in order to implement a reasonable remuneration policy. | |
| (III) Operating performance or results are also appropriately reflected in the compensation of employees (annual salary adjustment and promotion based on performance appraisal). | V | | (III) The Company’s workplace complies with regulatory requirements and has been inspected and approved by the competent authority. A fire safety evacuation drill and labor safety awareness sessions are regularly held. The Company also compiles an emergency response manual, by which it carries out drills and simulations from time to time, to reduce the possibility of the occurrence of work-related accidents. The Company regularly organizes health checkups for employees, and identifies key checkup items, hoping to help employees spot an illness early and thereby implement the concept of illness prevention. The Company also arranges for physicians to provide health consultations after health checkups, continues to launch health promotion events, and irregularly provides employees with health-promoting information, so as to take care of their physical and mental health. In 2023, no fire incidents occurred at our company, internal regular fire prevention promotion, disaster response, fire safety training are conducted to enhance colleagues' awareness of safety and security and set up fire prevention teams to respond to fire incidents. | |

| Evaluation Items | The State of Operation | | | Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons: |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| (IV) Has the Company established an effective career development training program for employees? | V | | (IV) The Company formulates annual training plans against the Company's annual business strategy every year. To align the growth of employees' careers with the development of the Company, the Company provides a variety of training to hone their professional competency during different career stages, e.g., employee orientation training, professional training, and management capability training. To facilitate employees' career development toward the managerial position, the Company also launches a program to cultivate reserve managerial officers at different stages, so as to enrich the core competencies of the management. In addition, to encourage employees to pursue further education, the Company provides subsidies for language courses, computer courses, professional license courses, and continuing education courses, so as to enable employees to improve professional skills and thereby bring benefits for both themselves and the organization's competitiveness. | |
| (V) Does the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and establish relevant customer rights protection policies and complaint procedures? | V | | (V) All components and equipment the Company sells as an agent comply with legal requirements. In addition, the Company demands that suppliers present a Statement of Non-use of Hazardous Substance, Statement of RoHS Directives, etc., so as to provide customers the products suitable for use in future manufacturing processes. The Company also sets up a Stakeholders Zone on its internal website, where | |

| Evaluation Items | The State of Operation | | | Deviation from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons: |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | dedicated employees will respond and a complaint filing mailbox is available, aiming to provide consumers with more comprehensive services. | |
| (VI) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation? | V | | (VI) The Company and subsidiaries add relevant regulations to the contracts entered into with major suppliers. When performing a supplier assessment, the Company will comprehensively assess each indicator (e.g., corporate governance, financial indicators, and records of social responsibility rating). The Company and its subsidiaries further demand that partner suppliers fulfill corporate social responsibilities, and persuade them to adopt consistent principles for respect of human rights, prohibition of discrimination, prohibition of child labor, occupational safety and health, environmental protection, purchase of products bearing an environmental mark, business ethics, and ethical corporate management, aiming to strike a balance between economic development, society, and ecology and achieve environmental sustainability. Suppliers are also regularly inspected for financial conduct and manufacturing environment at their premises; only those well performing will become our long-term partners. | |

<table>
<tr><th rowspan="2">Evaluation Items</th><th colspan="3">The State of Operation</th><th rowspan="2">Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons:</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>V. Does the Company make reference to international reporting standards or guidelines to prepare sustainable development or other reports that disclose non-financial information about the Company? Does the company obtain third party assurance or certification for the reports above?</td><td></td><td>V</td><td>The Company’s Board of Directors meeting dated March 27, 2015 approved the Company’s “Corporate Social Responsibility Best Practice Principles” and the Company’s Board of Directors meeting dated March 22, 2023 approved the Company’s “Sustainable Development Best Practice Principles” , which have been implemented accordingly. The Company did not prepare a corporate social responsibility report that disclosed non-financial information, so there was no such thing as third party certification.</td><td>No significant difference</td></tr>
<tr><td colspan="5">VI. If the Company has adopted its own sustainable development best practice principles based on the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies,” please describe any deviation from the principles in the Company’s operations:<br>The Company’s Board of Directors meeting dated March 27, 2015 approved the Company’s “Corporate Social Responsibility Best Practice Principles,” and the Company’s Board of Directors meeting dated March 22, 2023 approved the Company’s “Sustainable Development Best Practice Principles” both were implemented accordingly. Therefore, the operation did not significantly deviate from the principles.</td></tr>
<tr><td colspan="5">VII. Other important information to facilitate better understanding of the company’s promotion of sustainable development:<br>The Company spares no efforts in improving environmental protection, occupational safety, and health promotion. All employees also strive to reduce the energy consumption of office equipment, replace obsolete equipment, and reduce resource consumption. The Company will continue to pay attention to the development of each issue and trend, so as to gain a reference for striding towards corporate sustainable goals.</td></tr>
</table>

(VI) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons

| Evaluation Items | The State of Operation | | | Deviation From the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Company" and the Reasons. |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| I. Formulate ethical corporate management policy and plan<br>(I) Does the company have an ethical corporate management policy approved by its Board of Directors, and by laws and publicly available documents addressing its corporate conduct and ethics policy and measures and commitment regarding implementation of such policy from the Board of Directors and the top management team?<br><br>(II) Whether the Company has established a mechanism for evaluating the risk of unethical conduct, regularly analyzes and evaluates the activities in the scope of business with a higher risk of unethical conduct, and on the basis of this, has formulated a plan to prevent unethical conduct, which covers at least the preventive measures for the conduct set out in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?"<br>(III) Whether the Company has specified operating procedures, conduct guidelines, and disciplinary and complaint systems for violations in the plan to prevent unethical conduct and implemented the plan as well as regularly reviews and amends it? | V<br><br>V<br><br>V | | (I) The Company formulated its "Procedures for Ethical Management and Guidelines for Conduct" and "Corporate Governance - Codes of Ethical Conduct" which had been approved by the Company's Board of Directors. In addition, the Company discloses its ethical corporate management policy in its internal regulations, literature, company website, and annual report.<br>(II) The Company has formulated its "Procedures for Ethical Management and Guidelines for Conduct," which included the variety of conduct set forth in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles. The Company has also assigned a monetary threshold for operating activities entailing higher unethical risks and formulated response procedures.<br><br>(III) The Company already specified in its "Employee Manual" and "Procedures for Ethical Management and Guidelines for Conduct" that "fraud conduct in any form is | No significant difference |

| Evaluation Items | The State of Operation | | | Deviation From the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Company" and the Reasons. |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | banned outright" and "no person may directly or indirectly provide, accept, promise, or demand any improper profit by taking advantage of his/her job duties." The Company assigns clear definitions to each type of conduct, and sets out a disciplinary system and a complaint filing system, so as to raise employees' awareness of ethics and self-discipline and actively prevent unethical conduct; the Company also regularly reviews operating procedures. | |
| II. The implementation of ethical corporate management<br>(I) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties?<br>(II) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management and report regularly (at least once a year) to the Board of Directors on its ethical management policy, plan to prevent unethical conduct, and the state of monitoring and implementation of such policy and plan?<br>(III) Does the Company have the policy to prevent conflict of interest, provide appropriate channels for an | V<br>V<br>V | | (I) When determining the credit terms to be assigned to a client, the Company factors in the client's ethical records and annotates the orders from the client with ethical provisions.<br>(II) The Company divides responsibilities among relevant units; the Finance Division will be the dedicated unit for board members; HR will be the dedicated unit for employees; and the General Manager Office will be the dedicated unit for business partners (collectively "the Company's responsible units" hereinafter). The Company's responsible units shall brief the Board of Directors once a year.<br>(III) The Company specifies in its "Employee Manual" and "Procedures for Ethical Management and Guidelines for Conduct" | No significant difference |

| Evaluation Items | The State of Operation | | | Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Company” and the Reasons. |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| explanation, and implement it? | | | provisions pertaining to recusal from conflict of interest; the provisions provide that employees should report to their immediate supervisor if they encounter any conflict of interest when performing their duties. | |
| (IV) Does the Company establish an effective accounting system and internal control system for the implementation of ethical corporate management, and have the internal audit unit draw up relevant audit plans based on the evaluation results of risk of unethical conduct and audit the compliance with the plan to prevent unethical conduct, or entrust a CPA to perform the audit? | V | | (IV) The Company has established an effective and complete accounting system and internal control system, and operates accordingly; in addition, regular audits carried out by internal auditors and annual internal control tests carried out by CPAs help identify problems and deficiencies, based on which relevant operation can be corrected. The Audit Office, based on the results of the assessment of the risk of involvement in unethical conduct, devised relevant audit plans, including auditees, audit scope, audit items, audit frequency, etc., and examined accordingly the compliance with the prevention programs. The Audit Office may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary. | |
| (V) Does the Company regularly organize internal and external education and training on ethical corporate management? | V | | (V) The Company continues to promote the concept of ethical corporate management through internal education and training courses. | |
| III. The operation of the Company’s whistleblower reporting system | | | | |

| Evaluation Items | The State of Operation | | | Deviation From the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Company” and the Reasons. |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| (I) Has the Company set up a specific whistleblower reporting and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported matters? | V | | (I) As an incentive to insiders and outsiders for informing of unethical or unseemly conduct, the Company will grant a monetary reward depending on the seriousness of the circumstance concerned. However, Insiders who have made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material. In addition, the Company internally establishes and publicly announces on its website and the intranet, or provides through an independent external institution, an independent mailbox or hotline, for insiders and outsiders of the Company to submit reports. After the accused is reported, the Company will hold a personnel review meeting, present proofs therein to the accused, and provide ample opportunities for the accused to present his/her case before imposing punishment. | No significant difference |
| (II) Has the Company formulated standard operating procedures for the investigation of the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms? | V | | (II) Relevant procedures and confidentiality mechanisms are already set out in the “Procedures for Ethical Management and Guidelines for Conduct.” | |
| (III) Does the Company take measures to protect whistleblowers from being improperly treated due to reporting? | V | | (III) Personnel of the Company handling whistle-blowing matters shall represent in writing they will keep the whistleblowers’ identity and contents of information | |

| Evaluation Items | The State of Operation | | | Deviation From the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Company" and the Reasons. |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | confidential and the whistleblowing content is not a false report or malicious accusation. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistleblowing. | |
| IV. Enhance Information Disclosure<br>(I) Does the Company disclose the content and implementation results of its Ethical Corporate Management Best Practice Principles on its website and the Market Observation Post System? | V | | The Company already disclosed its internal regulations pertaining to ethical corporate management on the Corporate Governance Zone on the Company's website. | No significant difference |
| V. If the Company has established its own ethical corporate management best practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies," please state the differences between its own principles and the state of implementation:<br>The "Procedures for Ethical Management and Guidelines for Conduct" was formulated at the Board of Directors meeting dated March 27, 2015 and amended at the Board of Directors meeting dated March 25, 2021, and have been implemented accordingly. Therefore, the implementation did not significantly deviate from these principles. | | | | |
| VI. Other important information that is conducive to understanding the implementation of ethical corporate management (e.g., the Company's review or revision of its own ethical corporate management best practice principles):<br>Upholding the philosophy of "Trustworthiness and Teamwork," "Improvement in Quality," "Customer Service," and "Innovation and Growth," the Company's Chairman leads the management team, to jointly promote each category of business. The competencies of the team as a whole bring about prominent operational performance, creating the most optimal profits for shareholders, employees, clients, and suppliers and thereby forging a long-term virtuous relationship.<br>In terms of investor relations: In addition to fulfilling the obligation of information disclosure, the Company announces financial and important information as required; it further discloses complete information on the website of Howteh Technology Co., Ltd. at the disposal of all investors, thereby upholding investors' rights to know.<br>In terms of customer relations: Aside from being capable of providing products tailored to clients' needs, the Company also actively deals with any issues raised by clients and provides after-sales technological services, hoping that closer interaction between both parties can win | | | | |

| Evaluation Items | The State of Operation | | | Deviation From the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Company" and the Reasons. |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| word-of-mouth for the Company's products and services.<br>In terms of supplier relations: The Company regularly examines and manages suppliers' qualifications and establishes a supplier database. Aside from carrying out price negotiation procedures in accordance with internal regulations, the Company also continues to track and assess suppliers' supply quality, scheduling, and operational status. In addition, with a track record showing constantly growing sales, the Company flexes its business muscle and makes suppliers more reliant on it. Through collaboration, the Company aims to develop opportunities for new products and new markets.<br>In terms of dividend distribution: The Company will offer shareholders as much profits as possible, subject to the profits position and future capital planning.<br>In terms of capital planning: With a sound financial structure and operating performance, the Company maintains a good relationship with financial institutions, to obtain higher financing credit limits and better terms that reflect the Company's fine reputation.<br>The Company will continue to promote ethical sustainable management; it has successively arranged for the management team and all employees to take internal and external courses to learn relevant knowledge; by bettering and implementing internal control systems and relevant operating procedures, hoping to achieve ethical corporate management continuity. | | | | |

(VII.) Where the Company has formulated its Corporate Governance Principles and other required regulations, the inquiry method should be specified. See the Company's website at http://www.howteh.com.tw/

(VIII) Other important information for understanding the operation of corporate governance may be disclosed: In order to establish a good mechanism for processing material inside information and prevent information leakage, the Company has formulated the "Procedures for Processing Material Inside Information to Prevent Insider Trading," whose content of some provisions of the Internal Control System was amended and passed at the Board of Directors meeting dated November 11, 2022.

(IX) State of implementation of the internal control system

1. Statement of Internal Control

HOWTEH TECHNOLOGY CO., LTD.
Statement of internal control system

Date: March 14, 2024

The Company states the following for its 2023 internal control system based on the results of self-evaluation:

I. The Company knows that establishing, implementing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers, and the Company has established this system. Its purpose is to provide reasonable assurance of the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance, and asset security, etc.), the reliability, timeliness, and transparency of reporting, as well as compliance with relevant rulings, laws and regulations, etc.

II. Internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance of the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the criteria of the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria of the internal control system adopted in the "Regulations" are based on the process of managerial control and divide the internal control system into five components: 1. control environment, 2. risk evaluation, 3. control operations, 4. Information and communication, and 5. Monitoring operations. Each component consists of a number of items. Please refer to the "Regulations" for these items.

IV. The Company has adopted the aforementioned criteria of the internal control system to evaluate the effectiveness of the design and implementation of its internal control system.

V. Based on the evaluation results of the preceding paragraph, the Company believed that the design and implementation of its internal control system were effective as of December 31, 2023 (Note 2) (including the supervision and management of subsidiaries), with an understanding of the extent to which the objectives of effectiveness and efficiency of operations were achieved, whether or not the reporting was reliable, timely, transparent and if the compliance with relevant rulings, laws, and regulations is met, and a reasonable assurance of the achievement of these objectives.

VI. This statement will become the main content of the Company's annual report and prospectus and will be made public. If the above-mentioned disclosures have falsehood or concealment, legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act will be incurred.

VII. This statement was approved by the Company's Board of Directors on March 14, 2024. Of the 7 directors present, 0 had objections, and the rest all agreed with the content of this statement and hereby declare the same.

HOWTEH TECHNOLOGY CO., LTD.

Chairman: Chen, Kuo-Hung Signature and/or Seal

General Manager: Wu, Li-Shan Signature and/or Seal

Note 1: If a material deficiency exists in the design and implementation of a public company's internal control system during the year, the company shall add an explanation section after the 4th paragraph of the Statement of Internal Control System, which section shall specify the material deficiency spotted through self-evaluation, the corrective actions taken by the company before the balance sheet date, and the status of improvement.

Note 2: The date represented here is the "end date of a fiscal period."

2. Where a CPA was entrusted to review the internal control system, the review report should be disclosed: None.

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: No such occurrence.

(XI) Important resolutions of the shareholders' meeting and board meeting during the most recent year and during the current year up to the date of publication of the annual report

1. Material resolutions of a shareholders' meeting and the implementation thereof

| Date | Important resolutions |
|---|---|
| June 19, 2023 | 1. Passed the proposal on the 2022 Financial Statements and Business Report.<br>2. Passed the 2022 Earnings Distribution Proposal.<br>Execution status: The proposal was carried out according to the resolution of the Shareholders' Meeting. The distribution was completed on September 4, 2023.<br>3. Passed the proposal to recapitalize earnings into new shares.<br>Execution status: The proposal was carried out according to the resolution of the Shareholders' Meeting. The distribution was completed on September 4, 2023.<br>4. Passed the proposal on lifting the non-compete restriction on Directors.<br>Execution status: The proposal was carried out according to the resolution of the Shareholders' Meeting. |

2. Material Resolutions of the Board of Directors

| Date | Important resolutions |
|---|---|
| March 22, 2023 | 1. The Company passed the proposal on the list of non-audit service to be provided by Ernst & Young and its affiliates in 2023 and 2024.<br>2. The Company passed the proposal on suitability and independence of attesting CPAs.<br>3. The Company passed the proposal on appointment of attesting CPAs for 2023 and review of audit fees.<br>4. The Company passed the proposal on the Company's statement of effectiveness of its internal control system for 2022.<br>5. The Company passed the proposal on the Company's Business Report and Financial Statements for 2022.<br>6. The Company passed the proposal to distribute remuneration to employees and directors of 2022.<br>7. The Company passed the 2022 Earnings Distribution Proposal.<br>8. The Company passed the proposal to recapitalize earnings into new shares<br>9. The Company passed the proposal on matters relating to the convention of the 2023 General Shareholders' Meeting.<br>10. The Company resolved to accept submission of proposals for the 2023 General Shareholders' Meeting.<br>11. The Company passed the proposal to amend some provisions of the Company's "Corporate Governance Best Practice Principles."<br>12. The Company passed the "Sustainable Development Best Practice Principles."<br>13. The Company passed the proposal to create a position of, and appoint, the Company Chief Governance Officer.<br>14. The Company passed the proposal to provide endorsements and guarantees to the subsidiary "Giteh Electronic Industries Co., Ltd."<br>15. The Company passed a proposal to allow the Company to raise its financial credit limit through financial institutions and renew the facilities due. |
| May 9, | 1. The Company passed its consolidated financial statements for Q1 2023.<br>2. The Company passed the proposal to allow shareholders with 1% or more stake |

| Date | Important resolutions |
| --- | --- |
| 2023 | to submit proposals at the 2023 General Shareholders' Meeting.<br>3. The Company pass the proposal on Lifting the non-compete restriction for directors.<br>4. Proposal for matters concerning the 2023 general shareholders' meeting.<br>5. Proposal to allow the Company to provide endorsement and guarantee for the Company's sub-subsidiary "Howteh Vietnam Co., Ltd."<br>6. Amendments to some provisions of the "Procedures for Howteh Group Chop".<br>7. Proposal to extend the expiration date of the redevelopment contract of old and dangerous building Xubo Building Office in Taipei held by the Company.<br>8. Proposal to allow the Company to raise its financial credit limit through financial institutions and renew the facilities due. |
| July 7, 2023 | 1. The Company passed the proposal to recapitalize earnings of 2022 into new shares, and to request the Board of Directors to authorize the Chairman to set a record date for ex-rights and ex-dividend of the cash dividends. |
| August 11, 2023 | 1. The Company passed its 2023 Q2 consolidated financial statements.<br>2. The Company passed the proposal to amend the subsidiary's "Internal Control System."<br>3. The Company passed the "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises."<br>4. The Company passed the proposal to make a donation to the "Taipei Rosyclouds Foundation for Education."<br>5. The Company passed the proposal to allow the Company's sub-subsidiary "Shenzhen Howteh Technology Co., Ltd." to loan funds to the Company's sub-subsidiary "Shanghai Howteh International Trading Inc."<br>6. Proposal to allow the Company to raise its financial credit limit through financial institutions and renew the facilities due. |
| November 10, 2023 | 1.The Company passed the proposal on the Company's 2024 annual business plan.<br>2. The Company passed the proposal on the Company's 2024 annual audit plan.<br>3. The Company passed its 2023 Q3 consolidated financial statements.<br>4. The Company passed the proposal to allow the Company's sub-subsidiary "Shanghai Howteh International Trading Inc." to loan funds to the Company's sub-subsidiary "Shenzhen Howteh Technology Co., Ltd."<br>5. The Company passed the proposal to amend some provisions of the Company's "Rules of Procedure for Shareholders' Meetings."<br>6. The Company passed the proposal to distribute year-end bonus to managers of 2023. |
| March 14, 2024 | 1. The Company passed the proposal on the list of non-audit service to be provided by Ernst & Young and its affiliates in 2024.<br>2. The Company passed the proposal on suitability and independence of attesting CPAs.<br>3.The Company passed the proposal to change Certified Public Accountants due to the internal rotation of the CPA firm.<br>4. The Company passed the proposal on appointment of attesting CPAs for 2024 and review of audit fees.<br>5. The Company passed the proposal on the Company's statement of effectiveness of its internal control system for 2023.<br>6. The Company passed the proposal on the Company's Business Report and Financial Statements for 2023.<br>7. The Company passed the proposal to distribute remuneration to employees and directors of 2023.<br>8. The Company passed the 2023 Earnings Distribution Proposal. |

| Date | Important resolutions |
|---|---|
| | 9. The Company passed the proposal to amend some provisions of the "Rules of Procedure for Board of Directors Meetings."<br>10. The Company passed the proposal for the election of all directors.<br>11. The Company resolved to accept submission of proposals for the 2024 General Shareholders' Meeting.<br>12.The Company resolved to accept the candidate nomination of director (including independent director) for the 2024 General shareholders' Meeting.<br>13. The Company passed the proposal on Lifting the non-compete restriction on the newly elected Directors.<br>14. The Company passed the proposal on matters relating to the convention of the 2024 General Shareholders' Meeting.<br>15. The Company passed the proposal to provide endorsements and guarantees to the subsidiary "Giteh Electronic Industries Co., Ltd."<br>16. The Company passed a proposal to allow the Company to raise its financial credit limit through financial institutions and renew the facilities due. |
| May 9, 2024 | 1. The Company passed its consolidated financial statements for Q1 2024.<br>2. The Company passed the proposal to amend some provisions of the "Articles of Incorporation".<br>3. The Company passed the nomination and review of director candidates.<br>4. The Company passed the proposal on matters relating to the convention of the 2024 General Shareholders' Meeting.<br>5. The Company passed the proposal to provide endorsement and guarantee to the Company's sub-subsidiary "Howteh Vietnam Co., Ltd."<br>6. The Company passed a proposal to allow the Company to raise its financial credit limit through financial institutions and renew the facilities due. |

(XII) During the most recent year or during the current year up to the date of publication of the annual report, if directors had different opinions on important resolutions approved by the Board of Directors with records or written statements: No such occurrence.

(XIII) For the most recent year or the current year up to the date of publication of the annual report, a summary of the resignation and dismissal of the Company's chairman, general manager, accounting officer, finance officer, chief governance officer, internal audit officer, and R&D officer: No such occurrence.

V. Information on the professional fees of attesting CPAs

Unit: NT$1,000

| CPA firm | CPA name | CPA audit period | Audit fee | Non-audit fee | Total | Remarks |
|---|---|---|---|---|---|---|
| Ernst & Young | Wang, Hsuan-Hsuan<br>Chang, Chih-Ming | 2023 | 2,450 | 635 | 3,085 | |

(I) Where the audit fee paid in the year of the replacement of CPA firm is less than the audit fee in the year before the change, the amount of audit fees before and after replacement should be disclosed and the reasons: No such occurrence.

(II) Where the audit fee has decreased by 10% or more from the previous year, the amount, percentage and reason for the decrease in the audit fee should be disclosed: No such occurrence.

(III)Non-audit fees in 2023 were fees of NT$200 thousand for taxation attestation, fees of NT$220 thousand for transfer pricing report, fees of NT$75 thousand for filing the distribution of stock dividends with the SFB, and fees of NT$140 thousand for financial statements translation.

VI. Information on replacement of CPAs

(I) About predecessor CPA: No such occurrence.
(II) About successor CPA: No such occurrence.
(III) Predecessor CPA's letter of response to items listed in Article 10, Subparagraph 6, Item 1 and Item 2, Sub-item 3 of these standards: None.

VII. The company's chairman, general manager or any officers in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPAs or at an affiliated enterprise of such accounting firm: No such occurrence.

VIII. Any equity transfer or change in equity pledge by a director, managerial officer, or shareholder with 10% stake or more during the most recent year or during the current year up to the date of publication of the annual report

(I) Change of shareholding of directors, managers, and major shareholders:

Unit: Share

| Title | Name | 2023 | | Year-to-date through May 9, 2024 | |
|---|---|---|---|---|---|
| | | Increase (decrease) in the number of shares held | Increase (decrease) in the number of shares pledged | Increase (decrease) in the number of shares held | Increase (decrease) in the number of shares pledged |
| Chairman/Major shareholder | Chen, Kuo-Hung | 606,922 | 0 | 253,000 | 0 |
| Director | Tsai, Tsai-Tien | 50,603 | 0 | 0 | 0 |
| Director | Liuyi Investment Co., Ltd. | 39,716 | 0 | 5,000 | 0 |
| | Representative: Chen, Che-Hung | 44,661 | 0 | 0 | 0 |
| Director | Hung, Ming-Chi | 16,554 | 0 | 0 | 0 |
| Director | Zhu Lin Investment Co., Ltd. | 89,433 | 0 | 0 | 0 |
| | Representative: Chen Chun-Ting | (7,103) | 0 | (89,000) | 0 |
| Independent director | Tseng, Ming-Jen | 0 | 0 | 0 | 0 |
| Independent director | Li, Ta-Ching | 0 | 0 | 0 | 0 |
| Independent director | Cheng, Tien-Tsung | 0 | 0 | 0 | 0 |
| General Manager | Wu, Li-Shan | 17,120 | 0 | 0 | 0 |
| Vice General Manager | Chuang, Kun-Lin | 21,693 | 0 | 0 | 0 |
| Vice General Manager, CFO, and CGO (Note) | Chang, Da-Chien | 0 | 0 | 0 | 0 |
| Senior Manager of the Components Business III Division | Chiu, Chi-Wei | 0 | 0 | 0 | 0 |

Note: The Company's Board of Directors meeting dated March 22, 2023 resolved to appoint Mr. Chang, Ta-Chien, Vice General Manager and CFO, to be the Chief Governance Officer (CGO), starting from June 1, 2023.

(II) Where the counterparty to the equity transfer is a related party:

| Name | Reason of Transfer | Date of transaction | Counerparty | The relationship between the counterparty and the company, directors, supervisors, managerial officers and shareholders with 10% or more equity | Shares | Transaction price |
|---|---|---|---|---|---|---|
| Chen Chun-Ting | Gift | October 19, 2023 | Chen, Liang-Wei | Father and son | 46,500 | N/A |
| Chen Chun-Ting | Gift | October 19, 2023 | Chen, Shang-I | Father and son | 46,500 | N/A |
| Chen Chun-Ting | Gift | March 28, 2024 | Chen, Liang-Wei | Father and son | 89,000 | N/A |

(III) Where the counterparty to the equity pledge is a related party: No such occurrence.

## IX. Information on the top ten shareholders who are a related party, a spouse, or a relative within the second degree of kinship of one another:

April 23, 2024

| Name | Shareholdings of the Principal | | Shareholding of spouse and underage children | | Shares held in the name of others | | The name of and relationship among the top 10 shareholders if anyone is a related party, a spouse, or a relative within second degree of kinship of another. | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Shareholding Percentage | Shares | Shareholding Percentage | Shares | Shareholding Percentage | Title (or Name) | Relationship |
| Hui Hong Investment Co., Ltd.<br>Person in charge: Chen, Che-Hung | 5,634,875 | 8.65% | 0 | 0 | 0 | 0 | Chen, Hsin-Ju<br>Chen, Hsin-Yi<br>Chen, Chun-Ting<br>Chen, Kuo-Hung<br>Wang, Hsiang-Ching | Daughter<br>Daughter<br>Son<br>In-laws<br>In-laws |
| Chen, Kuo-Hung | 5,548,984 | 8.52% | 2,595,564 | 3.99% | 0 | 0 | Zhu Lin Investment Co., Ltd. - Chen, Che-Hung<br>Hui Hong Investment Co., Ltd. - Chen, Che-Hung<br>Chen, Liang-Hsuan<br>Wang, Hsiang-Ching | In-laws<br>In-laws<br>Son<br>Spouse |
| Chen, Liang-Hsuan | 2,771,013 | 4.25% | 0 | 0 | 0 | 0 | Chen, Kuo-Hung<br>Wang, Hsiang-Ching | Father<br>Mother |
| Wang, Hsiang-Ching | 2,595,564 | 3.99% | 5,548,984 | 8.52% | 0 | 0 | Zhu Lin Investment Co., Ltd. - Chen, Che-Hung<br>Hui Hong Investment Co., Ltd. - Chen, Che-Hung<br>Chen, Liang-Hsuan<br>Chen, Kuo-Hung | In-laws<br>In-laws<br>Son<br>Spouse |
| Zhu Lin Investment Co., Ltd.<br>Person in charge: Chen, Che-Hung | 2,325,266 | 3.57% | 0 | 0 | 0 | 0 | Chen, Hsin-Ju<br>Chen, Hsin-Yi<br>Chen, Chun-Ting<br>Chen, Kuo-Hung<br>Wang, Hsiang-Ching | Daughter<br>Daughter<br>Son<br>In-laws<br>In-laws |
| Chen, Chun-Ting | 2,051,325 | 3.15% | 0 | 0 | 0 | 0 | Zhu Lin Investment Co., Ltd. - Chen, Che-Hung<br>Hui Hong Investment Co., Ltd. - Chen, Che-Hung<br>Chen, Hsin-Ju<br>Chen, Hsin-Yi | Father<br>Father<br>Sister<br>Sister |
| Chen, Hsin-Ju | 2,029,610 | 3.12% | 0 | 0 | 0 | 0 | Zhu Lin Investment Co., Ltd. - Chen, Che-Hung<br>Hui Hong Investment Co., Ltd. - Chen, Che-Hung<br>Chen, Hsin-Yi<br>Chen, Chun-Ting | Father<br>Father<br>Sister<br>Brother |
| Chen, Hsin-Yi | 2,017,378 | 3.10% | 0 | 0 | 0 | 0 | Zhu Lin Investment Co., Ltd. - Chen, Che-Hung<br>Hui Hong Investment Co., Ltd. - Chen, Che-Hung<br>Chen, Hsin-Ju<br>Chen, Chun-Ting | Father<br>Father<br>Sister<br>Brother |
| Tsai, Tsai-Tien | 1,315,698 | 2.02% | 0 | 0 | 0 | 0 | None | None |
| Chen, Che-Hung | 1,161,206 | 1.78% | 0 | 0 | 0 | 0 | Chen, Hsin-Ju<br>Chen, Hsin-Yi<br>Chen, Chun-Ting<br>Chen, Kuo-Hung<br>Wang, Hsiang-Ching | Daughter<br>Daughter<br>Son<br>In-laws<br>In-laws |

X. The total number of shares and the consolidated equity stake percentage held in any single investee enterprise by the Company, its directors, managerial officers, or any companies controlled either directly or indirectly by the Company:

May 9, 2024

| Invested enterprises (Note 1) | The Company's investment (Note 2) | | Investment of the directors, managers and business under direct or indirect control (Note 2) | | Total investments (Note 2) | |
|---|---|---|---|---|---|---|
| | Number of shares/Amount | Shareholding percentage | Number of shares/Amount | Shareholding percentage | Number of shares/Amount | Shareholding percentage |
| Giteh Electronic Industries Co., Ltd. | HKD$12,000 thousand | 100.00% | 0 | 0% | HKD$12,000 thousand | 100.00% |
| Howteh International Inc. (Samoa) | USD$1,800 thousand | 100.00% | 0 | 0% | USD$1,800 thousand | 100.00% |
| ShangHai Howteh International Trading Inc. | USD$1,650 thousand | 100.00% | 0 | 0% | USD$1,650 thousand | 100.00% |
| ShenZhen Howteh Technology Co., Ltd. | HKD$7,000 thousand | 100.00% | 0 | 0% | HKD$7,000 thousand | 100.00% |
| KunShan Howteh International Trading Inc. | USD$300 thousand | 100.00% | 0 | 0% | USD$300 thousand | 100.00% |
| Howteh Vietnam Co., Ltd. | USD$300 thousand | 100.00% | 0 | 0% | USD$300 thousand | 100.00% |

Note 1: The Company's investments accounted for using equity method.

Note 2: The company is a limited company and therefore does not have shares. Hence, it is expressed in the original investment amount.

# Four. Fund Raising Status

## I. Capital and shares

### (I) Source of share capital

#### 1. Capital formation process

May 9, 2024

| Year and Month | Issue price | Authorized capital | | Paid-in capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Shares (in thousand shares) | Amount (in NT$1,000) | Shares (in thousand shares) | Amount (in NT$1,000) | Source of share capital (in NT$1,000) | Use of assets other than cash for the share amount | Others |
| August 1978 | 1,000 | 3 | 3,000 | 3 | 3,000 | Incorporation | None | None |
| June 1979 | 1,000 | 5 | 5,000 | 5 | 5,000 | Follow-on offering of 2,000 | None | None |
| April 1985 | 1,000 | 10 | 10,000 | 10 | 10,000 | Follow-on offering of 5,000 | None | None |
| September 1986 | 1,000 | 15 | 15,000 | 15 | 15,000 | Follow-on offering of 5,000 | None | None |
| August 1988 | 1,000 | 32 | 32,000 | 32 | 32,000 | Follow-on offering of 17,000 | None | None |
| July 1992 | 1,000 | 50 | 50,000 | 50 | 50,000 | Recapitalization of earnings of 12,800<br>Follow-on offering of 5,200 | None | None |
| April 1997 | 1,000 | 10,000 | 100,000 | 65 | 65,000 | Recapitalization of earnings of 15,000 | None | None |
| May 1998 | 10 | 10,000 | 100,000 | 8,320 | 83,200 | Recapitalization of earnings of 13,000<br>Follow-on offering of 5,200 | None | Note 1 |
| March 1999 | 10 | 10,816 | 108,160 | 10,816 | 108,160 | Recapitalization of earnings of 24,960 | None | Note 2 |
| April 2000 | 10 | 17,306 | 173,056 | 17,306 | 173,056 | Recapitalization of earnings of 64,896 | None | Note 3 |
| December 2000 | 25 | 19,900 | 199,000 | 19,900 | 199,000 | Follow-on offering of 25,944 | None | Note 4 |
| May 2001 | 10 | 37,000 | 370,000 | 24,380 | 243,800 | Recapitalization of earnings of 39,800<br>Recapitalization of employee bonus of 5,000 | None | Note 5 |
| June 2002 | 10 | 37,000 | 370,000 | 28,337 | 283,370 | Recapitalization of earnings of 36,570<br>Recapitalization of employee bonus of 3,000 | None | Note 6 |
| July 2003 | 10 | 37,000 | 370,000 | 34,505 | 345,050 | Recapitalization of earnings of 56,674<br>Recapitalization of employee bonus of 5,006 | None | Note 7 |
| July 2004 | 10 | 60,000 | 600,000 | 40,481 | 404,810 | Recapitalization of earnings of 51,758<br>Recapitalization of employee bonus of 8,002 | None | Note 8 |
| July 2005 | 10 | 60,000 | 600,000 | 43,000 | 430,000 | Recapitalization of earnings of 20,240<br>Recapitalization of employee bonus of 4,950 | None | Note 9 |
| July 2006 | 10 | 60,000 | 600,000 | 44,300 | 443,000 | Recapitalization of earnings of 8,600<br>Recapitalization of employee bonus of 4,400 | None | Note 10 |
| July 2007 | 10 | 60,000 | 600,000 | 45,260 | 452,600 | Recapitalization of earnings of 4,430<br>Recapitalization of employee bonus of 5,170 | None | Note 11 |
| July 2008 | 10 | 60,000 | 600,000 | 46,320 | 463,200 | Recapitalization of earnings of 4,526<br>Recapitalization of employee bonus of 6,074 | None | Note 12 |
| July 2009 | 10 | 60,000 | 600,000 | 48,605.7 | 486,057 | Recapitalization of earnings of 22,857 | None | Note 13 |
| July 2010 | 10 | 60,000 | 600,000 | 50,045 | 500,457 | Recapitalization of earnings of 14,400 | None | Note 14 |
| April 2011 | 10 | 60,000 | 600,000 | 50,013 | 500,137 | Retirement of treasury shares of 320 | None | Note 15 |
| July 2018 | 10 | 60,000 | 600,000 | 52,014 | 520,142 | Recapitalization of earnings of 20,005 | None | Note 16 |
| July 2019 | 10 | 80,000 | 800,000 | 56,000 | 560,000 | Recapitalization of earnings of 39,858 | None | Note 17 |
| July 2020 | 10 | 80,000 | 800,000 | 59,080 | 590,800 | Recapitalization of earnings of 30,800 | None | Note 18 |

| Year and Month | Issue price | Authorized capital | | Paid-in capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Shares (in thousand shares) | Amount (in NT$1,000) | Shares (in thousand shares) | Amount (in NT$1,000) | Source of share capital (in NT$1,000) | Use of assets other than cash for the share amount | Others |
| July 2022 | 10 | 80,000 | 800,000 | 62,625 | 626,248 | Recapitalization of earnings of 35,448 | None | Note 19 |
| August 2023 | 10 | 80,000 | 800,000 | 65,130 | 651,298 | Recapitalization of earnings of 25,050 | None | Note 20 |

Note 1: Approved by the Public Works Department of Taipei City Government as indicated in its official letter titled Jian-Yi-Zi No.87310116 and dated July 30, 1998.

Note 2: Approved by the Ministry of Economic Affairs as indicated in its official letter titled Jing-(088)-Shang-Zi No.088128893 and dated August 10, 1999.

Note 3: Approved by the Ministry of Economic Affairs as indicated in its official letter titled Jing-(089)-Shang-Zi No.089114046 and dated May 17, 2000.

Note 4: Approved by the Ministry of Economic Affairs as indicated in its official letter titled Jing-(089)-Shang-Zi No.089148893 and dated January 4, 2001.

Note 5: Approved by the Ministry of Economic Affairs as indicated in its official letter titled Jing-(090)-Shang-Zi No.09001121260 and dated May 24, 2001.

Note 6: Approved by the SFI as indicated in its official letter titled Tai-Cai-Zheng (1) No.0910128477 and dated May 24, 2002.

Note 7: Approved by the SFI as indicated in its official letter titled Tai-Cai-Zheng (1) No.0920129476 and dated July 2, 2003.

Note 8: Approved by the FSC as indicated in its official letter titled Jin-Guan-Zheng (1) No.0930131536 and dated July 15, 2004.

Note 9: Approved by the FSC as indicated in its official letter titled Jin-Guan-Zheng (1) No.0940127171 and dated July 6, 2005.

Note 10: Approved by the FSC as indicated in its official letter titled Jin-Guan-Zheng (1) No.0950131313 and dated July 19, 2006.

Note 11: Approved by the FSC as indicated in its official letter titled Jin-Guan-Zheng (1) No.0960035323 and dated July 10, 2007.

Note 12: Approved by the FSC as indicated in its official letter titled Jin-Guan-Zheng (1) No.0970035609 and dated July 15, 2008.

Note 13: Approved by the FSC as indicated in its official letter titled Jin-Guan-Zheng (1) No.0980035025 and dated July 14, 2009.

Note 14: Approved by the FSC as indicated in its official letter titled Jin-Guan-Zheng-Fa-Zi No.0990035722 and dated July 9, 2010.

Note 15: Approved by the Ministry of Economic Affairs as indicated in its official letter titled Jing-Shou-Shan-Zi No.10001072180 and dated April 2011.

Note 16: Registered with the FSC and put into effect on July 16, 2018, and approved by the Ministry of Economic Affairs as indicated in its official letter titled Jing-Shou-Shan-Zi No.10701103910 and dated September 3, 2018.

Note 17: Registered with the FSC and put into effect on July 2, 2019, and approved by the Ministry of Economic Affairs as indicated in its official letter titled Jing-Shou-Shan-Zi No.10801103570 and dated August 1, 2019.

Note 18: Registered with the FSC and put into effect on July 8, 2020, and approved by the Ministry of Economic Affairs as indicated in its official letter titled Jing-Shou-Shan-Zi No.10901148760 and August 19, 2020.

Note 19: Registered with the FSC and put into effect on July 28, 2022, and approved by the Ministry of Economic Affairs as indicated in its official letter titled Jing-Shou-Shan-Zi No.11101166280 and dated September 1, 2022.

Note 20: Registered with the FSC and put into effect on July 13, 2023, and approved by the Ministry of Economic Affairs as indicated in its official letter titled Jing-Shou-Shan-Zi No.11230154570 and dated August 22, 2023.

### 2. Types of issued shares

May 9, 2024

| Type of equity | Authorized capital | | | Remarks |
|---|---|---|---|---|
| | Shares issued and outstanding | Unissued shares | Total | |
| Common stock | 65,129,792 shares | 14,870,208 shares | 80,000,000 shares | Shares trade on the OTC market |

### 3. Shelf registration information: None.

## (II) Shareholder structure

April 23, 2024

| Shareholder structure / Quantity | Government agencies | Financial institutions | Other juristic persons | Individuals | Foreign institutions and foreigners | Total |
|---|---|---|---|---|---|---|
| Number of people | 0 | 1 | 26 | 6,455 | 13 | 6,495 |
| Number of shares held | 0 | 13,019 | 11,867,976 | 52,246,475 | 1,002,322 | 65,129,792 |
| Shareholding percentage | 0 | 0.02% | 18.22% | 80.22% | 1.54% | 100.00% |

(III) Share ownership dispersion

1. Common stock

April 23, 2024

| Shareholding tier | | | Number of shareholders | Number of shares held | Shareholding percentage (%) |
|---|---|---|---|---|---|
| 1 | ～ | 999 | 2,430 | 430,681 | 0.66% |
| 1,000 | ～ | 5,000 | 3,022 | 5,883,711 | 9.03% |
| 5,001 | ～ | 10,000 | 487 | 3,424,622 | 5.26% |
| 10,001 | ～ | 15,000 | 200 | 2,414,064 | 3.71% |
| 15,001 | ～ | 20,000 | 79 | 1,376,264 | 2.11% |
| 20,001 | ～ | 30,000 | 98 | 2,373,610 | 3.64% |
| 30,001 | ～ | 40,000 | 32 | 1,103,548 | 1.70% |
| 40,001 | ～ | 50,000 | 32 | 1,403,768 | 2.16% |
| 50,001 | ～ | 100,000 | 47 | 3,344,431 | 5.13% |
| 100,001 | ～ | 200,000 | 29 | 3,924,890 | 6.03% |
| 200,001 | ～ | 400,000 | 19 | 4,892,415 | 7.51% |
| 400,001 | ～ | 600,000 | 4 | 1,806,489 | 2.77% |
| 600,001 | ～ | 800,000 | 2 | 1,491,741 | 2.29% |
| 800,001 | ～ | 1,000,000 | 4 | 3,808,639 | 5.85% |
| 1,000,001 shares and more | | | 10 | 27,450,919 | 42.15% |
| Total | | | 6,495 | 65,129,792 | 100.00% |

2. Preferred stock: The Company did not issue preferred stock.

(IV) Name of major shareholders:

April 23, 2024

| Shares / Name of major shareholder | Number of shares held | Shareholding percentage (%) |
|---|---|---|
| Hui Hong Investment Co., Ltd. | 5,634,875 | 8.65% |
| Chen, Kuo-Hung | 5,548,984 | 8.52% |
| Chen, Liang-Hsuan | 2,771,013 | 4.25% |
| Wang, Hsiang-Ching | 2,595,564 | 3.99% |
| Zhu Lin Investment Co., Ltd. | 2,325,266 | 3.57% |
| Chen, Chun-Ting | 2,051,325 | 3.15% |
| Chen, Hsin-Ju | 2,029,610 | 3.12% |
| Chen, Hsin-Yi | 2,017,378 | 3.10% |
| Tsai, Tsai-Tien | 1,315,698 | 2.02% |
| Chen, Che-Hung | 1,161,206 | 1.78% |

(V) Information on market price, net worth, earnings, and dividends per share for the most recent two years

| Item \ Year | | | 2022 | 2023 | As at the current year up to May 9, 2024. (Note 8) |
|---|---|---|---|---|---|
| Market price per share (Note 1) | Highest | | 31.40 | 32.70 | 30.00 |
| | Lowest | | 24.20 | 25.05 | 26.50 |
| | Average | | 27.50 | 28.33 | 28.10 |
| Net worth per share (Note 2) | Before distribution | | 23.33 | 23.75 | 24.76 |
| | After distribution | | 21.63 | Undistributed | Undistributed |
| Earnings per share | Weighted average number of shares | | 62,624,800 | 65,129,792 | 65,129,792 |
| | Earnings per share (Note 3) | Before adjustment | 3.33 | 1.55 | N/A |
| | | After adjustment | 3.21 | Undistributed | N/A |
| Dividends per share | Cash dividends | | 1.3 | 1.2 | N/A |
| | Stock dividends | Earnings Allotment | 0.4 | — | N/A |
| | | Capital surplus distributed as dividends | — | — | N/A |
| | Cumulative undistributed dividends (Note 4) | | — | — | — |
| Investment return analysis | Price/earnings ratio (Note 5) | | 7.97 | 17.45 | N/A |
| | Price/dividend ratio (Note 6) | | 20.42 | 22.53 | N/A |
| | Cash dividend yield (Note 7) | | 4.90% | 4.44% | N/A |

＊ If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at year end. Calculate the amount of distribution based on the amount resolved on in the next year's shareholders' meeting.

Note 3: If retrospective adjustments are required because of the issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price/earnings ratio = average closing price per share for the year/earnings per share.

Note 6: Price/dividend ratio = average closing price per share for the year/cash dividends per share.

Note 7: Cash dividends yield = cash dividends per share/average closing price per share for the year.

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as of the latest quarter before the publication date of the annual report. For all other fields, calculations are based on the data for the current year as of the date of publication of the annual report.

(VI) Dividends policy and implementation status

1. Dividend policy prescribed in the Articles of Association:

If the Company has earnings at the end of any fiscal year, it shall allocate no less than 3% of such earnings as employee remuneration, which may be distributed in shares or cash, subject to the resolution of the Board of Directors. The recipient of such distribution shall include employees of a controlled or affiliated company who meet certain criteria, The Company may also allocate no greater than 3% of the said earnings as directors' remuneration. The employee remuneration proposal and director remuneration proposal shall be submitted and reported to the shareholders' meeting. However, if the Company still has accumulated losses, an amount equal to such losses mentioned in the preceding paragraph shall be reserved in advance, and the remainder may then be distributed as employee remuneration and director remuneration according to the percentage mentioned in the preceding paragraph.

If the Company has profits after the final accounting of any given year, such profits shall be used to make up for prior losses; thereafter, 10% of the remainder shall be allocated as legal reserves, and then special reserves shall be provided or reversed as required by the competent authority. The remainder, if any, shall be added to undistributed earnings of prior years; the sum shall then be taken by the Board of Directors to draft an earnings distribution proposal (the earnings of the given year must not be less than 30%), which shall then be submitted to the Shareholders' Meeting for approval for distribution. In addition, cash dividends must not be less than 20% of total dividends distributed, and may be as high as 100% of total dividends distributed; thereafter, the rest dividends, if any, may then be distributed in shares.

According to the Company Act, legal reserves shall be continuously provided until it reaches the paid-in-capital. Legal reserves may be used to compensate for prior losses. When the Company is not in loss, it may distribute the legal reserve portion that exceeds 25% of the paid-in-capital, in cash or new shares to shareholders in proportion to their original shareholding percentage.

2. Proposed dividend distribution by the shareholders' meeting

Unit: NTD

| | |
|---|---|
| Opening balance | 299,608,724 |
| Plus: Net profit after tax for the current year | 100,772,130 |
| Plus: Other comprehensive income (remeasurements of defined benefit plan for 2023) | 273,469 |
| Less: 10% provided as legal reserves | (10,104,560) |
| Distributable earnings | 390,549,763 |
| Distributions: | |
| Shareholder dividend - cash (NT$1.2 per share, and NT$1,200 per thousand shares) | (78,155,750) |
| Undistributed earnings at the end of the period | 312,394,013 |

3. Expected change in dividend policy in the future: None

(VII) The effect of the proposed stock dividends of shares at the shareholders' meeting on the Company's operating results and earnings per share

<table>
<tr><td colspan="3">Item\Year</td><td>2024 (estimates)</td></tr>
<tr><td colspan="3">Paid-in capital - opening balance</td><td>NT$ 651,297,920</td></tr>
<tr><td colspan="2" rowspan="3">Cash dividend and stock dividend distributed this year</td><td>Cash dividend per share</td><td>NT$ 1.2</td></tr>
<tr><td>Number of shares distributed to each share through recapitalization of earnings</td><td>—</td></tr>
<tr><td>Number of shares distributed to each share through recapitalization of capital reserves</td><td>—</td></tr>
<tr><td colspan="2" rowspan="7">Change in operating performance</td><td>Operating profit</td><td rowspan="13">N/A<br>(Note)</td></tr>
<tr><td>Percentage of YoY increase (decrease) in operating profits</td></tr>
<tr><td>Net income after tax</td></tr>
<tr><td>Percentage of YoY increase (decrease) in net income after tax</td></tr>
<tr><td>Earnings per share</td></tr>
<tr><td>Percentage of YoY increase (decrease) in EPS</td></tr>
<tr><td>Average annual return on investment (i.e., the reciprocal of average annual P/E ratio)</td></tr>
<tr><td rowspan="6">Proforma EPS and P/E ratio</td><td rowspan="2">Were the earnings recapitalized to be distributed in cash dividend in full instead</td><td>Proforma EPS</td></tr>
<tr><td>Proforma average annual return on investment</td></tr>
<tr><td rowspan="2">Had the earnings not been recapitalized</td><td>Proforma EPS</td></tr>
<tr><td>Proforma average annual return on investment</td></tr>
<tr><td rowspan="2">Had the earnings not been recapitalized but had been distributed in cash dividend in full</td><td>Proforma EPS</td></tr>
<tr><td>Proforma average annual return on investment</td></tr>
</table>

Note: The Company did not disclose financial forecast for either 2023 or 2024.

(VIII) Remuneration to employees and directors

1. Percentage or scope of remuneration paid to employees and directors that are stipulated in the Articles of Association:
   If the Company has earnings at the end of any fiscal year, it shall allocate no less than 3% of such earnings as employee remuneration, which may be distributed in shares or cash, subject to the resolution of the Board of Directors. The recipient of such distribution shall include employees of a controlled or affiliated company who meet certain criteria. The Company's Board of Directors may also resolve to allocate no greater than 3% of the said earnings as directors' remuneration. The employee remuneration proposal and director remuneration proposal shall be submitted and reported to the shareholders' meeting. However, if the Company still has accumulated losses, an amount equal to such losses mentioned in the preceding paragraph shall be reserved in advance, and the remainder may then be distributed as employee remuneration and director remuneration according to the percentage mentioned in the preceding paragraph.
2. The basis for estimating the amount of remuneration to employees and directors, the basis for calculating the number of shares for employee remuneration distributed in stock and the accounting treatment if the actual amount distributed differs from the estimated amount:
   (1) According to the Company's Articles of Association, the Company shall distribute no less than 3% of annual earnings as employee remuneration and no greater than 3% of

such annual earnings as director remuneration, and shall present such remuneration under salary expenses.

(2) The basis for calculating the number of shares for employee remuneration distributed in stock and the accounting treatment if the actual amount distributed differs from the estimated amount: If the amount determined by the Board of Directors after the reporting date deviates significantly, such deviation will be adjusted through the profit and loss of the year in which distribution is made.

3. Distribution of remuneration approved by the Board of Directors:

(1) If there is any discrepancy between that amount of employee remuneration and director remuneration and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: The Company's earnings distribution proposal for 2023 was passed by the Board of Directors meeting dated March 14, 2024 through a resolution. The remuneration distributed to employees and directors is as follows:

Unit: NTD

| Item | Estimated figure in 2023 | Amount to be distributed as determined by the Board of Directors | Differentials | Cause of discrepancy | Status of treatment |
|---|---|---|---|---|---|
| Employee remuneration (in cash) | 4,000,000 | 4,000,000 | 0 | None | N/A |
| Remuneration for directors | 3,000,000 | 3,000,000 | 0 | | |

(2) The amount of any employee remuneration distributed in stocks and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration: N/A.

4. The actual distribution of employee and director remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee and director remuneration, additionally the discrepancy, cause, and how it is treated:
Director remuneration and employee remuneration for 2022 distributed by the Company in 2023 were NT$3,000 thousand and NT$4,000 thousand, respectively, and the difference from the figure recognized in the financial statements is NT$4,000 thousand, the difference is due to batch distribution.

(IX) Repurchase of the Company's shares: None.

II. Issuance of corporate bonds, preferred shares, and global deposit certificates: None.

III. Issuance of employee stock options certificates and restricted shares: None.

IV. Issuance of new shares in connection with mergers or acquisitions: None.

V. Implementation of fund utilization plan: N/A.

# Five. Operational Highlights

## I. Business activities

### (I) Business scope

1. Main areas of business operations
   (1) Basic Chemical Industrial
   (2) Metal Wire Products Manufacturing
   (3) Other Metal Products Manufacturing
   (4) Pollution Controlling Equipment Manufacturing
   (5) Wired Communication Mechanical Equipment Manufacturing
   (6) Wireless Communication Mechanical Equipment Manufacturing
   (7) Computer and Peripheral Equipment Manufacturing
   (8) General Instrument Manufacturing
   (9) Optical Instruments Manufacturing
   (10) Machinery Installation
   (11) Instrument and Meters Installation Engineering
   (12) Wholesale of Machinery
   (13) Wholesale of Electrical Appliances
   (14) Wholesale of Precision Instruments
   (15) Wholesale of Computers and Clerical Machinery Equipment
   (16) Wholesale of Telecommunication Apparatus
   (17) Wholesale of Ship and Component Parts
   (18) Wholesale of Fire Safety Equipment
   (19) Wholesale of Computer Software
   (20) Wholesale of Electronic Materials
   (21) Retail Sale of Electrical Appliances
   (22) Retail Sale of Computers and Clerical Machinery Equipment
   (23) Retail Sale of Precision Instruments
   (24) Retail Sale of Telecommunication Apparatus
   (25) Retail Sale of Machinery and Tools
   (26) Retail Sale of Ship and Component Parts Thereof
   (27) Retail Sale of Fire Safety Equipment
   (28) Retail Sale of Computer Software
   (29) Retail Sale of Electronic Materials
   (30) International Trade
   (31) Product Designing
   (32) Rental and Leasing
   (33) All business activities that are not prohibited or restricted by law, except those that are subject to special approval.
2. Revenue weight

Unit: NT$1,000

| Product name | 2023 | Revenue weight |
|---|---|---|
| Connectors, flexible flat cables, and electric audio products | 2,566,851 | 93.58% |
| Domestic and foreign PCB board and IC substrate and equipment and related materials | 176,177 | 6.42% |
| Total | 2,743,028 | 100.00% |

3. Major lines of products (services):

| Product type | Major lines of products (services) |
|---|---|
| Electronic components | Sale of connectors, cables, electric audio components, and semiconductors in the capacity of an agent |
| Equipment and materials | Sale of chemicals and consumables required for PCB/flexible PCB process equipment (dry or wet process, horizontal process, punching machine, steel plate cleaning machine, board loader and unloader, stamping machine, etc.) in the capacity of an agent and distributor |
| | Sale of semiconductor manufacturing process and testing equipment and materials in the capacity of an agent and distributor |

4. Planned new products (services)

(1) Provide as many product lines (services) to existing customers and manage strategic customers on a project-specific basis.

(2) Maintain a good agentship with original brands to increase the opportunity for introducing new products and services of electronic giants, to expand business scope.

(3) Intensify business development in China and create product momentum and service scope suitable for individual regions.

(4) Assist in the improvement of equipment quality, strengthen after-sales inspection and acceptance services, and seek more opportunities to win agentship for equipment.

(5) Continue to launch new business groups, and win agentship for new products, to increase the contribution to operating revenue.

(II) Industry Overview

The Company is a professional agent for electronic components, and process equipment and consumables. The main products of electronic components comprise connectors, semiconductors and wires, and audio products that are actively promoted to be installed in smart devices; this way, in the face of rapid evolution and alternation of product technology, the Company is still able to provide more complete services to customers and the industry; equipment sold in the capacity of an agent include the equipment and materials necessary for the PCB and flexible PCB and the IC substrate industry, semiconductor and optoelectronic industry-related process applications, and testing equipment and materials etc. Below is an overview of the said industries.

1. Current status and development of the industry

As high-frequency computer, communications, and consumer electronics are constantly put on market, the prominent connector specifications will be the latest USB 4.0 transmission standards and Type-C connectors. In addition, this specification technology has also been adopted by Apple, Intel, Qualcomm, Microsoft, Google, and other major brands. USB Type-C and Thunderbolt have been widely used by international brands for their mobile phone products and notebook computer products. Since notebook computers are transitioning toward compactness, they are equipped with even fewer ports. As a result, the demand for docking stations soared. In addition, Type-C and Thunderbolt have been gaining a share of the market for PCs, tablet PCs, and smartphones, and are upgrading to higher specifications. Furthermore, the demand for servers boomed, thanks to the successive establishment of data centers, and to the replacement of devices by enterprises. As network traffic builds up constantly, spurring the demand for higher transmission speed. What's more, AI, 5G, and autonomous cars will continue to drive up the demand for the expansion of data centers.

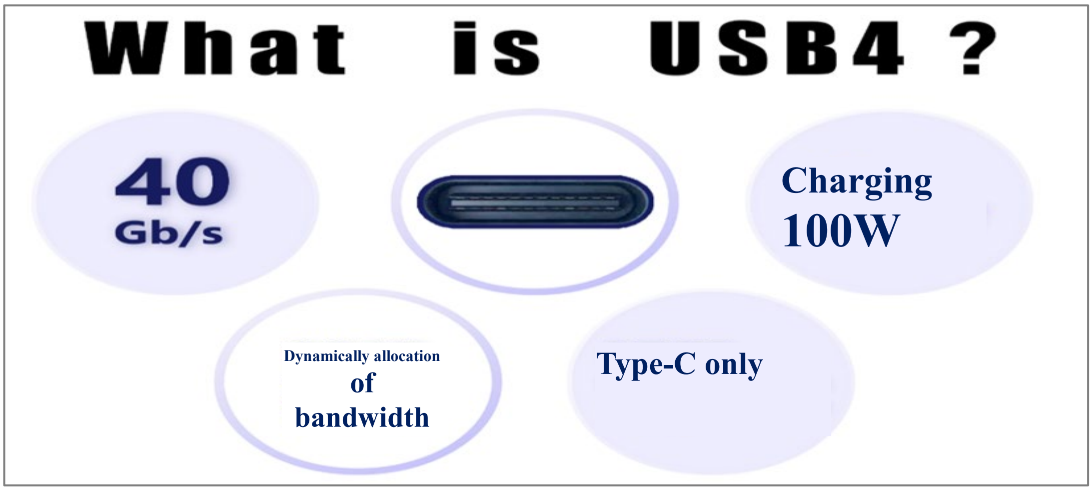
The launch of net-zero carbon emissions and international policies have pushed up global sales of electric vehicles. According to DIGITIMES Research, global electric vehicle sales are expected to maintain more than 40% this year. With the continuous upgrade of technology for autonomous driving and smart cockpit and the demand for 5G high-speed transmission, the functions attached to cars at the design stage are versatile. The use of a wide range of parts and components has notably increased PCB consumption volume and technology and specifications. Companies are keen to tap into the market for substrates, HDIs, and flexible PCBs; technology will trend towards minimization, high frequency, high intensity, and high power.

(1) The hardware industry of the electronic components industry

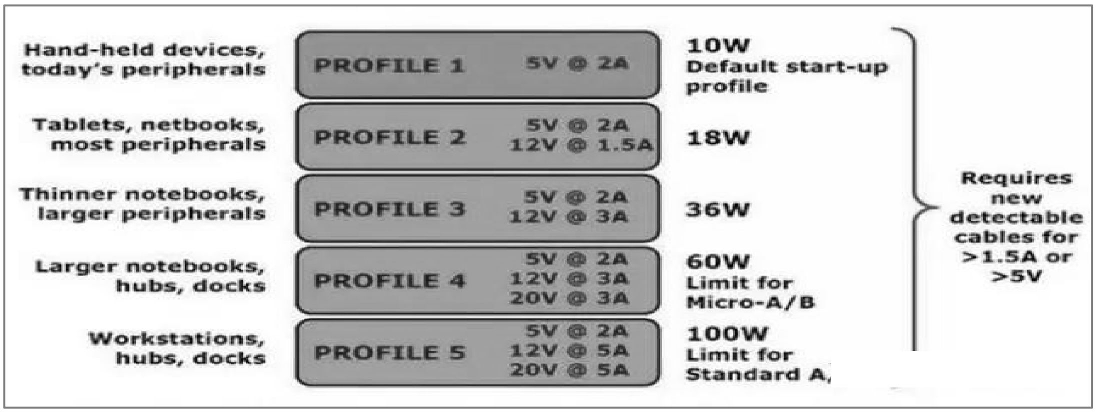
A.USB Type-C

In 2019, USB-IF released the USB4 standard, which is built on the USB3.2 Gen 2×2 interface; all USBs of the USB4 standards will only use Type-C, aiming to unify the connection ports across devices. This resolved the confusion between

Type-A, Type-B, and Micro under USB 3.X, as was the case in the past. Type-C ports support reverse insertion, enabling insertion and removal from either side at any time. At present, the standards have evolved into the USB PD 4.0 standard; the minimum standard of USB4 is a half rate of 20Gbps (USB 3.2 Gen 2×2). The maximum transmission rate is capped at 40Gbps; signals from USB, Displayport, and PCI Express are integrated through the "tunnel".
USB4 supports PD protocol, or PD3.0 for the time being; USB4 can be used with devices whose rated power supply voltage between 7.5 W and 100W. An updated version, namely, PD3.1, will be available in the future and, if used with a regular USB4 cable, enable a USB to be compatible with charging power up to 240W, a level ideal for support of even gaming laptops.




| Version | Issue time | Name on the market | Bits/sec | Outer box label | Connector and cable markers | Charging sign | Certified connectors |
|---|---|---|---|---|---|---|---|
| USB 1.0 | Jan 1996 | Low Speed<br>Full Speed | 1.5 Mbps<br>12 Mbps | | | | |
| USB 1.1 | Aug 1998 | Full Speed<br>with updated | 1.5 Mbps<br>12 Mbps | | | | |
| USB 2.0 | Apr 2000 | High Speed | 480 Mbps | | | | Type-A Mini-A Micro-A Type-C; Type-B Mini-B Micro-B |
| USB 3.0<br>**USB 3.2 Gen1x1** | Nov 12, 2008 | Super Speed<br>USB 5Gbps | 5 Gbps | | | | Type-A Micro-B Type-C; Type-B |
| USB 3.1<br>**USB 3.2 Gen2x1** | Jul 26, 2013 | Super Speed<br>USB 10Gbps | 10 Gbps | | | | **Type-C** |
| USB 3.2<br>**USB 3.2 Gen2x2** | Sep 22, 2017 | Super Speed<br>USB 20Gbps | 20 Gbps | | | | **Type-C** |
| USB4<br>**USB4 Gen2** | Sep 3, 2019 | USB4™ 20Gbps | 20 Gbps | | | | **Type-C** |
| USB4<br>**USB4 Gen3** | Sep 3, 2019 | USB4™ 40Gbps | **40 Gbps** | | | | **Type-C** |



At present, chip manufacturers of USB PD controllers spare no effort to develop safe and protective semiconductor solutions, which support not only PC and smartphone applications but also a wide range of DC-powered devices, including PC peripherals, AC adapters, projectors, household robots, and other consumer electronics products. This trend will effectively facilitate the application of a single USB Type-C cable to perform power supply and data transmission tasks.

B. Thunderbolt

Intel has developed Thunderbolt™ technology as a connection standard offering power, data, and video signals on a single connection. The interfaces have gradually been applied to devices such as laptops, desktop computers, docking stations, displays, and memory. Thunderbolt has always been popular among consumers because of its robust functionality, which allows for data transfer, power delivery, and audio/video transmission via a single cable connection. In response to market developments, Intel officially released Thunderbolt 5 in September 2023 and demonstrated Thunderbolt 5-compatible laptops and docking stations.

Thunderbolt 5 is designed based on the complete version of the USB4 V2 specification, with a conventional symmetric transmission mode speed of up to 80Gbps. It can also provide an asymmetric transmission mode with speeds up to 120Gbps (transmitting 120Gbps, receiving 40Gbps), which is three times the transmission bandwidth of Thunderbolt 4. The power supply wattage can also reach up to 240W. The powerful functionality of Thunderbolt 5 not only meets the usage scenario needs of general users but also satisfies the ultra-high requirements for high-resolution displays of professional users such as gamers and video producers.

| Name | Logo | Icon | Port | Cable |
| --- | --- | --- | --- | --- |
| Thunderbolt™ 5 | Thunderbolt | | |  |

C. Audio MEMS microphones

With the successful development of Google Assistant and Siri and the increased demand for sound reception in various applications, microelectromechanical systems (MEMS) microphones have gradually appeared in everyone's life, from mobile phones and laptops to wireless earphones and even in cars and hearing aids. Taking the current smartphone as an example, audio MEMS microphones, user interface, power management, content awareness and circuit board space are all necessary parts for furthering functional progress.

Over the past few years, the advancement of AI has augmented the proficiency of speech recognition, thus making speech a major human-machine interface. Its application range has broadened from mobile phones to cutting-edge products such as smart speakers, televisions, and cars, thereby driving the market demand for MEMS microphones. The market for microphones with a high signal-to-noise ratio (SNR) is growing rapidly. Intel launched the Project Athena laptop innovation program, which requires laptop microphones to have a higher SNR, and each laptop must have at least two sets of MEMS microphones. Therefore, microphones with higher sound reception quality are a common trend for all devices in the future. Different type of end product requires different microphone array. As a Knowles agent, the Company continues to develop microphone array solutions, which have become an important competitive edge for the Company.

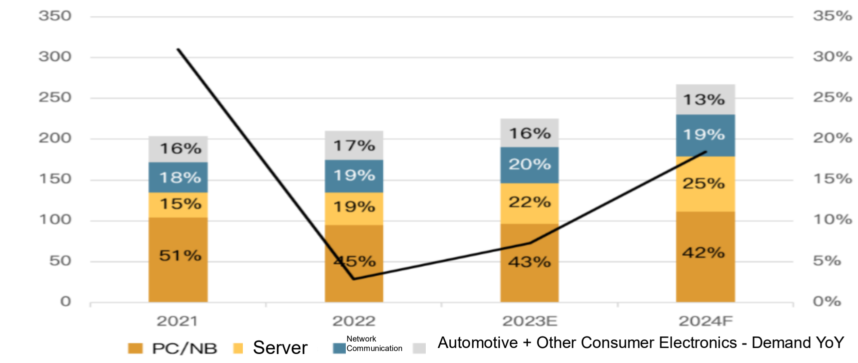
(2) Equipment sale industry

Modern IC design is becoming increasingly complex, with higher demands for chip wiring density, transmission rate, and heat dissipation efficiency, leading to IC substrates that provide better packaging quality for high-end chips (such as CPUs and GPUs) gradually replacing wire racks to connect signals between chips and PCBs, while also protecting circuits and dissipating excess heat.

ABF is one of the materials used to manufacture IC substrates, and because of its excellent material properties, it can achieve better precision and thickness. Consequently, the demand for ABF substrates (IC substrates made with ABF material) has dramatically increased with the growth of the high-speed computing chip market, with related application scenarios including servers, network communications, consumer electronics, etc. Our company represents Canon Machinery Inc's solder ball flattening machines and flip-chip substrate cutting machines used in the solder ball flattening process for PCB flip-chip substrates.

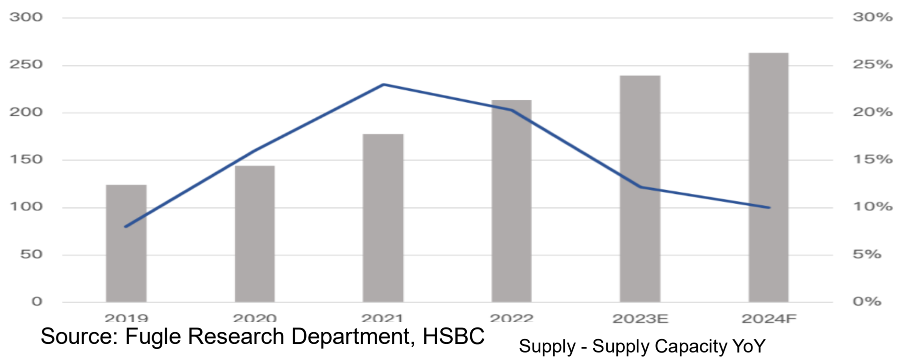
The market estimates a shortage of ABF, but the supply-demand gap is expected to narrow to -1% in both 2022 and 2023, mainly due to a 15% decline in PC demand. Approximately 45% of ABF's end applications are currently used for PC/NB processors, 19% for servers, 19% for Switches, 5G base stations, and other network communication equipment, as well as 17% for automotive and consumer electronics. However, as the area and number of layers of ABF substrates used by new server processor chips from Intel, AMD, and NVIDIA continue to increase, the server share is expected to rise to 25% by 2024. With the continued increase in ABF usage for server processors, overall demand growth is expected to be driven.

As the ABF usage for server processors continues to increase, it will drive the overall demand growth




The growth rate of ABF production capacity will slow down in 2023 and 2024, with only low double-digit growth

Unit: Billion $mm^2$

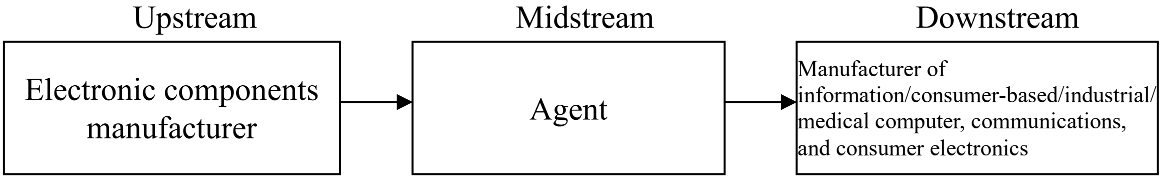



Source: Fugle Research Department, HSBC

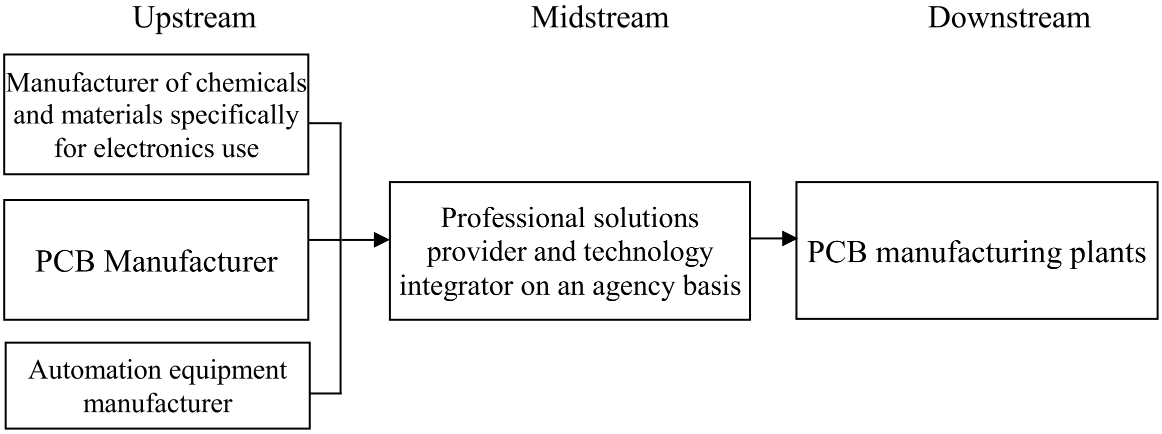
2. Links between the upstream, midstream, and downstream segments of the industry supply chain

The Company is distributor of electronic components, printed circuit board equipment and materials in the capacity of an agent. Below is the relationship between the upstream, midstream, and downstream of the industry by characteristics of individual products sold on an agency basis:

(1) Electronic components sale agent




(2) Acting as an agent for sale of PCB equipment and materials




3. Development trends and competition for the Company's products

The Company is an agent specializing in the production of electronic components (connectors 、 audio components and wires in principle), and PCB manufacturing equipment, testing instruments and materials. Below is a description of the development trend and competition with respect to our major agency product lines:

(1) Electronic components - connectors and wires

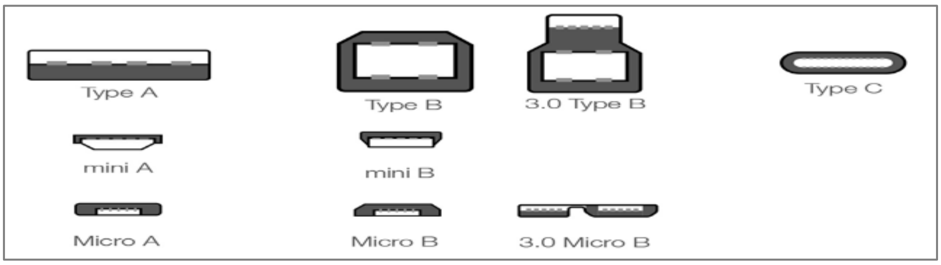
A. Connectors

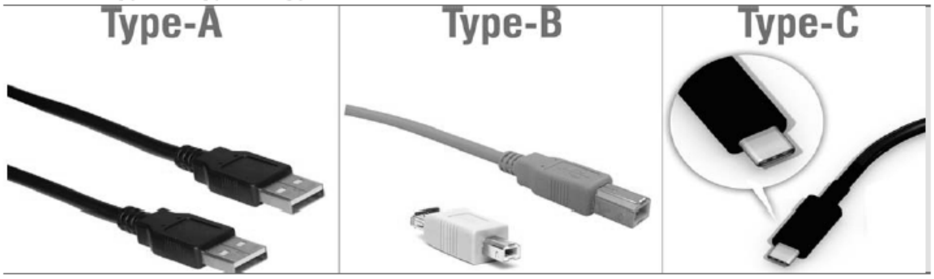
Feature: The connector is a type of port, a connection component employed in conjunction with electronic components such as ICs. By using the connector, the signal between the electronic circuit and the electronic device can be effectively transmitted.

Connectors, in terms of electronic signals and power supplies, are components and accessories used for connecting other components together, forming a bridge between all signals. Connectors' quality not only influences the dependability of signal and current transmission, but also determines the operation quality and lifespan of the entire electronic device.

Applications: Connectors are essential for a wide variety of applications, such as chip and component connection, PCB board-to-board connection, host and I/O connection, external power source and external signal connection. At present, connectors are widely used and commonly seen in the electronic industry, e.g., PC peripherals, telecommunications, digital camera, television, industrial computer, transport, and medical devices, among others.

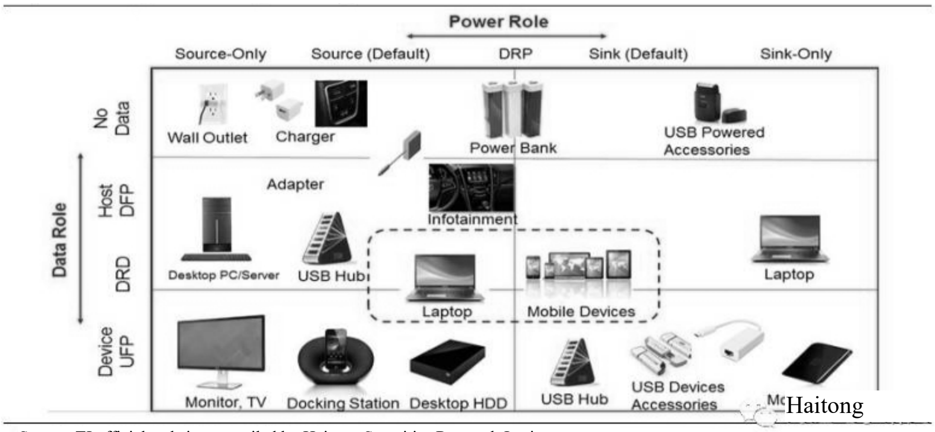
Technology: As smartphone and notebook computers become slimmer, their internal connectors must also be designed to be smaller and thinner. This means that Fine Pitch and Low Profile connectors become the best connection option for these devices. A Type C connector is 8.3mm x 2.5mm with 24 pins. However, due to the demanding specifications of fine pitch and low profile, the Pitch-to-Pitch distance is 0.3-0.4mm, which is narrower and thinner than the conventional 0.5mm. Owing to the fact that these connectors must be able to tolerate both high frequency and high temperature, the technical specifications for Type C connectors are particularly stringent.




Data source: Google

Development trend and competition:
As the market with the most expansive usage, Type-C will principally be used on mobile phones, tablets, and notebook computers in the primary stage; however, its application scope will be expanded in the future. According to the statistics provided by IHS, a professional market research institution, there will be a swift growth in shipments of equipment equipped with Type-C ports from 2017 to 2019. By 2019, the number of devices with USB-C connectors will surpass 2 billion, which is contributed mainly from the PC and mobile devices markets, which are 600 million devices and 1.2 billion devices, respectively.




Source: TI official website; compiled by Haitong Securities Research Institute

B. Cables

Regarding the cables, the latest Thunderbolt model halves the power consumption, can accommodate a maximum of 100W power supply, and is capable of connecting two 4K displays or one 5K display. PCIe 3.0x4-based cables' bandwidth is twice the bandwidth of the earlier generation, reaching 40Gb/s, i.e., about 5. 1GB/s. Support HDMI 2.0 (4K 60Hz) and DisplayPort 1.3 (5K 60Hz).

Nonetheless, there are not many suppliers that offer Thunderbolt, and most of the products that feature it are high-end, expensive products. Moreover, most of the interfaces are crafted for Apple products, meaning they cannot be employed with other electronic devices. This has led to the lower popularity of Thunderbolt compared to USB. Thus, this Thunderbolt version will be compatible with the USB Type-C connector, thereby increasing the acceptance of the Thunderbolt interface.

Since the Type-C connector boaster a fine-pitch, high-bandwidth, high-power, ultra-thin, and reversible insertion architecture, connector manufacturers are facing challenges as to how to ensure the speed and detection of high-speed data and signals, and the design of connectors and connecting cables. As for high-current, high-capacity, and high-voltage Type C connectors, we believe that their technical sophistication is high, making development difficult and necessitating a lengthy certification process from customers in order to ensure safety. This has significantly raised the technical barrier to product development compared to before. Although the market for Type C connectors is huge, not everyone can get a win out of it, so the knockout competition between the manufacturers is about to start.

(2) PCB and IC substrate

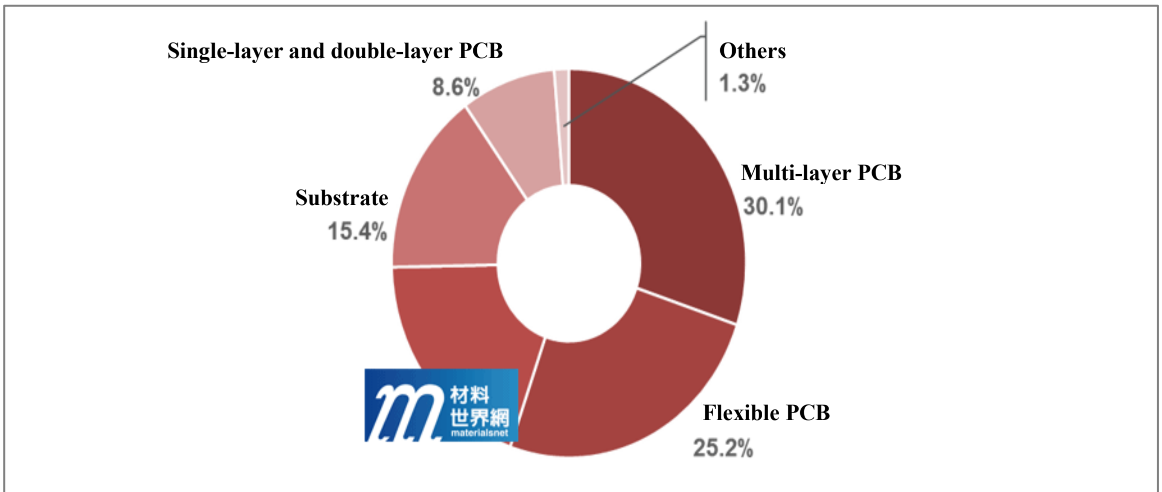
The imbalance of supply and demand during the pandemic in 2021 and 2022 led to global consumption inflation. Post-pandemic, there is pressure to deplete inventory and raise interest rates to curb inflation. Therefore, the global PCB industry faced a significant recession in 2023, with the global PCB output value estimated by the Industrial Technology Research Institute's International Division at NT$73.9 billion, a decline of 15.6%.

Observing the situation in China, Japan, Taiwan, and Korea, mainland-funded factories, due to their lower proportion of substrates and the counter-trend growth of automotive applications, supported an overall decline of 9%, better than the global average. In contrast, with the highest proportion of substrates concentrated in consumer electronics memory applications, Korea experienced a decline of over 20%. Although substrates hold a considerable proportion in Japan and Taiwan, the product composition is relatively balanced, and with the support of automotive applications, the decline is between China and Korea.

Due to the low base in 2023, the overall electronics industry will feel a higher growth momentum in 2024, and the circuit board industry is also expected to welcome the next growth cycle due to inventory replenishment. Although the overall consumer demand still needs time to recover to a positive cycle, it can still benefit from upgrading some product specifications. The global circuit board output value is estimated to rebound to NT$78.2 billion in 2024, an increase of 6.3% from 2023. As the overall consumer market's growth momentum gradually approaches the global economic performance, the growth rate of the global circuit board output value will also return to the long-term average level of 4% to 5%.

The worldwide market size of multi-layer PCBs with four or more layers in 2016 was calculated at around US$21.06 billion, as far as product process is concerned, making up 38.9% of the PCB market, with flexible PCB leading the charge at 20.1%, HDI board in second place at 14.2% and IC substrates in third at 12.1%.

Due to the speedy advancement of downstream electronic information technology, the demand for high-density, high-multilayer, and high-tech PCB products will become increasingly apparent, and products such as multilayer PCB, HDI boards, and flexible PCB with considerable technical complexity will remain on the rise. It is predicted that between 2016 and 2021, the annual compound growth rate of 6-layer boards, 8-16-layer boards, and 18-layer and higher PCBs will surpass the 10-year average annual growth rate, being 2.4%, 2.6%, and 2.9%, respectively. Additionally, the compound annual growth rates of HDI boards and flexible PCB are 2.8% and 3.0%, respectively.




Source: TPCA; complied by ITRI IEK (October 2021)

(3) Audio MEMS microphones

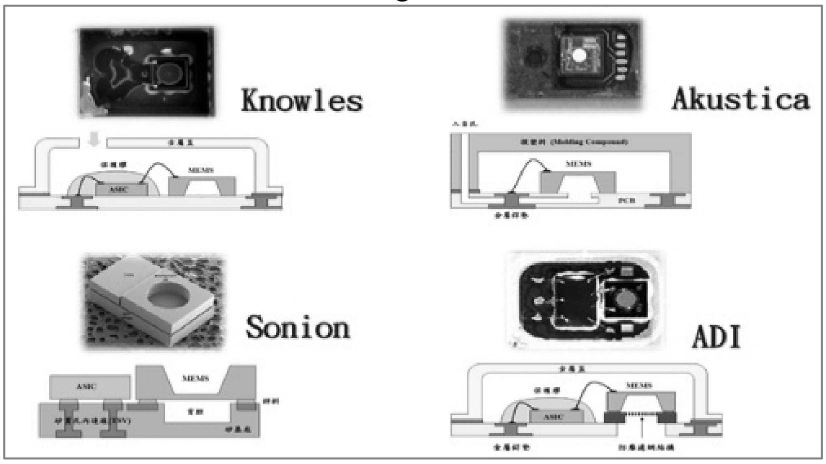
MEMS mics have a compact size, consume a minimal amount of energy, and possess greater protection from external interferences (temperature, vibration, EMF, etc.) than ECM microphones, while being able to tolerate high temperatures up to 260°C in SMT. The essential design of the speaker and the receiver is analogous; both stimulate the diaphragm to emit sound through the impetus of the voice coil and magnet. The speaker is typically located at a distance of multiple centimeters or even meters from the listener, whereas the receiver is usually employed in close proximity to the ear; the speaker power can vary from 0.2W to multiple Watts, whereas the receiver is generally only 0.01W to 0.1W.

The central notion of the MEMS microphone is that it converts sound into a voltage, employing the film assembly to perceive sound pressure and thereby generate a corresponding distortion, which is ultimately read as a voltage by capacitive sensing.

The human auditory sensitivity is correlated to Drawing credit: Lin, Wei-Chun frequency response, depicted as a hill-shaped curve, represents the sound perception that the human ear is able to identify.

It is reasonable to assume that software, hardware, and the entirety of the ecosystem should collaborate to uncover various application scenarios as voice input or voice control is a quite day-to-day application.

Voice input or control can be regarded as a human-machine interface, a feature that has become ubiquitous in the smartphone market. Of late, MEMS microphones have been an integral part of such applications. The primary MEMS microphone manufacturers are the following:



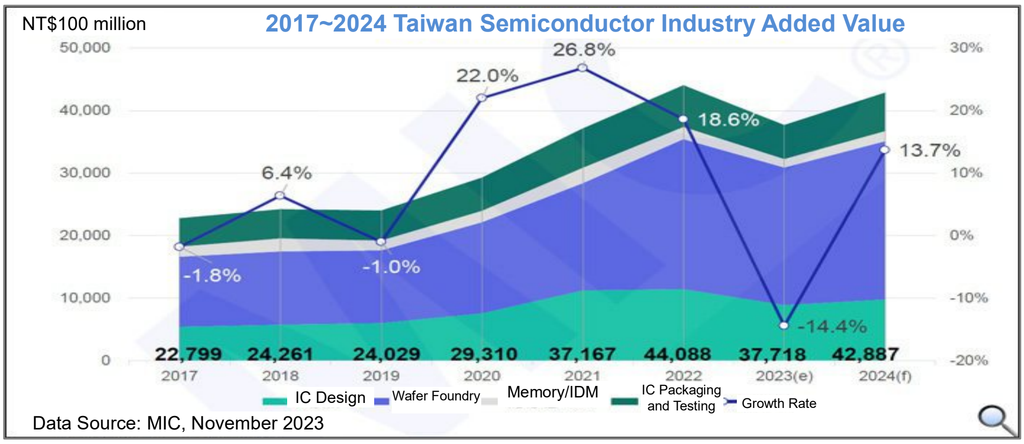

(3) Semiconductor Industry

Looking at the global semiconductor trend, since 2023, the overall weak economy and sluggish end-demand have led to poor buying sentiment in the corporate and consumer markets, affecting everyone from end-system manufacturers to semiconductor supply chain operators with high inventory levels and insufficient pulling power. Looking forward to 2024, as major memory manufacturers reduce production to stabilize prices, it is expected to become the main driving force for growth of the global semiconductor market from 2024 to 2026.

The Market Intelligence & Consulting Institute (MIC) estimates that in 2023, the output value of Taiwan's semiconductor industry will be 3.77 trillion New Taiwan dollars. Looking forward to 2024, the output value is expected to reach 4.29 trillion New Taiwan dollars, an increase of 13.7%. Each sub-industry is expected to have a growth rate of 10 to 20% in 2024. The foundry services, especially advanced manufacturing, will be the primary growth momentum. Although the first quarter of 2024 is expected to face the traditional off-season situation, it has already performed better than the same period this year and returned to growth, coming out of four consecutive quarters of decline compared to the same period of the previous year. For memory, as international memory giants continue to reduce production, short-term memory prices have stabilized, and supply and demand are expected to return to stability. Looking forward to the IC design, packaging, and testing industries, due to their greater association with end-consumer electronic products, it will be more challenging to have a better recovery performance, such as the foundry output value benefiting by advanced processes in the next two quarters.

Chien-Kuang Pan, an industry consultant at MIC, indicated that looking forward to the global and Taiwan semiconductor industry trends, as the recovery and growth of the mainstream product market are unclear, the future semiconductor market growth momentum will rely on the stimulation of emerging applications such as emerging information services, energy conservation and environmental protection, and technology integration. AI, new energy, and smart networking will become the primary growth momentum. Among them, AI servers and electric vehicles have the opportunity to achieve multiple growth in 2027, becoming the main force driving semiconductor growth. In addition, wireless terminal devices are driven by digitalization and intelligent trends, expanding from traditional product domains to vertical market applications.

Looking forward to the third semiconductor market category conditions, MIC states that in 2024, SiC power components will have new growth momentum, mainly from the successive opening of new 8-inch plant capacities, the mass listing of electric vehicles planned by various car manufacturers in 2025, and the demand for renewable energy. Observing GaN power components, the demand for mid-to-low voltage products continues to grow in the information product market. Additionally, high-voltage products are still awaiting development in the automotive charging market. Senior industry analyst Ming-De Chou stated that the net-zero carbon emission targets for 2050 set by various countries and trends such as product electrification driving the growth of emerging application markets like electric transportation are propelling the efficient transformation of energy and industrial manufacturing. Coupled with trends like B5G/6G demand, all these are driving the rapid growth of the third-category semiconductor market.




(III) Technology and R&D Overview:

1. R&D expense for the most recent year and the current year up to the publication date of this annual report: Since the Company is a product sales agent and trader, the Company did not incur any R&D expenses.
2. Products or technology successfully developed

   The Company's primary business is trading electronic components, apparatus, and related goods in the capacity of an agent. Leveraging the expertise of marketing personnel, the Company is in the process of furthering its agentship for new products, aiding in the utilization and sales of end-client merchandise, and thus expanding the scope of its operations. The following is an enumeration of products for which the Company has won the agentship.

| Supplier | Product name | Application |
|---|---|---|
| JAE | Connectors | Components for connecting the various electronic signals and power supply, and accessory connecting parts |
| SUMITOMO ELECTRIC | Thunderbolt Cable<br>High Speed Cable<br>USB3.1/USB4.0 Type C cable | High-speed audio and video signal real-time transmission |
| KNOWLES | MEMS miniature microphone | Components employed in notebook computer , top-of-the-line cellular phones, headsets, vocal apparatus, hearing aids, intelligent loudspeakers, and wearable technology |
| AWINIC | Audio IC | IC components necessary for various audio items like mobile phones, wearables, and smart speakers |
| Canon Machinery Inc. | Solder ball flattening machine、Flip-Chip substrate cutting machine | Used in the process in which solder balls on silicon PCB substrate are flattened、Substrate cutting process |

(IV) Long- and short-term business development plans

1. Short- and Long-term Development Plans

   (1) Developing new suppliers, new products, new applications, and new services

   Stay informed of the latest trends in the tech industry whenever necessary; have dedicated personnel in the General Manager Office to solicit the ODM business and agency business from brands.

   (2) Product application development

   A. Smart speakers/5G/electric vehicles are the largest growing applications

   - Provide as many (much) smart speakers/5G/electric vehicles products and services to customers.
   - Embrace Thunderbolt & USB Type-C possibilities and actively pursue new customer sources.

- Utilize MEMS related products more extensively and reach out to new customer groups.

B. PCB related equipment development

Seize the opportunity to invest in expanding the flexible PCB factory, IC substrate board factory and bring in corresponding equipment products where appropriate; solicit consumables business, OEM business, and agency business; and foster a close cooperation and interdependence relationship with the equipment clients.

2. Long-term business plan

(1) Strengthen the strategic alliance partnership with upstream and downstream manufacturers and clients, and jointly carry out business expansion in the Greater China region to achieve the goal of a win-win situation for all parties involved.

(2) To cope with the migration of clients and suppliers in this industry, the Company will construct a thorough marketing and service team in the Greater China region based on the current bases in East China and South China to present comprehensive and prompt services.

(3) Persevere in winning agentship for new products, and collaborate with clients on the R&D of new products, so as to increase the Company's added value.

(4) Continue to develop independent products, and increase operating profit through value-added technical services.

## II. Market and sales overview

### (I) Market analysis

1. Geographic areas where the main products (services) are provided

The products the Company trades as an agent mainly include the domestic/foreign prestigious brands' equipment required for the manufacturing of audio elements, semiconductors, electronic parts, PCBs, and IC substrates, chemical substances, and optoelectronic semiconductor process testing instruments and consumables. The Company sells mainly to Taiwanese businessmen in China and will continue to develop clients of Chinese companies and Southeast Asia companies.

Unit: NT$1,000

| Year / Region | 2021 | | 2022 | | 2023 | |
|---|---|---|---|---|---|---|
| | Amount | percentage (%) | Amount | percentage (%) | Amount | percentage (%) |
| Taiwan | 2,291,983 | 61.59% | 2,302,816 | 70.99% | 2,040,901 | 74.40% |
| China and Southeast Asia | 1,429,150 | 38.41% | 941,213 | 29.01% | 702,127 | 25.60% |
| Total | 3,721,133 | 100.00% | 3,244,029 | 100.00% | 2,743,028 | 100.00% |

2. Market shares

The Company's consolidated operating revenue in 2023 amounted to NT$2.743 billion. Despite a difficult global economic climate, revenue figures have been bolstered by the increased sale of MEMS audio products, IC semiconductors, and Thunderbolt high-speed product lines, a reason the consolidated revenue remained in good shape for 2023. Since the Company is an SME, although it has been able to yield positive results in sales, the volume is relatively modest when compared to global demand for the production of computers, communications and consumer electronics, meaning that there is still ample room for future growth.

3. Future market supply, demand, and growth

(1) In terms of supply of and demand for connectors:

The upsurge of connectors in 2024 is due to the twofold shipments of server power and high speed cable, the commencement of extensive shipment of automotive-related commodities, 5G, AI, HPC, IOT, and autonomous vehicle applications, and the demand for the establishment of cloud, AI servers and data centers. The growth is extremely robust among large American cloud service providers. Bolstered by the impetus of environmental conservation and carbon neutrality, the accelerated development of new energy vehicles has become the norm, and the demand for associated charging equipment and power supply/battery control will remain in place.

A. Computers and servers:

The laptop market shipment volume for 2023 is expected to reach 163 million units, a year-on-year decrease of 12.2%. For the global laptop shipment volume in 2024, as the market inventory turns healthy and inflationary pressure is expected to stabilize, the global laptop shipment volume is anticipated to bottom out and rebound. However, the global consumer environment is still under pressure, and even though demand is gradually recovering, the market has not observed highly optimistic signals. TrendForce expects a growth rate of about 2 to 5% for 2024, with shipment volumes slightly higher than the pre-pandemic levels.

TrendForce forecasts that while the worldwide server sector will keep on expanding until 2025, the increase in global server shipments will be capped at 3.7% in 2023 as the benefits brought by the pandemic in the past three years dwindle. The projected annual growth rate of whole-server shipments for 2023 is only 3.7%, a decrease from 5.1% in 2022, due to global geopolitical shifts. Going forward, there is expected to be an ongoing demand for smaller scale Data Centers in multiple nations.

B. Renewable energy vehicle and electric vehicle markets:

The electric vehicle market is rapidly developing, with major global car manufacturers quickly expanding their capacities, including Daimler, Toyota, Volkswagen, Ford, General Motors, Hyundai, BMW, and Tesla, all actively launching strategies to transition into the electric vehicle domain. The schedules of various car factories plan to launch 30 to 60 electric vehicles between 2025 and 2035. Tesla, in particular, expects to maintain a target CAGR of +50% for delivery volumes in the medium to long term. Electric vehicles will become the main driving force for the growth of the global car market in the future. They will accelerate the transformation and upgrading of the overall automotive industry. In addition, the infrastructure and components related to electric vehicles will grow as the volume of electric vehicles increases.

With the Tesla Model 3 being a hot seller since 2020, the market expects the global production of electric vehicles to soar sixfold from 2 million units in 2020 to over 15 million units by 2025. The year 2021 marked the beginning of rapid growth for the electric vehicle industry, with a once-in-a-century business opportunity for the massive supply chain behind it!

According to Marklines data, the new energy vehicle market is expected to grow by about 40% in sales over the next five years, exceeding 16 million units in 2025. The global car market share will increase from 3% at the end of 2020 to 1.7%, benefiting the global electric vehicle supply chain.

C. Other consumer electronics products：

Amidst the AI boom, the concept of smart terminals (On-device AI) has also emerged recently. Major manufacturers like Samsung Electronics and Google plan to launch products equipped with “smart terminal” technology. In addition to smartphones and AI notebooks, Bluetooth earphones with smart terminal technology are expected to hit the market, with subsequent developments attracting attention from all sectors.

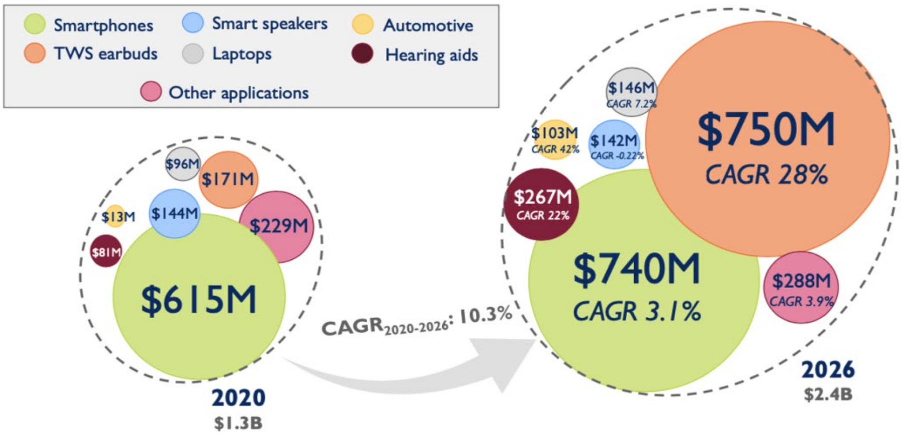
As smart terminals are gradually applied to end devices, they are also expected to drive growth in the smartphone market. According to Morgan Stanley’s forecast, mobile phone shipments are expected to increase by 3.9% and 4.4% in 2024 and 2025, respectively, thanks to smart terminals.

(2) In terms of supply and demand in the audio semiconductor industry:

IMARC Group has estimated that the global MEMS microphone market will climb to US$3.28 billion in 2027, from US$1.63 billion in 2021. The compound annual growth rate (CAGR) between 2022 and 2027 is 11.80%. Considering the uncertainty that comes with the COVID-19 pandemic, we are vigilantly surveying the direct and indirect effect of the pandemic on diverse end-user industries. MEMS microphones are extensively employed in Internet of Things (IoT) and virtual reality (VR) instruments, hearing aids, tablets, cell phones, and other consumer electronics such as TVs, smart speakers, and TWS earphones, opening up the opportunities for growth in the MEMS microphone market. The increased popularity of microphones has additionally increased their demand. Handheld devices such as tablets and smartphones require ultrathin, low-power parts; MEMS microphones happen to offer power efficiency, heightened sensitivity, and a high signal-to-noise ratio.

Over the last few years, the Company has been devoted to marketing campaign for solicitation of agentship for products. Thanks to the sound and reliable relationship between the brands and clients, our profits have risen year after year. With the future looking dubious, we will continue to strengthen customer support and services, offer more extensive value-added services, and develop new products and new customers to maintain our ongoing growth momentum.

**In-vehicle applications, TWSs, and hearing aids are the main applications bolstering growth in MEMS microphones**




(3) In terms of supply and demand in the flexible PCB industry:

Last year (2023), the global PCB industry suffered a massive recession, with the global PCB output value estimated by the Industrial Technology Research Institute's International Division at NT$73.9 billion, a decline of 15.6%. Due to the low base in 2023, the overall electronics industry will feel a higher growth momentum in 2024, and the PCB industry is also expected to welcome the next growth cycle due to inventory replenishment. Although the overall consumer demand still needs time to recover to a positive cycle, it can still benefit from upgrading some product specifications. The global PCB output value is estimated to rebound to NT$78.2 billion in 2024, an increase of 6.3% from 2023.

The Company holds that HPC, 5G, in-vehicle electronics, and construction of low Earth orbit satellites will boost the growth of the PCB industry. Being the "Mother of electronic products", PCB has a wide range of downstream applications, including communications, mobile phones, computers, automobiles, and other electronics. The emergence of 5G technology has had a beneficial influence on PCB in that it has led to an amplified appetite for terminals and base stations. Furthermore, the increase in the per unit use of PCB in terminals and base stations has caused an upsurge in the overall demand for PCB.

The overall industry development trend indicates that the global PCB industry is transitioning towards higher density, precision, and reliability, while concurrently reducing costs, enhancing performance, minimizing dimensions, lightening weight and thickness, raising productivity, and lowering environmental impact, in order to align with the development of downstream end-user electronic products. In the near future, High Density Interconnect, Flexible Printed Circuit, Rigid-Flex PCB, and IC substrates will become the primary area of development.

4. Competitive niche

(1) Remarkable technical competencies

For over 40 years into incorporation, the Company has cultivated numerous proficient marketing personnel who are able to support the brands with the development of new product and technology and swiftly communicate pertinent facts to clients, and thereby constantly developing new business opportunities. This not only secures the perpetual affirmation and trust from brands, but also aids clients in the introduction and evolution of new products, thereby increasing their capability while earning their recognition.

(2) A wide range of product lines under agentship, and application services

The products which the Company sells as an agent include electronic components (e.g., USB4.0 Type C, Thunderbolt Cable, and MEMS Microphone, etc.) PCB process equipment, testing instruments and related consumables for mainstream products that are required to produce mainstream products. Since the demand for end products, e.g., smartphones, tablet PCs, notebooks, wearing devices, and system peripheral industry, electronic communications remains strong every year and keeps the output value high, and they don't feature alternate peak seasons and low seasons, the Company is less prone to the impact of change in general business climate or ups and downs of a single industry.

5. Positive and negative factors for future development, and the Company's response to such factors

(1) Positive factors

A. The potential for expansion in the smart handheld device sector is considerable

As the demand for smart handheld devices is on the rise, new functions and applications are being developed, thus making the integration of related smart product functions a current trend in the information electronics industry. With more and more smart electronics being used, the need for electronic components will keep on rising.

B. Stable supply of raw materials and equipment

For more than four decades into its incorporation, the Company has been able to secure strong, enduring relationships with international raw materials manufacturing giants and equipment suppliers with its professional marketing competency and sales track record, so the supply source has been fairly stable. Such fruitful cooperation with international giants will have a positive effect on the Company's developing new products and securing new agency business.

C. The Company's strategy is excessively focus on innovation and professional services.

The Company attaches importance to human resources use and improvement. By holding various internal education and training courses and on-the-job training, and by actively participating the seminars on industrial trends and technologies, the Company hones employees' professional skills. The Company further encourages staff and managers to better the Company's service quality and operating procedures through talks, meetings, or collaboration with clients on developing new process applications.

(2) Negative factors

A. Global inflation, the Russia-Ukraine war, and aggressive interest rate hikes in various countries

Electronic information products have witnessed a relative saturated in the post pandemic era. Worse still is that global inflation and the destocking pressure facing brand owners may further drive down such products' price, which could indirectly lower the Company's profitability and increase the risk of overstock, rendering an unfavorable situation.

Response measures:

a. Grasp the ebbs and flows of the marketplace: The business unit is required to stay informed of market news at all times. When becoming aware of any adverse information, they should promptly react and propose solutions to cushion the market impact.

b. Proper inventory management: Accurately monitor and alter inventory levels in light of relevant market supply and demand data, and ensure adequate inventory levels are maintained at all times; put in place a good inventory management system to smooth the inbound and outbound of inventory; and regularly review the inventory structure to avoid any obsolete inventory.

B. Fluctuations in exchange rates and raw materials

The overall inflation rate continues to be elevated, and the U.S. Federal Reserve has increased its interest rate in the face of the Russia-Ukraine conflict. Although raw materials price is not necessarily plummeted across all regions, one common characteristic of the price is volatility, particularly in international oil prices, making TWD likewise volatile. Given that the company's trading currency is the US Dollar, the fluctuation in the exchange rate may make the operating profits less uncertain. In addition, raw material prices have constantly fluctuated. All of these have led to price increases made by upstream and downstream suppliers and by clients alike, posing challenges to the control of operating costs.

Response measures:

To attain a natural hedging effect, the Company insists on making purchase and sale using the same currency; it further seeks safe financial hedging instruments, and adjusts its position of TWD and foreign currency holdings, so as to utilize logistics and related costs to the fullest extent.

(II) Usage and manufacturing processes for the company's main products

1. Major usage of the company's products:

| Major products | Usage |
|---|---|
| Electronic components | Used as a communication/information/network equipment component/electric vehicles,/ new energy, e.g., connectors, ultra-thin co-axial cable, MEMS microphone, IC semiconductor, etc. |
| System integration equipment and materials | PCB production equipment and chemical agents as raw materials; semiconductor and optoelectronic process testing equipment and raw materials |

2. Production process: N/A (The Company is not a member of the manufacturing industry).

(III) Supply situation for the company's major raw materials:

The Company sources electronic components and equipment mainly from prestigious suppliers at home and abroad which have been a long time partner, so the source of supply is quite stable.

(IV) A list of any suppliers and customers accounting for 10 percent or more of the company's total procurement or sales amount in either of the 2 most recent fiscal years, the amounts bought from or sold to each, the percentage of total procurement or sales accounted for by each, and an explanation of the reason for increases or decreases in the above figures. (If the contract prohibits disclosure of customers' names or the counterparty, and the party involved is an individual other than a related party, they may be addressed in the code.)

## Information on major suppliers for the most recent 2 fiscal years

Unit: NT$1,000

| Item | 2022 | | | | 2023 | | | | Year-to-date through March 31, 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Name | Amount | As a percentage of net purchases for the year (%) | Relationship with the Issuer | Name | Amount | As a percentage of net purchases for the year (%) | Relationship with the Issuer | Name | Amount | Percentage of net purchases up to the preceding quarter of the current fiscal year (%) | Relationship with the Issuer |
| 1 | Company A | 330,621 | 12.10 | None | Company A | 217,843 | 9.30 | None | Company A | 73,653 | 11.58 | None |
| 2 | Company B | 558,664 | 20.45 | None | Company B | 376,053 | 16.05 | None | Company B | 127,773 | 20.09 | None |
| 3 | Company C | 1,309,328 | 47.92 | None | Company C | 1,206,965 | 51.50 | None | Company C | 319,725 | 50.28 | None |
| | Others | 533,670 | 19.53 | | Others | 542,635 | 23.15 | | Others | 114,752 | 18.05 | |
| | Net purchase | 2,732,283 | 100.00 | | Net purchase | 2,343,496 | 100.00 | | Net purchase | 635,903 | 100.00 | |

## Information on major customers for the most recent 2 fiscal years

Unit: NT$1,000

| Item | 2022 | | | | 2023 | | | | Year-to-date through March 31, 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Name | Amount | As a percentage of net sales for the year (%) | Relationship with the Issuer | Name | Amount | As a percentage of net sales for the year (%) | Relationship with the Issuer | Name | Amount | Percentage of net sales up to the preceding quarter of the current fiscal year (%) | Relationship with the Issuer |
| 1 | Company D | 393,897 | 12.14 | None | Company D | 446,733 | 16.29 | None | Company D | 87,864 | 13.91 | None |
| | Others | 2,850,132 | 87.86 | | Others | 2,296,295 | 83.71 | | Others | 543,781 | 86.09 | |
| | Total net sales | 3,244,029 | 100.00 | | Total net sales | 2,743,028 | 100.00 | | Total net sales | 631,645 | 100.00 | |

(V) Production Volume and Value in the Most Recent 2 Fiscal Years:

Not applicable because the Company is not a member of the manufacturing industry, but a professional marketer and distributer in the electronic components industry and automation equipment industry.

(VI) Sales Volume and Value in the Most Recent 2 Fiscal Years:

Since the Company is a professional marketer and distributor in the electronic components industry and automation equipment industry, it has an extensive range of products that vary in quantity, and does not have a unified measuring unit for statistics purposes. Therefore, the Company instead discloses the sales volume and value by product type as follows:

Unit: NT$1,000

| Year / Major products | 2022 | | 2023 | |
|---|---|---|---|---|
| | Domestic sale | Export | Domestic sale | Export |
| Electronic components | 220,904 | 2,785,570 | 149,851 | 2,417,000 |
| PCB, IC substrate and equipment, and related materials | 150,531 | 87,024 | 16,973 | 159,204 |
| Total | 371,435 | 2,872,594 | 166,824 | 2,576,204 |

III. Number of employees in service in the last two years and up to the publication date of this annual report, their average service years, average age, and education degree dispersion ratio

| Year | | 2022 | 2023 | Up to May 9, 2024 |
|---|---|---|---|---|
| Number of employees | Business unit | 47 | 37 | 48 |
| | Management unit | 38 | 45 | 36 |
| | Total | 85 | 82 | 84 |
| Average age | | 41.7 | 41.3 | 41.1 |
| Average service years | | 8 | 8.2 | 7.8 |
| Education degree dispersion rate | PhD | 0 | 0 | 0 |
| | Master degree | 13 | 11 | 12 |
| | College diploma | 53 | 59 | 60 |
| | Senior high school | 19 | 12 | 12 |
| | Below senior high school | 0 | 0 | 0 |
| | Total | 85 | 82 | 84 |

IV. Disbursements for environmental protection: Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken.

The Company did not suffer any loss due to polluting the environment. The components and equipment sold by the Company as an agent all comply with laws and regulations. In addition, suppliers also present a statement of non-use of hazardous substances and a statement of ROHS directives, and so on; doing so enables the Company to provide clients with products suitable for use in the process in the future, thereby making the Company a green supplier.

V. Labor-management relationship

(I) The Company's employee welfare programs, continuing education, training, retirement systems, and their implementation, as well as labor-management agreements and various employee rights protection measures:

1. The Company adheres to the applicable labor laws and rules of Taiwan, in addition to the internationally acknowledged fundamental labor rights standards, to safeguard the legal rights and interests of employees.
2. Reasonable compensation and benefits
   (1) In addition to the monthly wages, year-end bonuses are available for active employees, and performance bonuses and gains are distributed based on the Company's quarterly operating performance and individual performance. The method of disbursement is done in line with proper management regulations.
   (2) As required by the "Employee Welfare Fund Act", the Company has established the Employee Benefits Committee, which shall take charge of employee benefits matters, e.g., provision of Mid-Autumn Festival bonus, Dragon Boat's Day bonus, birthday money gift, preferential treatment at participating enterprises not in the same industry with the Company, group activities such as movie watching, year-end party, employee domestic/overseas travel, etc., so that they can strike a work-life balance.
   (3) The Company gives employees marriage/childbirth congratulation money, funeral condolence money by its benefits policy.
   (4) Insurance: The Company purchases labor insurance and health insurance for all employees to entitle them to the various insurance benefits; the Company also

purchases group casualty insurance, group medical insurance, group term life insurance, travel insurance, and employer's liability insurance for all employees and further purchases public liability insurance and fire insurance.

(5) The Company regularly holds company anniversary event to commend and encourage senior employees.

(6) Employees are offered a complimentary health checkup one a year.

3. Employee training and development

(1) To improve employees' competitiveness, the Company organizes orientation training and the various on-the-job trainings for employees. The Company arranges for employees to take internal and external professional training courses, and has the trained personnel to disseminate professional knowledge to internal staff.

(2) Through skill-building initiatives, each employee can optimize their performance to the fullest extent. Facilitate personnel in mapping out their professional advancement, and refine the employee career progression program through in-house experience succession and job transfer/rotation.

Below is an account of the staff training situation in 2023:

| Item | No. of courses | No. of trainees | Total training hours |
|---|---|---|---|
| 1. Orientation for new comers | 19 | 19 | 57 |
| 2. Professional competency training | 13 | 8 | 98 |
| 3. Managerial skills training | 3 | 3 | 36 |
| 4. Liberal training | 0 | 0 | 0 |
| 5. Personal enrichment training | 0 | 0 | 0 |
| Total | 35 | 30 | 191 |

Below is an account of the manager training situation in 2023

| Name | Course name | Total training hours |
|---|---|---|
| Chang, Da-Chien | Continuing Education Course for Accounting Officers of Issuers, Securities Dealers, and TWSE | 12 hours |

4. Retirement system and implementation

(1) The Company's retirement scheme is based on the "Labor Standards Act" and "Labor Pension Act". Employees meeting the any of the following criteria may apply for retirement at their discretion:

A. Having worked for 15 years and attained the age of 55.

B. Having worked for 25 years.

C. Having worked for 10 years and attained the age of 60.

(2) Pension payment standards:

A. Old scheme: The Labor Standards Act shall apply, and employee pension is calculated based on the service years under the old scheme and the average of regular wages for the 6 months prior to retirement.

B. New scheme: The Labor Pension Act shall apply, and employers shall contribute an amount equal to 6% of employees' insured salary interval to employees' individual pension account every month.

The Company makes a monthly pension contribution equal to 5% of employees' salary (due to option between the new scheme and old scheme), and deposits it in a dedicated account with the Bank of Taiwan. As of December 31, 2023, the pension fund balance amounted to NT$20,859 thousand.

The Company conducted an actuarial valuation by the FSC-endorsed International Accounting Standards No.19 "Employee Benefits" on the measurement date, which was December 31, 2023. The fair value in excess of defined benefit obligations is recognized as pension prepayments on the balance sheet date.

5. Employee conduct and ethical principles:
   (1) The Company has established internal regulations to govern employees conduct; such internal regulations include Employee Manual, Attendance Management Rules, Regulations for Promotion and Job Transfer, Regulations for Business Travel Management, Gender Equality Management Rules, and Corporate Governance - Code of Ethical Conduct, for employees to follow, and feature the following content:
      A. The discipline, etiquette, and working attitude required of an employee.
      B. Set up employee evaluation standards as a reference for salary adjustment, bonus distribution, and promotion.
      C. Reward or punish employees for the profits or loss brought to the Company by their conduct.
   (2) Have employees sign the "Intellectual Property Rights and Undertaking of Confidentiality", which stipulates that employees be obliged to keep confidential the Company's tangible and intangible operating assets and data and that employee be banned outright from infringing on the Company's interests.
   (3) The Company discloses its "Corporate Governance - Codes of Ethical Conduct", "Procedures for Processing Material Inside Information to Prevent Insider Trading", and "Procedures for Ethical Management and Guidelines for Conduct" on its official website.
6. Labor - management negotiation
   (1) The Company's official website has put in place an "employee complaints-filing operation mechanism" and an open communication platform, so as to ensure that employees' opinion/questions can be fairly expressed and employees are fairly, reasonably, and effectively dealt with and valued. The Company also encourages employees to reflect any problems to either their immediate supervisor or a managerial officer of an even higher level; managerial officers at each level will value their opinion and assist in finding a solution.
   (2) A Group-wide meeting open to all employees is held regularly so that each employee can fully understand the Company's operating status and their rights and interests. The Company also discloses the latest version of the Employee Manual on its internal website; the Employee Manual sets out the Work Rules, employees' rights and obligations, and their benefits, so that they can understand, and the Company can uphold their rights and interests.
   (3) The Company holds periodic "labor-management gatherings" to communicate important decisions, manage labor-management relations, cultivate labor-management cooperation, and improve labor-management relations.

   The Company places a high priority on labor management relations and employee benefits, which has led to a harmonious labor-management relationship and no labor disputes. The Company will strive to maintain a healthy partnership between its personnel and management, abiding by applicable governmental labor laws and regulations.
7. Various employee rights protection measures: The Company abides by applicable laws and regulations, e.g., the Labor Standards Act, Act of Gender Equality in Employment, Employee Welfare Fund Act, Labor Pension Act, Labor Insurance Act, Employment Insurance Act, Act for Protecting Worker of Occupational Accidents, Labor Safety and Health Act, and other laws and regulations, to protect employees' rights and interests.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None

Since its inception, the Company has implemented a human-oriented approach and professional division of labor when interacting with personnel, while abiding by all labor-related laws and regulations. Recognizing the symbiotic relationship between labor and management, we endeavor to cultivate harmonious labor-management relations. Firstly, we value employees' opinions and pursue consensus through mutual understanding. Secondly, we reinforce relevant welfare benefits to take care of our staff, so as to jointly stride towards a bright future. Therefore, we were not found in any labor inspection to have violated the Labor Standards Act, nor did we witness any labor dispute, nor yet did we suffer any loss due to labor dispute in the most recent year and the current year up to the publication date of this annual report.

VI. Cyber security management

(I) Describe the information security risk management structure, information security policy, specific management plan, resources invested in the information security management, etc.:

1. Cyber security risk management structure

The organization has an individual division devoted to information security management. The chief of the IT Department is obligated for the coordination and advancement of information security management issues, and to create an information security promotion taskforce when necessary. The convener of the information security promotion taskforce shall be General Manager. The chief of the IT Department is responsible for carrying out safety issues and submitting a report every year.

2. Information security policy

To implement information security management, the Company has formulated regulations for electronic data processing cycle and information security management, hoping to achieve the following policy goals

(1) Raise information security awareness of employees
(2) Avoid leak of confidential information
(3) Maintain effective daily operations
(4) Ensure sustainable management and operations

3. Specific management project

(1) Personnel safety and management: Hold trainings and awareness sessions on information security for personnel at each level; properly assess the IT personnel in contact of confidential information; and change the access authority when a person leaves his/her job.
(2) Data access control: Document and data encryption control and tracking, mail outbound control, security protection software and hardware control.
(3) Ensure the continuous operation of the system: Back up systems off-site and put in place emergency prevention measures.
(4) Information security awareness session: Regularly hold information security awareness session and perform information security check.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

The Company did not subject to any loss or possible influence due to material cyber security safety incident as of the publication date of this annual report.

## VII. Important contracts

The contracting parties, major content, restrictive clauses, and the commencement dates and expiration dates of supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year:

**Important contracts**

| Type of contract | Party | Contract start date and end date | Main content | Restrictive clauses |
|---|---|---|---|---|
| Distribution contract | JAE Taiwan | January 1, 2008 ~ automatic renewal | Product sale in the capacity of an agent | None |
| Distribution contract | Sumitomo Electric Industries, Ltd. | October 1, 2009 ~ automatic renewal | Product sale in the capacity of an agent | None |
| Distribution contract | Knowles | June 1, 2010 ~ automatic renewal | Product sale in the capacity of an agent | None |
| Distribution contract | YE-DATA | June 20, 2011 ~ automatic renewal | Product sale in the capacity of an agent | None |
| Distribution contract | Etron Technology, Inc. | March 11, 2018 ~ automatic renewal | Product sale in the capacity of an agent | None |
| Distribution contract | AWINIC | January 1, 2024 ~ December 31, 2025 | Product sale in the capacity of an agent | None |
| Distribution contract | CANON MACHINERY INC. | January 1, 2024 ~ December 31, 2025 | Product sale in the capacity of an agen | None |

## Six. Finance Overview

I. Condensed balance sheet and comprehensive income statement for the most recent 5 years

(I) Condensed balance sheet for the most recent 5 years

1. Consolidated information

Unit: NT$1,000

| Item / Year | | Financial information for the most recent 5 years (audited and certified) | | | | | Year-to-date through March 31, 2024 Financial Information (Reviewed) |
|---|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Current assets | | 2,165,773 | 1,988,239 | 2,550,355 | 2,472,468 | 2,004,477 | 2,039,003 |
| Property, plant and equipment | | 114,875 | 113,658 | 112,864 | 111,174 | 109,513 | 109,211 |
| Intangible assets | | 408 | 319 | 743 | 528 | 840 | 758 |
| Other assets | | 242,823 | 222,961 | 278,069 | 331,576 | 404,759 | 399,383 |
| Total Assets | | 2,523,879 | 2,325,177 | 2,942,031 | 2,915,746 | 2,519,589 | 2,548,355 |
| Current liabilities | Before distribution | 1,420,948 | 1,203,140 | 1,708,044 | 1,434,552 | 955,618 | 921,674 |
| | After distribution | 1,507,748 | 1,274,036 | 1,796,664 | 1,515,964 | (Note 1) | (Note 1) |
| Non-current liabilities | | 11,466 | 11,269 | 23,055 | 19,981 | 17,102 | 14,228 |
| Total Liabilities | Before distribution | 1,432,414 | 1,214,409 | 1,731,099 | 1,454,533 | 972,720 | 935,902 |
| | After distribution | 1,519,214 | 1,285,305 | 1,819,719 | 1,535,945 | (Note 1) | (Note 1) |
| Equity attributable to shareholders of the parent company | | 1,091,465 | 1,110,768 | 1,210,932 | 1,461,213 | 1,546,869 | 1,612,453 |
| Capital stock | Before distribution | 520,142 | 560,000 | 590,800 | 590,800 | 626,248 | 651,298 |
| | After distribution | 560,000 | 590,800 | 590,800 | 626,248 | 651,298 | (Note 1) |
| Capital surplus | | 52,062 | 52,062 | 52,062 | 52,062 | 52,062 | 52,062 |
| Retained earnings | Before distribution | 423,217 | 440,793 | 513,174 | 635,058 | 629,642 | 669,513 |
| | After distribution | 336,417 | 369,897 | 424,554 | 553,646 | (Note 1) | (Note 1) |
| Other equity interests | | 56,186 | 27,113 | 54,896 | 147,845 | 213,867 | 239,580 |
| Treasury stock | | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-controlling interests | | 0 | 0 | 0 | 0 | 0 | 0 |
| Total equity | Before distribution | 1,091,465 | 1,110,768 | 1,210,932 | 1,461,213 | 1,546,869 | 1,612,453 |
| | After distribution | 1,004,665 | 1,039,872 | 1,122,312 | 1,379,801 | (Note 1) | (Note 1) |

Note 1: The amount to be distributed for 2023 is still pending a resolution by the Shareholders' Meeting.

2. Parent Company Only Information

Unit: NT$1,000

| Item \ Year | | Financial information for the most recent 5 years (audited and certified) | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current assets | | 1,476,126 | 1,348,725 | 1,857,041 | 1,744,235 | 1,221,529 |
| Property, plant and equipment | | 104,933 | 104,220 | 104,499 | 103,874 | 103,461 |
| Intangible assets | | 408 | 319 | 743 | 528 | 840 |
| Other assets | | 721,047 | 762,689 | 871,117 | 1,015,898 | 1,121,375 |
| Total Assets | | 2,302,514 | 2,215,953 | 2,833,400 | 2,864,535 | 2,447,205 |
| Current liabilities | Before distribution | 1,205,940 | 1,098,409 | 1,617,207 | 1,396,746 | 889,194 |
| | After distribution | 1,292,740 | 1,169,305 | 1,705,827 | 1,478,158 | (註 1) |
| Non-current liabilities | | 5,109 | 6,776 | 5,261 | 6,576 | 11,142 |
| Total Liabilities | Before distribution | 1,211,049 | 1,105,185 | 1,622,468 | 1,403,322 | 900,336 |
| | After distribution | 1,297,849 | 1,176,081 | 1,711,088 | 1,484,734 | (註 1) |
| Equity attributable to shareholders of the parent company | | 1,091,465 | 1,110,768 | 1,210,932 | 1,461,213 | 1,546,869 |
| Capital stock | Before distribution | 520,142 | 560,000 | 590,800 | 590,800 | 626,248 |
| | After distribution | 560,000 | 590,800 | 590,800 | 626,248 | 651,298 |
| Capital surplus | | 52,062 | 52,062 | 52,062 | 52,062 | 52,062 |
| Retained earnings | Before distribution | 423,217 | 440,793 | 513,174 | 635,058 | 629,642 |
| | After distribution | 336,417 | 369,897 | 424,554 | 553,646 | (註 1) |
| Other equity interests | | 56,186 | 27,113 | 54,896 | 147,845 | 213,867 |
| Treasury stock | | 0 | 0 | 0 | 0 | 0 |
| Non-controlling interests | | 0 | 0 | 0 | 0 | 0 |
| Total equity | Before distribution | 1,091,465 | 1,110,768 | 1,210,932 | 1,461,213 | 1,546,869 |
| | After distribution | 1,004,665 | 1,039,872 | 1,122,312 | 1,379,801 | (註 1) |

Note 1: The amount to be distributed for 2023 is still pending a resolution by the Shareholders' Meeting.

(II) Condensed statement of comprehensive income for the most recent 5 years

1. Consolidated information

Unit: NT$1,000

| Item \ Year | Financial information for the most recent 5 years (audited and certified) | | | | | Year-to-date through March 31, 2024 (Reviewed) |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Operating revenue | 3,887,287 | 3,187,958 | 3,721,133 | 3,244,029 | 2,743,028 | 631,645 |
| Operating gross profit | 385,897 | 318,676 | 379,903 | 354,003 | 287,387 | 58,608 |
| Operating profits or losses | 188,118 | 131,641 | 169,573 | 131,016 | 99,728 | 16,344 |
| Non-operating income and expenses | (9,722) | (5,795) | 3,126 | 127,664 | 27,731 | 34,097 |
| Net profits before tax | 178,396 | 125,846 | 172,699 | 258,680 | 127,459 | 50,441 |
| Net profits for the period from continuing operations | 142,436 | 104,162 | 143,052 | 208,799 | 100,772 | 39,871 |
| Losses from discontinued operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profits (losses) for the period | 142,436 | 104,162 | 143,052 | 208,799 | 100,772 | 39,871 |
| Other comprehensive income for the period (net after tax) | 27,519 | (28,859) | 28,008 | 94,654 | 66,296 | 25,713 |
| Total comprehensive income for the period | 169,955 | 75,303 | 171,060 | 303,453 | 167,068 | 65,584 |
| Net profits attributable to shareholders of parent company | 142,436 | 104,162 | 143,052 | 208,799 | 100,772 | 39,871 |
| Net profits attributable to non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income attributable to shareholders of parent company | 169,955 | 75,303 | 171,060 | 303,453 | 167,068 | 65,584 |
| Total comprehensive income attributable to non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 |
| Earnings per share | 2.41 | 1.76 | 2.28 | 3.33 | 1.55 | 0.61 |

Note 1：The number of outstanding shares has been retroactively adjusted based on the ratio of recapitalization of earnings in 2019 to 2023.

2. Parent Company Only Information

Unit: NT$1,000

| Item \ Year | Financial information for the most recent 5 years (audited and certified) | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating revenue | 2,639,847 | 2,196,031 | 2,668,881 | 2,554,446 | 2,222,054 |
| Operating gross profit | 258,458 | 192,711 | 227,183 | 247,750 | 207,608 |
| Operating profits or losses | 127,286 | 64,600 | 83,864 | 85,498 | 77,634 |
| Non-operating income and expenses | 41,418 | 48,035 | 72,867 | 162,894 | 45,171 |
| Net profits before tax | 168,704 | 112,635 | 156,731 | 248,392 | 122,805 |
| Net profits for the period from continuing operations | 142,436 | 104,162 | 143,052 | 208,799 | 100,772 |
| Losses from discontinued operations | 0 | 0 | 0 | 0 | 0 |
| Net profits (losses) for the period | 142,436 | 104,162 | 143,052 | 208,799 | 100,772 |
| Other comprehensive income for the period (net after tax) | 27,519 | (28,859) | 28,008 | 94,654 | 66,296 |
| Total comprehensive income for the period | 169,955 | 75,303 | 171,060 | 303,453 | 167,068 |
| Net profits attributable to shareholders of parent company | 142,436 | 104,162 | 143,052 | 208,799 | 100,772 |
| Net profits attributable to non-controlling interests | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income attributable to shareholders of parent company | 169,955 | 75,303 | 171,060 | 303,453 | 167,068 |
| Total comprehensive income attributable to non-controlling interests | 0 | 0 | 0 | 0 | 0 |
| Earnings per share | 2.41 | 1.76 | 2.28 | 3.33 | 1.55 |

Note 1：The number of outstanding shares has been retroactively adjusted based on the ratio of recapitalization of earnings in 2019 to 2023.

(III) The name of CPA for the most recent 5 years and the audit opinions

| Year | CPA firm | Attesting CPAs | Audit opinion |
|---|---|---|---|
| 2023 | Ernst & Young | Wang, Hsuan-Hsuan; Chang, Chih-Ming | Unqualified opinion |
| 2022 | Ernst & Young | Wang, Hsuan-Hsuan; Chang, Chih-Ming | Unqualified opinion |
| 2021 | Ernst & Young | Wang, Hsuan-Hsuan; Chang, Chih-Ming | Unqualified opinion |
| 2020 | Ernst & Young | Wang, Hsuan-Hsuan; Chang, Chih-Ming | Unqualified opinion |
| 2019 | Ernst & Young | Wang, Hsuan-Hsuan; Huang, Yi-Hui | Unqualified opinion |

II. Financial analysis for the most recent 5 years

1. Consolidated information

| Analysis item | Year | Analysis of financial information for the most recent 5 years (audited and certified) | | | | | Year-to-date through March 31, 2024 (Reviewed) |
|---|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Capital structure (%) | Debt to assets ratio | 56.75 | 52.23 | 58.84 | 49.89 | 38.61 | 36.73 |
| | Ratio of long-term capital to property, plant, and equipment | 950.13 | 977.29 | 1,072.91 | 1,314.35 | 1,412.50 | 1.476.46 |
| Solvency (%) | Current ratio | 152.42 | 165.25 | 149.31 | 172.35 | 209.76 | 221.23 |
| | Quick ratio | 127.16 | 148.43 | 113.4 | 138.26 | 181.78 | 181.03 |
| | Interests coverage multiplier | 1,825.97 | 1,334.39 | 1,977.57 | 1,884.25 | 1,003.77 | 1.848.39 |
| Operating performance | Accounts receivable turnover rate (times) | 3.45 | 3.13 | 3.25 | 2.89 | 2.98 | 2.96 |
| | Average collection days | 106 | 117 | 112 | 126 | 122 | 123 |
| | Inventory turnover rate (times) | 9.43 | 13 | 9.69 | 6.44 | 7.83 | 7.93 |
| | Accounts payable turnover rate (times) | 7.32 | 7.72 | 8.61 | 7.71 | 8.81 | 8.75 |
| | Average sales days | 39 | 28 | 38 | 57 | 47 | 46 |
| | Property, plant and equipment turnover rate (times) | 33.52 | 27.90 | 32.85 | 28.96 | 24.86 | 23.10 |
| | Total assets turnover rate (times) | 1.48 | 1.31 | 1.41 | 1.11 | 1.01 | 1.00 |
| Profitability | Return on assets (%) | 5.76 | 4.63 | 5.71 | 7.52 | 4.12 | 1.66 |
| | Return on equity (%) | 13.62 | 9.46 | 12.32 | 15.63 | 6.70 | 2.52 |
| | Net profits before tax to paid-in capital (%) | 31.86 | 21.3 | 29.23 | 41.31 | 19.57 | 7.74 |
| | Net profit margin (%) | 3.66 | 3.27 | 3.84 | 6.44 | 3.67 | 6.31 |
| | Earnings per share (NT$) | 2.41 | 1.76 | 2.28 | 3.33 | 1.55 | 0.61 |
| Cash flow | Cash flow ratio (%) | 20.78 | 6.66 | (17.62) | 39.37 | 25.63 | (0.33) |
| | Cash flow adequacy ratio (%) | 27.46 | 45.41 | (6.27) | 48.98 | 124.52 | 84.37 |
| | Cash reinvestment ratio (%) | 19.91 | 2.17 | (30.67) | 34.98 | 10.57 | (0.19) |
| Leverage | Operating leverage | 1.68 | 1.86 | 1.70 | 1.99 | 2.14 | 2.64 |
| | Financial leverage | 1.06 | 1.08 | 1.06 | 1.12 | 1.16 | 1.21 |

Please explain the reasons for the changes in the financial ratios for the last two years. (This section need not be filled in if the change is within 20%)

(1) Decrease in the debt to assets ratio and increase in current ratio/quick ratio: Mainly due to the decrease in short term debt compared the the end of last year.

(2) Decrease in interests coverage multiplier: Due to the decrease in net profits for the period in 2023 compared to the end of last year.

(3) Increase in inventory turnover rate: Although sales decreased by 15% compared with last year, the ending inventory also decreased by 30% compared with the same period last year, resulting in an increase in inventory turnover rate.

(4) Decrease in return on assets/return on equity/ratio of net profit before tax to paid-in capital/profit margin/earnings per share: Mainly due to the decrease in net profit for the current period compared with the same period last year.

(5) Decrease in cash flow ratio: Mainly due to the 57% decrease in cash flow from operating activities and the 33% decrease in current liabilities, resulting in a decrease in cash flow ratio.

(6) Increase in cash flow adequacy ratio: Mainly due to the increase in net cash inflow from operating activities in the recent five years.

(7) Decrease in cash reinvestment ratio: Mainly due to the decrease in net cash inflow from operating activities.

## 2. Parent Company Only Information

| Analysis item | | Analysis of financial information for the most recent 5 years (audited and certified) 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| Capital structure (%) | Debt to assets ratio | 52.6 | 49.87 | 57.26 | 48.99 | 36.79 |
| | Ratio of long-term capital to property, plant, and equipment | 1,045.02 | 1,072.29 | 1,163.83 | 1,413.05 | 1,505.89 |
| Solvency (%) | Current ratio | 122.4 | 122.79 | 114.83 | 124.88 | 137.37 |
| | Quick ratio | 101.6 | 111.08 | 84.02 | 96.11 | 117.39 |
| | Interests coverage multiplier | 2,178.92 | 1,399.58 | 1,881.24 | 1,968.03 | 1,026.06 |
| Operating performance | Accounts receivable turnover rate (times) | 3.22 | 2.93 | 3.14 | 2.97 | 2.98 |
| | Average collection days | 113 | 125 | 116 | 123 | 123 |
| | Inventory turnover rate (times) | 9.63 | 14.77 | 9.56 | 6.57 | 8.79 |
| | Accounts payable turnover rate (times) | 6.82 | 7.48 | 7.82 | 7.04 | 8.24 |
| | Average sales days | 38 | 25 | 38 | 56 | 42 |
| | Property, plant and equipment turnover rate (times) | 25.1 | 21 | 25.57 | 24.52 | 21.43 |
| | Total assets turnover rate (times) | 1.1 | 0.97 | 1.06 | 0.90 | 0.84 |
| Profitability | Return on assets (%) | 6.19 | 4.92 | 5.94 | 7.70 | 4.19 |
| | Return on equity (%) | 13.62 | 9.46 | 12.32 | 15.63 | 6.70 |
| | Net profits before tax to paid-in capital (%) | 30.13 | 19.06 | 26.53 | 39.66 | 18.86 |
| | Net profit margin (%) | 5.4 | 4.74 | 5.36 | 8.17 | 4.54 |
| | Earnings per share (NT$) | 2.41 | 1.76 | 2.28 | 3.33 | 1.55 |
| Cash flow | Cash flow ratio (%) | 17 | (1.11) | (15.75) | 28.41 | 17.94 |
| | Cash flow adequacy ratio (%) | 23.03 | 25.45 | (24.8) | 26.26 | 74.30 |
| | Cash reinvestment ratio (%) | 11.73 | (6.18) | (27.02) | 23.63 | 5.08 |
| Leverage | Operating leverage | 1.68 | 2.25 | 2.01 | 2.09 | 1.99 |
| | Financial leverage | 1.07 | 1.15 | 1.12 | 1.18 | 1.21 |

Please explain the reasons for the changes in the financial ratios for the last two years. (This section need not be filled in if the change is within 20%)

(1) Decrease in the debt to assets ratio and increase in quick ratio: Mainly due to the decrease in short term debt compared the the end of last year.

(2) Decrease in interests coverage multiplier: Due to the decrease in net profits for the period in 2023 compared to the end of last year.

(3) Increase in inventory turnover rate and decrease in average sales days : Although sales decreased by 13% compared with last year, the ending inventory also decreased by 40% compared with the same period last year, resulting in an increase in inventory turnover rate and a decrease in average sales days.

(4) Decrease in return on assets/return on equity/ratio of net profit before tax to paid-in capital/profit margin/earnings per share: Mainly due to the decrease in net profit for the current period compared with the same period last year.

(5) Decrease in cash flow ratio: Mainly due to the 57% decrease in cash flow from operating activities and the 33% decrease in current liabilities, resulting in a decrease in cash flow ratio.

(6) Increase in cash flow adequacy ratio: Mainly due to the increase in net cash inflow from operating activities in the recent five years.

(7) Decrease in cash reinvestment ratio: Mainly due to the decrease in net cash inflow from operating activities.

1. Capital structure
   (1) Debt to assets ratio = total liabilities/total assets
   (2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities)/net property, plant, and equipment.
2. Solvency
   (1) Current ratio = current assets/current liabilities
   (2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities
   (3) Interests coverage multiplier = net profits before tax and interest expense/interest expense for the period
3. Operating performance
   (1) Receivables (including accounts receivable and notes receivable from business operations) turnover rate = net sales/balance of average receivables for various periods (including accounts receivable and notes receivable from business operations).
   (2) Average collection days = 365/accounts receivable turnover rate
   (3) Inventory turnover rate = costs of goods sold/average inventory
   (4) Payables (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold/balance of average payables for the various periods (including accounts payable and notes payable from business operations).
   (5) Average sales days = 365/inventory turnover rate
   (6) Property, plant, and equipment turnover rate = net sales/average property, plant, and equipment
   (7) Total assets turnover rate = net sales/average total assets
4. Profitability
   (1) Return on assets = [net profits after tax + interest expense x (1 - tax rate)]/average total assets
   (2) Return on equity = net profits after tax/average total equity
   (3) Net profit margin = net profits after tax/net sales
   (4) Earnings per share = (net profits attributable to shareholders of the parent - preferred stock dividend)/weighted average number of shares outstanding
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
   (2 Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 years.
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capitals).
6. Leverage
   (1) Operating leverage = (net operating revenues - variable operating costs and expenses)/operating profits (Note 3).
   (2) Financial leverage = Operating profits/(operating profits - interest expense).

Note 1: Special attention should be paid to the following when measuring earnings per share stated in the previous paragraph with the above calculation formula:
   1. Based on the weighted average number of common shares rather than the number of shares outstanding at the end of the year.
   2. Where there is cash capital increase or treasury stock transactions, the weighted average number of shares should be used considering the period of circulation.
   3. Where there is a capital increase by retained earnings or capital surplus when calculating the annual or semi-annual earnings per share for previous years, retrospective adjustments should be made in proportion to the capital increase, regardless of the issuance period of such capital increase.
   4. If the preferred shares are non-convertible and cumulative, their dividends for the current year (whether paid or not) should be deducted from the net profits after tax, or added to the net losses after tax. If the preferred shares are non-cumulative, their dividends should be deducted from net profits after tax if there are net profits after tax; if there are net losses, no adjustment is required.

Note 2: Special attention should be paid to the following when performing cash flow analysis:
   1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.
   2. Capital expenditures represent the annual cash outflows from capital investments.
   3. Increase in inventory is included only if the ending balance is greater than the beginning balance or zero if inventory decreases at the end of the year.
   4. Cash dividends include cash dividends on common stock and preferred stock.
   5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.

Note 3: Operating costs and operating expenses shall be categorized into fixed amount and variable amount according to their nature. Where estimates or subjective judgments are involved, pay attention to reasonableness and maintain consistency.

III. Audit Committee review report on the financial report for the most recent fiscal year:

HOWTEH TECHNOLOGY CO., LTD.
Audit Committee Review Report

Whereas,

The Board of Directors submitted the Company's 2023 Business Report and Financial Statements (Including Parent Company Only Financial Statements and Consolidated Financial Statements) and Earnings Distribution Proposal, of which the 2023 Financial Statements were audited by CPA Wang, Hsuan-Hsuan and CPA Chang, Chih-Ming from Ernst & Young, who also furnished an independent auditor's report. The above-mentioned Business Report, Financial Statements, and Earnings Distribution Proposal have been reviewed by the Audit Committee and no discrepancies have been found; therefore, a report was prepared for your review according to the provisions of Article 219 of the Company Act and Article 14-4 of the Securities and Exchange Act.

Yours,
HOWTEH TECHNOLOGY CO., LTD. 2024 General Shareholders Meeting

Audit Committee Convener: Li, Ta-Ching

March 14, 2024

IV. Consolidated financial report for the most recent fiscal year audited by the CPAs: Please refer to p.118 to p.208.

V. Parent company only financial report for the most recent fiscal year audited by the CPAs: Please refer to p.209 to p.292.

VI. If the Company or its affiliates have experienced financial difficulties in the most recent year or during the current year up to the date of publication of the annual report, their effects on the Company's financial status shall be disclosed: None.

# Seven. Review and Analysis of the Financial Position and Financial Performance, and Risks

## I. Financial position

Financial position analysis and comparison table

Unit: NT$1,000

| Year / Item | 2023 | 2022 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Current assets | 2,004,477 | 2,472,468 | (467,991) | (18.93%) |
| Investments accounted for using the equity method | — | — | — | — |
| Property, plant and equipment | 109,513 | 111,174 | (1,661) | (1.49%) |
| Intangible assets | 840 | 528 | 312 | 59.09% |
| Other assets | 404,759 | 331,576 | 73,183 | 22.07% |
| Total assets | 2,519,589 | 2,915,746 | (396,157) | (13.59%) |
| Current liabilities | 955,618 | 1,434,552 | (478,934) | (33.39%) |
| Non-current liabilities | 17,102 | 19,981 | (2,879) | (14.41%) |
| Total liabilities | 972,720 | 1,454,533 | (481,813) | (33.12%) |
| Equity attributable to owners of the parent company | 1,546,869 | 1,461,213 | 85,656 | 5.86% |
| Share capital | 651,298 | 626,248 | 25,050 | 4.00% |
| Capital reserves | 52,062 | 52,062 | — | — |
| Retained earnings | 629,642 | 635,058 | (5,416) | (0.85%) |
| Other equity | 213,867 | 147,845 | 66,022 | 44.66% |
| non-controlling interest | — | — | — | — |
| Total equity | 1,546,869 | 1,461,213 | 85,656 | 5.86% |

(I) Explanation on changes of ratios (this is required if the change from the comparative period is more than 20% and reaches NT$10 million):

1. Increase in other assets and other equity: Mainly due to the increase in the financial assets at fair value through other comprehensive inome this year compared with the end of last year.
2. Increase in current liabilities and total liabilities: Mainly due to the decrease in the short term debt and contract liabilities-current this year.

(II) Significantly changed accounts and remediation plans in the future:

Remediation plan is not required because the Group did not significantly deviate from its normal performance.

## II. Financial performance

Financial performance analysis and comparison table

Unit: NT$1,000

| Item \ Year | 2023 | 2022 | Amount of increase (decrease) | Change ratio (%) |
|---|---|---|---|---|
| Net operating revenue | 2,743,028 | 3,244,029 | (501,001) | (15.44%) |
| Operating costs | 2,455,641 | 2,890,026 | (434,385) | (15.03%) |
| Operating gross profit | 287,387 | 354,003 | (66,616) | (18.82%) |
| Operating expenses | 187,659 | 222,987 | (35,328) | (15.84%) |
| Operating Income | 99,728 | 131,016 | (31,288) | (23.88%) |
| Non-operating income and expenses | 27,731 | 127,664 | (99,933) | (78.28%) |
| Net profits before tax | 127,459 | 258,680 | (131,221) | (50.73%) |
| Income tax expense | 26,687 | 49,881 | (23,194) | (46.50%) |
| Net profit after tax | 100,772 | 208,799 | (108,027) | (51.74%) |

(I) Explanation on changes of ratios (this is required if the change from the comparative period is more than 20% and reaches NT$10 million):

1. Decrease in net operating profit: mainly due to the decrease in operating income, thus the decrease in operating gross profit.
2. Decrease in non-operating income and expenses: mainly due to the decrease in gains from foreign currency exchange.
3. Decrease in income tax expense: mainly due to the decrease in net profit before tax.
4. Decrease in net profit before tax / net profit after tax: Mainly due to the decrease in operating income and non-operating income.

(II) Expected sales and expectation basis

By factoring in industry trends, customers’ sales performance and manufacturers' production and sales availability, the Company has formulated annual sales strategies, from which the Company has further derived annual sales targets.

(III) Possible impact on the company's financial and business performance and response plan:

Benefited from moderate expansion of product lines of its agency business and thanks to effective business promotion, operating revenue and profits in recent year have been stable, improving the Company’s operating performance and financial structure to a prominent level. To maintain sales growth momentum, the Company regularly holds sales meetings to examine the business promotion effectiveness; the Company’s sales units also get a good grasp of the development of the industry and customers so that the Company can adjust its short-, medium- and long-term sales pace. In doing so, the Company expects to effectively promote its business and achieve a more optimum performance in the future.

## III. Cash flow

Cash flow analysis

Unit: NT$1,000

| Cash opening balance (1) | Estimated net cash flows from operating activities (2) | Estimated net cash flows from investing activities (3) | Estimated net cash flows from financing activities (3) | Effects of exchange rate changes on cash and cash equivalents (5) | Cash surplus (deficiency) amount (1)+(2)+(3)+(4)+(5) | Cash deficiency remedial measures | |
|---|---|---|---|---|---|---|---|
| | | | | | | Investment plan | Financing plan |
| 1,024,059 | 244,965 | 7,011 | (419,373) | (7,681) | 848,981 | — | — |

(I) Analysis of cash flow changes in 2023: The Company’s net cash in 2023 decreased from 2022 by NT$175,078 thousand. The cash flow changes of various operating activities are as follows:

1. Net inflows from operating activities in the amount of NT$244,965 thousand: mainly due to the decrease in accounts receivable and inventories this year compared with last year.
2. Net inflows from investing activities in the amount of NT$7,011 thousand: mainly due to dividends income from equity securities.
3. Net outflows from financing activities in the amount of NT$419,373 thousand: mainly due to the repayment of short-term loans in accordance with this year's capital scheduling plan.

(II) Measures to be taken to cope with a cash deficiency and liquidity analysis: N/A.

(III) Cash liquidity analysis for the coming year

Unit: NT$1,000

| Cash opening balance (1) | Estimated net cash flows from operating activities (2) | Estimated net cash flows from investing activities (3) | Estimated net cash flows from financing activities (3) | Effects of exchange rate changes on cash and cash equivalents (5) | Cash surplus (deficiency) amount (1) +(2) +(3) + (4) +(5) | Remedy for estimated cash shortfalls | |
|---|---|---|---|---|---|---|---|
| | | | | | | Investment plan | Financing plan |
| 848,981 | 3,629 | 11,774 | (45,156) | 0 | 819,228 | — | — |

1. Analysis of annual cash flow changes:

   Operating activities: It is projected that the net cash inflow from operating activities will be NT$3,629 thousand.

   Investing activities: It is expected that investing activities will bring in a net cash inflow of NT$11,774 thousand.

   Financing activities: The estimated net cash outflow from financing activities is NT$45,156 thousand.
2. Measures to be taken to cope with a cash deficiency and liquidity analysis: There is no shortage of cash.

IV. Effect of major capital expenditures on finance and business matters in the most recent year: None.

V. Investment policy for the most recent year, the main reasons for profit or loss, improvement plan and investment plan for the coming year

Reinvestment Analysis Table

Unit: NT$1,000

| Item \ Description | Carrying amount - ending balance (Note) | Policy | Main reasons for profit or loss | Remedial plan | Other investment plans in the future |
|---|---|---|---|---|---|
| Giteh Electronic Industries Co., Ltd. | 565,762 | Expand overseas markets | Gains of NT$35,891 thousand from investment accounted for using the equity method were recognized in 2023, mainly due to recognition of the profits from the growth of sales of electronic products of Giteh as an agent. | None | None |
| Howteh International Inc. (Samoa) | 172,740 | Expand overseas markets | In 2023, the investment loss of NT$6,560 thousand was recognized, mainly due to the recognition of investees' losses. | None | None |
| KunShan Howteh International Trading Inc. | (7,786) | Inject working capital to expand the mainland China market by leveraging China's policy incentives. | The gains of NT$275 thousand on investment accounted for using the equity method were recognized in 2023, mainly due to development of new clients. | None | None |

Note: The above disclosures are investment whose amount exceeds 5% of the paid-in capital as of 2023.

VI. Analysis and assessment of risks:

(I) Risk management organizational structure:

The Company manages the risks incidental to each type of its business by following its internal regulations and assesses the risks inherent to its each type of its operating activities by assigning the risk assessment task to relevant departments. In addition, the management will be briefed on the risks according to the significance of such risks. The audit unit must review the risks entailed in each type of operation to formulate and implement an audit plan. Below are the duties with respect to risk assessment that are assigned to the various relevant departments:

| Name of department | Duties |
|---|---|
| General Manager's Office | Responsible for formulating business strategy and assessing medium- and long-term investment benefits, to reduce strategic risks. |
| Business units | Responsible for grasping customers' intention and needs and continuing to develop new customers and new markets, which will facilitate business expansion and reduce operating risks. |
| Finance Division | Responsible for catering to the Company's overall operating needs; effectively implementing the procedures and methods for financial and accounting management; managing the Company's working capital; formulating and modifying the internal control system; and making reliable financial reporting and complying with the relevant laws and regulations to reduce the impact on the financial and business front. |
| Group Supporting Units | Responsible for network and information security control and protection, preservation and management of the Company's various databases, and normal operation of the ERP system, to reduce information-related risks; and for contract reviews, litigation, and disputes to reduce legal risks . |

(II) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate and response measures to be taken in the future:

1. The impact of changes in interest rate in the most recent year on the company's profit and loss, and future response measures:

(1) The company's annual interest expense in 2023 is NT$14,103 thousand.

(2) The Group conducts an interest rate sensitivity analysis mainly for the accounts exposed to interest rate risks at the end of the reporting date, including investment with a floating interest rate, loans with a floating interest rate, and interest rate swap contracts. The Company expects its profits in 2023 and 2022 to decrease by NT$401 thousand and NT$805 thousand, respectively, based on the assumption that the interest rate increases by 10 basis points in a given fiscal year in which the Group holds such investments.

(3) The Company is able to get a relatively low interest rate due to its good operating performance, sound financial structure and good corporate reputation, and does not expect itself to be significantly impacted by interest rate changes in the future.

2. The impact of changes in interest rate in the most recent year on the company's profit and loss and future response measures:

(1) In 2023, the Company recognized net foreign currency exchange gains of NT$13,694 thousand.

(2) The Group conducts an exchange rate risk sensitivity analysis mainly to gain the understanding of the impact of major foreign currency monetary items on the Group's profit or loss were each relevant foreign currency to depreciate/appreciate at the end of the reporting period. The Group mainly faces exchange rate risks from the USD, CNY, and HKD, for which a sensitivity analysis is provided below:

- If the TWD appreciates by 1% against the USD, the Group's profits in 2023 and 2022 will decrease by NT$6,220 thousand and NT$8,230 thousand, respectively.
- If the TWD appreciates by 1% against the CNY, the Group's profits in 2023 and 2022 will decrease by NT$2,541 thousand and NT$2,802 thousand, respectively.

- If the TWD appreciates by 1% against the HKD, the Group’s profits in 2023 and 2022 will decrease by NT$3,916 thousand and NT$3,348 thousand, respectively.

(3) A certain portion of the Group’s foreign currency receivables and foreign currency payables is denominated in the same currency, creating a natural hedging effect. However, to cope with the excessively volatile exchange rate fluctuation in the market recently, the Company will manage to minimize the differences between its rights of claim and its debt and adjust its foreign currency position in order to minimized foreign exchange rate risks.

3. The impact of inflation in the most recent year on the company's profit and loss, and future response measures:
The increase in materials price in 2023 also slightly drove up the quotations given by suppliers for some parts and materials; however, this did not significantly impact the Company’s profit or loss.

(III) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. Engagement in high-risk, highly-leveraged investments
The Company focuses on its core business, and has not been engaged in in high-risk, highly-leveraged investment.

2. Engagement in loaning of funds to others and providing endorsement or guarantee
In the most recent year and in the current year as of the date of publication of the annual report, loaning of funds and provision of endorsement and guarantee took place only between the Company and subsidiaries in which the Company holds 100% stake, and among subsidiaries, in accordance with the policy and measures formulated by reference to the Company’s” Procedures for Extending Loans to Others” and “Procedures for Endorsements and Guarantees”. Relevant operation is carried out cautiously by taking into account risk conditions and relevant regulations.

3. Engagement in derivatives trading
The Company’s derivatives trading policy mainly aims to hedge risks. In the most recent year and in the current year as of the publication date of the annual report, the Company did not engage in any derivatives trading.

(IV) Estimated R&D plans and R&D expenses for the future
Since the Company is a product sales agent and trader, the Company did not incur any R&D expenses in both 2023 and 2022 and still has no plan to develop an R&D budget for 2024.

(V) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.
The Company keeps abreast of the regulatory framework that might impact its operations, and revises its internal systems and regulations accordingly. Starting from 2013, the Company fully adopted the IFRS for preparation of financial statements. Since the amendments to IFRS will be successively released, the Company will be vigilant and set to cooperate by forming response measures.

(VI) The impact of technological changes (including information security risks) and industrial changes on the company's financial and business performance and response measures:
Technological development indeed opens up tremendous business opportunities for the Company. The Company has staffed the President’s Office with dedicated personnel responsible for grasping the industrial development trends by utilizing the industrial information obtained at the meetings held by the industry or online, and the information based on the sales persons’ mastery of the market trend, thereby formulating the Company’s development strategy and recommending and planning the launch of new products and boosting operating performance in the future. Moreover, with the development of technology, the Company is faced with increasing information security risks. In an effort to improve the overall information security protection, we perform information security control by strengthening intrusion detection protection, completing off-site backup and information security detection protection, and setting up an appropriate information access

control mechanism while providing periodic information security education to reduce information security risks.

(VII) Effect of changes in corporate image on corporate crisis management and measures to be taken in response:

1. The Company has been incorporated for more than 40 years. During its engagement in the electronic and information industry, HOWTEH has been practicing its core values of “Trustworthiness and teamwork”, “Improvement in quality” and “Customer Service”, striving to offer the best service to its high-tech client base. In the past, by integrating the supply and demand throughout the downstream, midstream and upstream, HOWTEH gave a brilliant performance as a leading distributor, which also made huge contribution to clients, winning not only recognition but also trust and support from clients. Therefore, the Company has never been subject to any negative coverage in the industry, which is what we are proud of.
2. To cope with the revolution that comes with rapid industrial development, HOWTEH, aside from upholding the three set of core values as mentioned above, is actively promoting its business philosophy of “Innovation and Growth.” By leveraging the various types of innovative technology logistics and constantly introducing new products, the Company gives full play to its powers of integration, thereby providing clients with comprehensive total solutions; this will not only ease clients’ worries about “business flow, information flow, and money flow” but also bring considerable business opportunities to the Company, potentially boosting the operating profits.

(VIII)Expected benefits and possible risks associated with any merger and acquisitions: None.

(IX)Expected benefits and possible risks associated with any plant expansion: None.

(X) Risks associated with any consolidation of sales or purchasing operations: None.

(XI)Effect upon and risk to the company in the event a major quantity of shares belonging to shareholders holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands: None.

(XII)Effect upon and risk to company associated with any change in governance personnel or top management: None.

(XIII)Litigious and non-litigious matters: None.

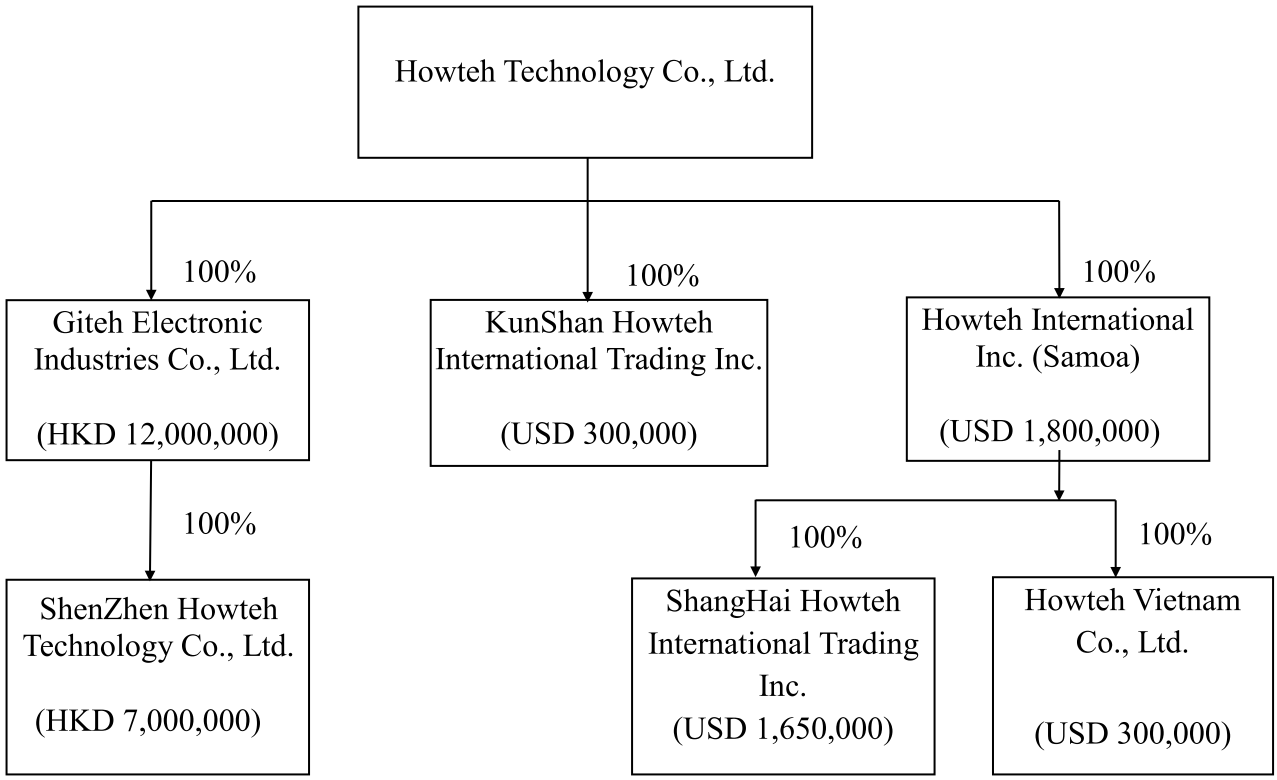
(XIV)Other important risks, and mitigation measures being or to be taken.: None

VII. Other important matters: None.

# Eight. Special Items

I. Information on affiliates

(I) Organizational chart of affiliates



(II) Basic information on affiliates

Foreign currency unit: in 1,000 foreign currency dollars

| Company name | Date of incorporation | Address | Paid-in capital | Main business activities or products |
|---|---|---|---|---|
| Giteh Electronic Industries Co., Ltd. | 6.23.1993 | Room 19-30, 19th Floor, Enterprise Center, No.11, On Lai Street, Shatin, New Territories, Hong Kong | HKD 12,000 (@3.929) | Trading of electronic parts. |
| HOWTEH International Inc.(Samoa) | 12.6.2002 | Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia Samoa. | USD 1,800 (@30.705) | Investment in ShangHai Howteh International Trading Inc., and intermediary trade |
| ShangHai Howteh International Trading Inc. | 12.31.2002 | Room 903, Building 2, Jitian International Plaza, No. 999, Bailu South Road, Kunshan Development Zone, Jiangsu Province | USD 1,650 (@30.705) | International trade, intermediary trade, trade among enterprises in the bonded area, trade as an agent in the bonded area, trade with non-bonded area enterprises through enterprises with import and export rights as an agent, simple commercial processing in the bonded area, and business consulting services in the bonded area. |
| ShenZhen Howteh Technology Co., Ltd. | 10.24.2005 | Room 1101, Block A, Union Square, No. 5022, Binhe Avenue, Fushan Community, Futian Street, Futian District, Shenzhen | HKD 7,000 (@3.929) | Wholesale, sale on a commission basis, import and export of chemical products, rubber / plastic / metal products, electronic components, testing instruments, general parts, machinery and equipment, electronic devices and related accessories, and electrical equipment and spare parts thereof, and supporting businesses. Electronic product information consultation, economic information consultation, enterprise management consultation. |
| KunShan Howteh International Trading Inc. | 4.29.2014 | Room 903, Building 2, Jitian International Plaza, No. 999, Bailu South Road, Kunshan Development Zone, Jiangsu Province | USD 300 (@30.705) | International trade, intermediary trade, trade among enterprises in the bonded area, trade as an agent in the bonded area, trade with non-bonded area enterprises through enterprises with import and export rights as an agent, simple commercial processing in the bonded area, and business consulting services in the bonded area. |
| Howteh Vietnam Co., Ltd. | 07.01.2020 | Room 12B20, C2 building, Vinhomes D'Capitale, 119 Tran Duy Hung Street, Trung Hoa Ward, Cau Giay District, Hanoi City, Vietnam | USD 300 (@30.705) | Trading of electronic parts. |

(III) Information on the same shareholder of associates presumed to have a relationship of control or subordination: none.

(IV) Description of business relationship

1. The industries covered by the affiliates as a whole including the following:
   (1) Import and export, sale in the capacity of an agent, and trading of passive electronic components, active electronic components, electronic devices and mechanical equipment.
   (2) Equipment and system integration and maintenance services.
   (3) Process chemicals and raw materials.
   (4) Investment industry
   (5) Intermediary trade.

2. Division of labor among affiliates whose business is associated with one another

Howteh Technology Co., Ltd. is engaged in proportion and sale of electronic components, PCB and optoelectronic equipment, and maintenance in Hong Kong, China, and Southeast Asian countries through its five affiliates in Hong, Eastern and Southern China and Southeast Asia, namely, Giteh Electronic Industries Co., Ltd., ShangHai Howteh International Trading Inc., ShenZhen Howteh Technology Co., Ltd., KunShan Howteh International Trading Inc. and Howteh Vietnam Co., Ltd. In addition to business sales, those affiliates also intensively exchange information on product technology, information security, financial tools, risk assessment and insurance.

(V) Information on directors, supervisors, and presidents of affiliates

Foreign currency unit: in 1,000 foreign currency dollars

| Company name | Title | Name or representative | Shares held | |
|---|---|---|---|---|
| | | | Capital contribution | Shareholding percentage |
| Giteh Electronic Industries Co., Ltd. | Stockholder | Howteh Technology Co., Ltd. | HKD12,000 | 100.00% |
| | Director | Wu, Li-Shan | 0 | 0.00% |
| Howteh International Inc. (Samoa) | Director | Howteh Technology Co., Ltd.<br>Representative: Wu, Li-Shan | USD1,800 | 100.00% |
| ShangHai Howteh International Trading Inc. | Director | Howteh International Inc. (Samoa)<br>Representative: Wu, Li-Shan | USD1,650 | 100.00% |
| ShenZhen Howteh Technology Co., Ltd. | Director | Giteh Electronic Industries Co., Ltd.<br>Representative: Yang, Kai-Ju | HKD7,000 | 100.00% |
| KunShan Howteh International Trading Inc. | Director | Howteh Technology Co., Ltd.<br>Representative: Wu, Li-Shan | USD300 | 100.00% |
| Howteh Vietnam Co., Ltd. | Director | Howteh International Inc. (Samoa)<br>Representative: Wu, Li-Shan | USD300 | 100.00% |

(VI) Operating status of each affiliate

Unit: NT$1,000

| Company name | Registered capital | Total assets | Total liabilities | Net worth | Operating revenue | Operating (loss) profit | Profit or loss (after tax) | Earnings per share (NT$) (after taxes) |
|---|---|---|---|---|---|---|---|---|
| Giteh Electronic Industries Co., Ltd. | 47,148 | 674,131 | 107,364 | 566,767 | 612,708 | 33,948 | 36,390 | — |
| Howteh International Inc. (Samoa) | 55,269 | 172,771 | 0 | 172,771 | 0 | (49) | (6,585) | — |
| ShangHai Howteh International Trading Inc. | 50,663 | 184,783 | 21,935 | 162,848 | 196,145 | (7,352) | (5,171) | — |
| ShenZhen Howteh Technology Co., Ltd. | 27,503 | 121,331 | 41,325 | 80,006 | 149,573 | (2,853) | (2,182) | — |
| KunShan Howteh International Trading Inc. | 9,212 | 1,812 | 9,598 | (7,786) | 9,173 | 236 | 275 | — |
| Howteh Vietnam Co., Ltd. | 9,212 | 4,875 | 334 | 4,541 | 4,069 | (1,363) | (1,300) | — |

(VII) Consolidated Financial Statements of Affiliated Enterprises

Since the consolidated entities are the same as those in the Consolidated Financial Statements of Howteh Technology Co., Ltd. for 2023, we do not separately prepare another set of Consolidated Financial Statements of Affiliated Enterprises. Please refer to the Consolidated Financial Statements of Howteh Technology Co., Ltd. for 2023.

(VIII) Affiliation Report: not applicable.

II. Private placement of marketable securities in the most recent year and the current year up till the publication date of this annual report: none.

III. Holding or disposal of the Company’s shares by its subsidiaries in the most recent year and the current year up to the publication date of this annual report: none.

IV. Other matters that require additional explanation: none.

## Nine. Whether any of the situations listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, have occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: none.

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of HOWTEH TECHNOLOGY CO., LTD. as of December 31, 2023 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, HOWTEH TECHNOLOGY CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

HOWTEH TECHNOLOGY CO., LTD.

By

Chen, Kuo-Hung

Chairman

March 14, 2024

## Independent Auditors’ Report Translated from Chinese

To the Board of Directors and Shareholders of **HOWTEH TECHNOLOGY CO., LTD.**

### Opinion

We have audited the accompanying consolidated balance sheets of HOWTEH TECHNOLOGY CO., LTD. (the “Company”) and its subsidiaries (the “Group”) as of December 31, 2023 and 2022, and the related 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 (together “the consolidated financial statements”).

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 its consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022, in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission 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. Based on our audits, 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.

1. Revenue recognition

The Group's recognized a net operating income of NT$2,743,028 thousand in the year of 2023. Due to the diversity of the Group's products, the sales of domestic and foreign markets, and the different trading conditions, we believe that it is important to decide the performance obligation and the timing of the fulfillment of which. Thus, we conclude that revenue recognition is a key audit matter.

Our audit procedure include, but not limited to, assessing the appropriateness of accounting policies for revenue recognition, understanding and testing the design and implementation of internal controls related to the sales cycle; selecting samples to perform transaction detail tests, inspecting the transaction records and checking the important terms in the order or contract, identifying the performance obligation of the order or contract and confirming the time point of satisfaction; performing cut-off tests for a period of time around the end of the year, including obtaining the customer's original order or contract, inspecting the trading conditions and checking the relevant vouchers to verify the correctness of the transaction recognition point and confirming that the performance obligation has been satisfied; performing analytical procedures such as analysis of gross margin fluctuation and sales changes of the top 10 customers, and inspecting the significant sales returns and discounts if any subsequent to the balance sheet date to confirm the reasonableness of the timing of revenue recognition.

We have also evaluated the appropriateness of the related disclosure in notes 4 and 6 to the consolidated financial statements.

2. Inventory valuation of inventories

As of December 31, 2023, the Group's net inventories amounted to NT$257,597 thousand, which accounted for approximately 11% of the total consolidated assets. Considering that products technology and market changes has significant impact on inventory turnover and selling prices, that the management's assessment of the net realization value of inventory is important to the financial statements. Thus, we conclude that inventory valuation is a key audit matter.

Our audit procedures include, but not limited to, performing analytical procedures such as days of inventory turnover to assess the reasonableness of inventory valuation accounting policies (including provisions for slow-moving and obsolete inventory and net realizable value of inventory); selecting inventory samples from different inventory aging buckets, verifying transaction vouchers and comparing transaction records to confirm the accuracy of inventory aging; selecting samples with large amounts and considering the recent market prices to assess the reasonableness of the net realizable value of the inventory adopted by management.

We have also evaluated the appropriateness of the related disclosure in notes 4, 5 and 6 to the consolidated financial statements.

**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 international Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Standards International Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 are responsible for overseeing the financial reporting process of the Group.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company and its subsidiaries 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other**

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company for the years 2022 and 2023.

Hsuan-Hsuan Wang

Chih-Ming Chang

Ernst & Young, Taiwan

March 14, 2024

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 auditors are not intended for use by those who are not informed about the accounting principles or 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.

HOWTEH TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in Thousands of New Taiwan Dollars)

| CODE | ASSETS | NOTES | December 31, 2023 AMOUNT | December 31, 2023 % | December 31, 2022 AMOUNT | December 31, 2022 % |
|---|---|---|---|---|---|---|
| | CURRENT ASSETS | | | | | |
| 1100 | Cash and cash equivalents | 4,6,12 | $848,981 | 34 | $1,024,059 | 35 |
| 1150 | Notes receivable, net | 4,5,6,12 | 414 | - | 2,663 | - |
| 1170 | Accounts receivable, net | 4,5,6,7,12 | 882,852 | 35 | 954,120 | 33 |
| 1200 | Other receivables | 5,12 | 46 | - | 125 | - |
| 1220 | Current tax assets | 4,5,6 | 4,837 | - | 2,378 | - |
| 130x | Current inventories | 4,5,6 | 257,597 | 11 | 369,742 | 13 |
| 1410 | Prepayments | 6 | 9,750 | - | 119,381 | 4 |
| 11xx | Total current assets | | 2,004,477 | 80 | 2,472,468 | 85 |
| | NONCURRENT ASSETS | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 4,6,12 | 298,908 | 12 | 227,186 | 8 |
| 1600 | Property, plant and equipment | 4,6,8 | 109,513 | 4 | 111,174 | 4 |
| 1755 | Right-of-use assets | 4,6 | 19,708 | 1 | 20,503 | 1 |
| 1760 | Investment property, net | 4,5,6,12 | 8,548 | - | 8,660 | - |
| 1780 | Intangible assets | 4,6 | 840 | - | 528 | - |
| 1840 | Deferred income tax assets | 4,5,6 | 13,535 | 1 | 13,540 | - |
| 1920 | Guarantee deposits paid | 9,12 | 55,220 | 2 | 53,612 | 2 |
| 1990 | Other non-current assets, others | 4,5,6 | 8,840 | - | 8,075 | - |
| 15xx | Total noncurrent assets | | 515,112 | 20 | 443,278 | 15 |
| 1xxx | TOTAL ASSETS | | $2,519,589 | 100 | $2,915,746 | 100 |

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

HOWTEH TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in Thousands of New Taiwan Dollars)

| | | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|---|
| CODE | LIABILITIES AND EQUITY | NOTES | AMOUNT | % | AMOUNT | % |
| | CURRENT LIABILITIES | | | | | |
| 2100 | Current borrowings | 4,6,8,9,12 | $590,000 | 24 | $903,000 | 31 |
| 2130 | Current contract liabilities | 4,6 | 1,901 | - | 108,189 | 4 |
| 2170 | Accounts payable | 12 | 265,253 | 11 | 292,506 | 10 |
| 2200 | Other payables | 7,12 | 85,739 | 3 | 79,593 | 3 |
| 2230 | Current tax liabilities | 4,5,6 | 758 | - | 41,529 | 1 |
| 2280 | Current lease liabilities | 4,6,12 | 10,879 | - | 8,523 | - |
| 2399 | Other current liabilities, others | | 1,088 | - | 1,212 | - |
| 21xx | Total current liabilities | | 955,618 | 38 | 1,434,552 | 49 |
| | NONCURRENT LIABILITIES | | | | | |
| 2570 | Deferred tax liabilities | 4,5,6 | 3,409 | - | 3,267 | - |
| 2580 | Non-current lease liabilities | 4,6,12 | 10,154 | 1 | 13,169 | 1 |
| 2645 | Guarantee deposits received | 12 | 3,309 | - | 3,314 | - |
| 2670 | Other non-current liabilities, others | | 230 | - | 231 | - |
| 25xx | Total non-current liabilities | | 17,102 | 1 | 19,981 | 1 |
| 2xxx | TOTAL LIABILITIES | | 972,720 | 39 | 1,454,533 | 50 |
| 31xx | EQUITY | | | | | |
| 3100 | Share capital | 6 | | | | |
| 3110 | Common stock | | 651,298 | 26 | 626,248 | 21 |
| 3200 | Capital surplus | 6 | 52,062 | 2 | 52,062 | 2 |
| 3300 | Retained earnings | 6 | | | | |
| 3310 | Legal reserve | | 225,647 | 9 | 204,597 | 7 |
| 3320 | Special reserve | | 3,340 | - | 3,340 | - |
| 3350 | Unappropriated retained earnings | | 400,655 | 16 | 427,121 | 15 |
| 3400 | Other equity interest | 4,6 | 213,867 | 8 | 147,845 | 5 |
| 3xxx | TOTAL EQUITY | | 1,546,869 | 61 | 1,461,213 | 50 |
| | TOTAL LIABILITIES AND EQUITY | | $2,519,589 | 100 | $2,915,746 | 100 |

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

HOWTEH TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

| CODE | ITEMS | NOTES | 2023 AMOUNT | 2023 % | 2022 AMOUNT | 2022 % |
|---|---|---|---|---|---|---|
| 4000 | Operating revenue | 4,6,7 | $2,743,028 | 100 | $3,244,029 | 100 |
| 5000 | Operating costs | 6,7 | (2,455,641) | (90) | (2,890,026) | (89) |
| 5900 | Gross profit | | 287,387 | 10 | 354,003 | 11 |
| 6000 | Operating expenses | | | | | |
| 6100 | Selling expenses | | (118,518) | (4) | (126,043) | (4) |
| 6200 | Administrative expenses | | (74,946) | (3) | (83,272) | (3) |
| 6450 | Reversal of credit loss (expected credit loss) | | 5,805 | - | (13,672) | - |
| | Total operating expenses | 4,5,6,7 | (187,659) | (7) | (222,987) | (7) |
| 6900 | Operating income | | 99,728 | 3 | 131,016 | 4 |
| 7000 | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6 | 10,820 | - | 4,732 | - |
| 7010 | Other income | 4,5,6 | 17,943 | 1 | 22,603 | 1 |
| 7020 | Other gains and losses | 6,12 | 13,071 | - | 114,827 | 4 |
| 7050 | Finance costs | 4,6 | (14,103) | - | (14,498) | - |
| | Total non-operating income and expense | | 27,731 | 1 | 127,664 | 5 |
| 7900 | Income before income tax | | 127,459 | 4 | 258,680 | 9 |
| 7950 | Income tax expense | 4,5,6 | (26,687) | (1) | (49,881) | (2) |
| 8200 | Net income | | 100,772 | 3 | 208,799 | 7 |
| | | | | | | |
| 8300 | Other comprehensive income (loss) | 4,6 | | | | |
| 8310 | Items that will not be reclassified subsequently to profit or loss | | | | | |
| 8311 | Remeasurements of defined benefit plans | | 342 | - | 2,131 | - |
| 8316 | Unrealize gain (loss) on equity instrument at fair value through other comprehensive income | | 71,722 | 3 | 46,846 | 1 |
| 8349 | Income tax expense related to items that will not be reclassified subsequently | | (68) | - | (426) | - |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | | |
| 8381 | Exchange differences arising on translation of foreign operations | | (5,700) | - | 46,103 | 1 |
| 8300 | Total other comprehensive income, net of tax | | 66,296 | 3 | 94,654 | 2 |
| 8500 | Total comprehensive income | | $167,068 | 6 | $303,453 | 9 |
| | | | | | | |
| 8600 | Net income attributable to: | | | | | |
| 8610 | Net income, attributable to owners of parent | | $100,772 | 4 | $208,799 | 6 |
| 8620 | Comprehensive income, attributable to non-controlling interests | | - | - | - | - |
| | | | $100,772 | 4 | $208,799 | 6 |
| 8700 | Comprehensive income attributable to: | | | | | |
| 8710 | Comprehensive income, attributable to owners of parent | | $167,068 | 6 | $303,453 | 9 |
| 8720 | Comprehensive income, attributable to non-controlling interests | | - | - | - | - |
| | | | $167,068 | 6 | $303,453 | 9 |
| | | | | | | |
| 9750 | Basic earnings per share (in NTD) | 6 | $1.55 | | $3.21 | |
| 9850 | Diluted earnings per share (in NTD) | 6 | $1.54 | | $3.19 | |

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

HOWTEH TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in Thousands of New Taiwan Dollars)

| | | | | Retained Earnings | | | Other Components of equity | | |
|---|---|---|---|---|---|---|---|---|---|
| | Items | Common Stock | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Retained Earnings | Exchange differences arising on translation of foreign operations | Unrealized gains/losses on financial assets at fair value through other comprehensive income | Total equity |
| Code | | 3100 | 3200 | 3310 | 3320 | 3350 | 3410 | 3420 | 3XXX |
| A1 | Balance, January 1, 2022 | $590,800 | $52,062 | $190,269 | $3,340 | $319,565 | $(53,437) | $108,333 | $1,210,932 |
| | Appropriation of 2021 earnings: | | | | | | | | |
| B1 | Legal reserve | - | - | 14,328 | - | (14,328) | - | - | - |
| B5 | Cash dividends | - | - | - | - | (53,172) | - | - | (53,172) |
| B9 | Stock dividends | 35,448 | - | - | - | (35,448) | - | - | - |
| D1 | Net income for the year | - | - | - | - | 208,799 | - | - | 208,799 |
| D3 | Other comprehensive income for the year | - | - | - | - | 1,705 | 46,103 | 46,846 | 94,654 |
| D5 | Total comprehensive income for the year | - | - | - | - | 210,504 | 46,103 | 46,846 | 303,453 |
| Z1 | Balance, December 31, 2022 | $626,248 | $52,062 | $204,597 | $3,340 | $427,121 | $(7,334) | $155,179 | $1,461,213 |
| A1 | Balance, January 1, 2023 | $626,248 | $52,062 | $204,597 | $3,340 | $427,121 | $(7,334) | $155,179 | $1,461,213 |
| | Appropriation of 2022 earnings: | | | | | | | | |
| B1 | Legal reserve | - | - | 21,050 | - | (21,050) | - | - | - |
| B5 | Cash dividends | - | - | - | - | (81,412) | - | - | (81,412) |
| B9 | Stock dividends | 25,050 | - | - | - | (25,050) | - | - | - |
| D1 | Net income for the year | - | - | - | - | 100,772 | - | - | 100,772 |
| D3 | Other comprehensive income (loss) for the year | - | - | - | - | 274 | (5,700) | 71,722 | 66,296 |
| D5 | Total comprehensive income (loss) for the year | - | - | - | - | 101,046 | (5,700) | 71,722 | 167,068 |
| Z1 | Balance, December 31, 2023 | $651,298 | $52,062 | $225,647 | $3,340 | $400,655 | $(13,034) | $226,901 | $1,546,869 |

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

HOWTEH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in Thousands of New Taiwan Dollars)

| Code | | 2023 | 2022 | Code | | 2023 | 2022 |
|---|---|---|---|---|---|---|---|
| AAAA | CASH FLOWS FROM OPERATING ACTIVITIES: | | | BBBB | CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| A10000 | Income before income tax | $127,459 | $258,680 | B02700 | Acquisition of property, plant and equipment | (776) | (655) |
| A20000 | Adjustments to reconcile net loss before tax to net | | | B03700 | Refundable deposits | (1,608) | (4,793) |
| A20010 | Profit or loss not effecting cash flows: | | | B04500 | Acquisition of intangible assets | (555) | - |
| A20100 | Depreciation expense | 13,439 | 12,618 | B07600 | Dividends received | 9,950 | 7,462 |
| A20200 | Amortization expense | 243 | 215 | BBBB | Net cash generated from investing activities | 7,011 | 2,014 |
| A20300 | Expected credit loss (reversal of credit loss) | (5,805) | 13,672 | | | | |
| A20900 | Interest expense | 14,103 | 14,498 | CCCC | Cash flows from financing activities: | | |
| A21200 | Interest income | (10,820) | (4,732) | C00100 | Increase in short-term loan | 3,142,000 | 4,752,000 |
| A21300 | Dividend income | (9,950) | (7,462) | C00200 | Decrease in short-term loan | (3,455,000) | (4,879,000) |
| A29900 | Profit from lease modification | (18) | - | C00500 | Increase in short-term notes and bills payable | 50,000 | 100,000 |
| A30000 | Changes in operating assets and liabilities: | | | C00600 | Decrease in short-term notes and bills payable | (50,000) | (130,000) |
| A31130 | Decrease (increase) in notes receivable | 2,249 | 10,344 | C04020 | Payment of the principal portion of lease liabilities | (11,839) | (10,738) |
| A31150 | Decrease (increase) in accounts receivable | 79,170 | 305,767 | C04300 | Increase in other non-current liabilities | (1) | 67 |
| A31180 | Decrease (increase) in other receivables | (344) | 4,706 | C04500 | Cash dividends paid | (81,412) | (53,172) |
| A31200 | Decrease (increase) in inventories | 112,145 | 157,743 | C05600 | Interest paid | (13,121) | (13,354) |
| A31230 | Decrease (increase) in prepayments | 109,631 | (33,504) | CCCC | Net cash used in by financing activities | (419,373) | (234,197) |
| A32125 | Inicrease (dcreasee) in contract liabilities | (106,288) | 11,353 | | | | |
| A32150 | Inicrease (dcreasee) in accounts payable | - | (20) | DDDD | Effect of exchange rate changes on cash and cash equivalents | (7,681) | 46,171 |
| A32150 | Inicrease (dcreasee) in other payables | (27,253) | (164,940) | EEEE | Net (decrease) increase in cash and cash equivalents | (175,078) | 378,820 |
| A32180 | Inicrease (dcreasee) in other current liabilities | 6,146 | 814 | E00100 | Cash and cash equivalents at beginning of period | 1,024,059 | 645,239 |
| A32230 | Inicrease (dcreasee) other current liabilities | (124) | (474) | E00200 | Cash and cash equivalents at end of period | $848,981 | $1,024,059 |
| A33000 | Cash generated from operations | 303,983 | 579,278 | | | | |
| A33100 | Interest received | 10,820 | 4,732 | | | | |
| A33500 | Income tax paid | (69,838) | (19,178) | | | | |
| AAAA | Net cash generated from operating activities | 244,965 | 564,832 | | | | |

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

HOWTEH TECHNOLOGY CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FAINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars Unless Specified Otherwise)

1. History and organization

Howtech Technology Co., Ltd. (referred to "the Company") which was formally known as Howtech Enterprise Co., Ltd, has applied to change its name to Howtech Technology Co., Ltd. In December 28, 2000, and was incorporated in September 23, 1978. The Company is engaged mainly in trading and agency business in passive electronic components, active electronic components, integrated circuit carrier board equipment, chemicals and raw materials, semiconductors and optical equipment. The Company's common shares were publicly listed on the Taipei Exchange (TPEX) on March 25, 2004. The Company's registered office and the main business location is at 6F, No. 25, Section 1, Dunhua South Road, Taipei City, Republic of China (R.O.C.).

2. The authorization of financial statements

The consolidated financial statements of Howtech Technology Co., Ltd. and subsidiaries (referred to "the Group") were authorized for issuance by the Board of Directors on March 14, 2024.

3. Application of New Standards, Amendments 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 1 January 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, but not yet adopted by the Group as at the end of the reporting period are listed below.

| | 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 | Leases 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 |

|  | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| d | Supplier Finance Arrangements - Amendments to IAS 7 and IFRS | 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) Leases 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 month after the reporting period do not affect the classification of debts 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 abovementioned 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 Group assesses all 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.

|  | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| a | Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 | To be determined by IASB |
| b | IFRS 17 “Insurance Contracts” | January 1, 2023 |

| | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| 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 2022. 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, 2022); 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 – from annual reporting periods beginning on or after January 1, 2023.

(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 abovementioned 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 Group assesses all 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 were 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, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(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 presented in thousands of New Taiwan Dollars ("NT$") unless otherwise specified.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

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) Recognizes any surplus or deficit in profit or loss; and
(F) Reclassifies the parent's share of components previously recognized in other

comprehensive income to profit or loss.

The consolidated entities are listed as follows:

| Investor | Subsidiary | Main business | Percentage of Ownership (%) , As of December 31, 2023 | 2022 |
|---|---|---|---|---|
| The Company | GITEH Electronic Industries Co.,Ltd. | Buy and Sale | 100% | 100% |
| The Company | HOWTEH INTERNATIONAL INC. | Buy and Sale and Investment | 100% | 100% |
| The Company | KunShan HOWTEH International Trading Inc. | Buy and Sale | 100% | 100% |
| GITEH Electronic Industries Co.,Ltd. | ShenZhen HOWTEH Technology Co., Ltd. | Buy and Sale | 100% | 100% |
| HOWTEH INTERNATIONAL INC. | ShangHai HOWTECH International Trading Inc. | Buy and Sale | 100% | 100% |
| HOWTEH INTERNATIONAL INC. | HOWTEH Vietnam Co., Ltd. | Buy and Sale | 100% | 100% |

(4) Foreign currency transactions

The Group’s consolidated financial statements are presented in New Taiwan Dollar, which is the parent 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’s entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange. Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items 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 from the settlement or translation of 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 New Taiwan dollars at the closing rate of exchange prevailing at the balance sheet 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 under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

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 NCIs in that foreign operation, instead of recognized in profit or loss. In partial disposal of an associate or jointly controlled entity 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.

Goodwill generated due to acquisition of foreign operation by the group and fair value adjustments made towards the carrying value of foreign operations' assets and liabilities , are regarded as the assets and liabilities which belongs to the foreign operation and is reported in its own 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 investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(8) Financial instruments

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

The Group determines the classification of its financial assets at initial recognition. In accordance with IFRS 9 and the Regulations, financial assets of the Group are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost and notes, accounts and other receivables. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

(A) Financial assets: Recognition and Measurement

Purchase or sale of financial assets is recognized using trade date accounting.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(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 note 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 recognise 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 instrument 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 elction to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income are 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 balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

(B) Impairment of financial assets

The Group is recognized 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 statement of financial position

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 follow:

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 for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition 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 been 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 transferre
(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 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) 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.

(10) Inventories

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

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

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) Property, plant and equipment

Property, plant and equipment are 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 | 60 years |
| Machinery and equipment | 5 years |
| Office equipment | 3～5 years |
| Rigth-of-use asset | 2～4 years |
| Other equipment | 3 years |

An item of property, plant and equipment or 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 asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(12) 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 | 60 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 transfers properties to or from investment properties according to the actual use of the properties.

The Group transfers to or from investment properties when there is a change in use for these 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.

(13) 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 standalone price of the non-lease components. The relative stand-alone price of lease and nonlease 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.

<u>Group as a lessee</u>

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 implicit interest rate 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-ofuse 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 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.

<u>Group as a lessor</u>

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.

(14)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, not meeting the recognition criteria, 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 are 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 are 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 (5 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 |

(15) 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 cashgenerating 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 cashgenerating 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.

(16) Revenue recognition

The Group's revenue arising from contracts with customers mainly includes sale of goods. The accounting policies for the Group's types of revenue are explained as follow:

Sale of goods

The Group sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is electronic components and equipments and revenue is recognized based on the consideration stated in the contract or the order.

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 30 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 recevied part of the consideration before transferring the goods to customers. Therefore, the Group has to undertake the obligation of transferring the goods afterwards, these contracts should be presented as contract liabilities.

(17) 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.

(18) Post-employment benefits

All regular employees of the Company are entitled to pension plans that are 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 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 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. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

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.

(19) 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.

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 and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
(B) In respect of taxable temporary differences associated with investments in subsidiaries,

and associates and interests in joint ventures, 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 and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
(B) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed 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 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 relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized according

Deferred tax assets and 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.

Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules” introduce a temporary exception to the requirements in IAS 12 by stipulating that the Company should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, 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 assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities 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.

(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) Accounts receivables - estimation of impairment loss

The Group 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.

(b) Inventory valuation

As inventories are valued at the lower of cost and net realization value, the Group must use judgment and estimation to determine the net realization value of inventory at the balance sheet date. Due to rapid technological change, the Group evaluates the amount of inventory at the balance sheet date due to normal wear and tear, obsolescence or no market value and writes the cost of inventory to net realized value. This inventory evaluation is mainly based on the estimated product demand for a specific period in the future and is subject to material changes.

(c) 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. The detailed illustrations of assumptions used to determine the cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans, are further explained in Note 6.

(d) 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 Group 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.

6. Contents of significant accounts

(1) Cash and cash equivalents

| | December 31, 2023 | **December 31, 2022** |
|---|---|---|
| Cash on hand | $330 | $472 |
| Checking account deposits | 36,804 | 35,979 |
| Demand deposits | 669,739 | 932,611 |
| Time deposits | 142,108 | 54,997 |
| Total | $848,981 | $1,024,059 |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Equity instrument investments measured at fair value through other comprehensive income – noncurrent: | | |
| Listed companies' stocks | $298,908 | $227,186 |

The 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 periods ended 31 December 2023 and 2022 are as follow:

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Dividend income related to investments held at the end of the reporting period | $9,950 | $7,462 |

(3) Notes receivables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Notes receivables arising from operating activities | $414 | $2,663 |
| Less: loss allowance | - | - |
| Total | $414 | $2,663 |

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(14) for more details on loss allowance and Note 12 for details on credit risk.

(4) Accounts receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts Receivables | $900,726 | $979,896 |
| Less: loss allowance | (17,874) | (25,776) |
| Total | $882,852 | $954,120 |

Accounts receivables were not pledged.

Accounts receivable are generally on 30 to 120 days terms. The total carrying amount as of December 31, 2023 and 2022 were NT$900,726 thousand and NT$979,896 thousand, respectively. Please refer to Note 6(14) for more details on loss allowance of accounts receivables for the periods ended December 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(5) Inventories

(A) Net of inventories include:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Merchandise | $257,597 | $369,742 |

(B) Operating costs details recognized by the Group: ：

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Cost of inventory sold | $2,467,269 | $2,867,703 |
| (Gain) loss on inventory valuation | (13,272) | 17,393 |
| Other | 1,644 | 4,930 |
| Total | $2,455,641 | $2,890,026 |

(C) The insurance amounts for the inventories were NT$280,332 thousand and NT$387,569 thousand as of December 31, 2023 and 2022, respectively.

(D) No inventories were pledged.

(6) Prepament

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Payment in advance | $1,720 | $113,205 |
| Other | 8,030 | 6,176 |
| Total | $119,381 | $119,381 |

(7) Property, plant and equipment

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Owner occupied property, plant and equipment | $109,513 | $111,174 |

| | Land | Buildings | Office equipment | Transportation equipment | Other Eqipment | Total |
|---|---|---|---|---|---|---|
| Cost： | | | | | | |
| As at January 1, 2023 | $89,203 | $41,372 | $3,355 | $1,945 | $94 | $135,969 |
| Additions | - | - | 776 | - | - | 776 |
| Disposals | - | - | (339) | - | - | (339) |
| Exchange differences | - | (352) | (47) | (36) | - | (435) |
| As at December 31, 2023 | $89,203 | $41,020 | $3,745 | $1,909 | $94 | $135,971 |
| As at January 1, 2022 | $89,203 | $41,094 | $3,219 | $1,917 | $- | $135,433 |
| Additions | - | - | 561 | - | 94 | 655 |
| Disposals | - | - | (473) | - | - | (473) |
| Exchange differences | - | 278 | 48 | 28 | - | 354 |
| As at December 31, 2022 | $89,203 | $41,372 | $3,355 | $1,945 | $94 | $135,969 |
| | | | | | | |
| Depreciation and impairment： | | | | | | |
| As at January 1, 2023 | $- | $21,008 | $1,925 | $1,852 | $10 | $24,795 |
| Depreciation | - | 1,219 | 970 | 92 | 32 | 2,313 |
| Disposals | - | - | (339) | - | - | (339) |
| Exchange differences | - | (236) | (40) | (35) | - | (311) |
| As at December 31, 2023 | $- | $21,991 | $2,516 | $1,909 | $42 | $26,458 |
| As at January 1, 2022 | $- | $19,613 | $1,307 | $1,649 | $- | $22,569 |
| Depreciation | - | 1,221 | 1,067 | 177 | 10 | 2,475 |
| Disposals | - | - | (473) | - | - | (473) |
| Exchange differences | - | 174 | 24 | 26 | - | 224 |
| As at December 31, 2022 | $- | $21,008 | $1,925 | $1,852 | $10 | $24,795 |
| | | | | | | |
| Net carrying amount as at: | | | | | | |
| December 31, 2023 | $89,203 | $19,029 | $1,229 | $- | $52 | $109,513 |
| December 31, 2022 | $89,203 | $20,364 | $1,430 | $93 | $84 | $111,174 |

The major components of the Group is the main building which is depreciated over 60 years,

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(8) Investment property

The Group's investment properties include owned investment properties. The Group has entered into commercial property leases on its owned investment properties with terms of between 7 and 8 years. These leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

| | Land | Buildings | Total |
|---|---|---|---|
| Cost： | | | |
| As at January 1, 2023 | $6,816 | $4,249 | $11,065 |
| Additions from subsequent expenditure | - | - | - |
| As at December 31, 2023 | $6,816 | $4,249 | $11,065 |
| As at January 1, 2022 | $6,816 | $4,249 | $11,065 |
| Additions from subsequent expenditure | - | - | - |
| As at December 31, 2022 | $6,816 | $4,249 | $11,065 |
| | | | |
| Depreciation and impairment： | | | |
| As at January 1, 2023 | $- | $2,405 | $2,405 |
| Depreciation | - | 112 | 112 |
| As at December 31, 2023 | $- | $2,517 | $2,517 |
| As at January 1, 2022 | $- | $2,293 | $2,293 |
| Depreciation | - | 112 | 112 |
| As at December 31, 2022 | $- | $2,405 | $2,405 |
| | | | |
| Net carrying amount as at： | | | |
| December 31, 2023 | $6,816 | $1,732 | $8,548 |
| December 31, 2022 | $6,816 | $1,844 | $8,660 |

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Rental income from investment property | $1,996 | $1,996 |
| Less: Direct operating expenses from investment property generating rental income | (149) | (148) |
| Total | $1,847 | $1,848 |

On March 28, 2019 the Board of Directors resloves that in order to enhance working capital, it intends to sell the investment properties in Yucheng section of Nangang, and is currently in search of a buyer. The Group will comply with the regulations governing the acquisition and disposal of assets and authorizes the Chairman to follow-up on the related matters.

No investment property was pledged.

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.

Investment properties held by the Group are mainly located at Zhongshan area and Nangang area in Taipei city. The fair value of investment properties was NT$151,445 thousand upon the valuation performed by an independent appraiser in the first quarter of 2013. The valuation methods used are Comparative approach and Income capilization rate approach and Coparative approach and Land development analysis approach. By considering the nature of the subject property, condition of use, development scope and the credibility of the baseline data, the price per sqare feet is estimated using the wieghted amount calculated by one of the two methods listed per below:

(a) 60% Comparative approach + 40% Income capilization rate approach
(b) 40% Comparative approach + 60% Land development analysis approach.

Calcualtions used within the valuation methods:

(A) The main evaluation parameter used for the comparative approach is calculated by investegating and estimating the cases nearby the subject property.
(B) The main parameter of the income capitalization rate approach is to calculate the price per square feet based on the annual lease amount according to the market survey, and then calculate the price per square feet based on the income capitalization rate of 1.85%.
(C) As for the land development analysis approach, it is to evaluate the reasonable acquisition price of the development land.

Considering that the capitalization rate of income from the domestic real estate market in the most recent year is comparable to the valuation date metioned above, the Group therefore refers to the valuation results and the above-mentioned recent real estate market as the fair value of the investment real estate on the cut-off date of each financial report.

The Group conducted the estimation of of the investment property on December 31, 2023 and December 31, 2022, respectively. The estimation results were obtained by using the actual transaction price of each year and the market transaction price of similar properties in the vicinity of the relevant assets (including the Real Price Enquiry Service Network of Real Estate Transactions of the Ministry of the Interior and the Real Price Inquiry Service Website of Housing Arbitration Industry).The estimation was equivalent to the valuation results metioned above.

(9) Intangible assets

| | Cost of Computer Software |
|---|---|
| Cost： | |
| As at January 1, 2023 | $1,078 |
| Additions | 555 |
| Disposals | - |
| As at December 31, 2023 | $1,633 |
| As at January 1, 2022 | $1,078 |
| Additions | - |
| Disposals | - |
| As at December 31, 2022 | $1,078 |
| | |
| Amortization and impairment： | |
| As at January 1, 2023 | $550 |
| Amortization | 243 |
| Disposals | - |
| As at December 31, 2023 | $793 |
| As at January 1, 2022 | $335 |
| Amortization | 215 |
| Disposals | - |
| As at December 31, 2022 | $550 |
| | |
| Net carrying amount as at： | |
| As at December 31, 2023 | $840 |
| As at December 31, 2022 | $528 |

Amortization expense of intangible assets under the statement of comprehensive income:

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Selling expense | $134 | $118 |
| Administrative expense | 109 | 97 |
| Total | $243 | $215 |

(10) Short-term borrowings

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Unsecured bank loans | $446,000 | $759,000 |
| Secured bank loans | 144,000 | 144,000 |
| Total | $590,000 | $903,000 |

The Group's annual interest rates for unsecured bank loans are 1.800%~1.982% and 1.51%~1.975%, as at December 31, 2023, and December 31, 2022, respectively.

The Group's annual interest rate for secured bank loans are 1.710% and 1.655%, as at December 31, 2023, and December 31, 2022, respectively.

The Group's unused short-term lines of credits amount to NT$1,111,410 thousand, and NT$828,420 thousand, as at December 31, 2023, and December 31, 2022, respectively.

Part of property, plant and equipment provides guarantee for secured bank loans. Please refer to Note 8 for more details of pledge situations.

(11) Post-employment benefits

Defined contribution plan

The labor pension regulations of the Group were established according to the Enforcement rules of the labor pension act and is recognized as defined contriution plan. The monthly contribution rate of the labor pension borne by the Company shall not be less than 6% of the employee's monthly salary. By following the labor pension regulations which was established in accordance with the Enforcement rules of the labor pension act, the Company has allocated 6% of the employee's salary to the individual pension account of the Labour Insurance Board monthly.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT$4,271 thousand and NT$4,208 thousand, respectively.

Defined benefits plan

The defined benefit plan of the Group’s Employee Retirement Plan is regulated according to the Labor Standards Act. 2. Retirement benefits are based on such factors as the employee’s length of service and final pensionable salary. In accordance with the Act, 2 bases are given for each full year on the first 15 years of service and 1 base is given for each full year after 15 years of service. The total bases given shall not exceed 45. Under the retirement plan, the Company contributes monthly an amount equal to 2% of gross salary to the pension reserve fund, which is deposited into a designated depository account with the Bank of Taiwan. At the end of each year, if the balance in the designated labor pension reserve funds is inadequate to cover the benefit estimated to be paid in the following year, the Company should make up the difference in 1 appropriation before the end of March in the following year.

Safeguard and Utilization of the Labor Retirement Fund is regulated by the Ministry of Labor. Investment of the fund is made by outsourcing and self-management. A long-term investment strategy is adopted with both initiative and passive approach. Considering market risk, creditability and liquidity etc., the Ministry of labor has set limit for fund risk and risk management plan so that the target rate of return can be reached without excess exposure to risk. Because the Company is not authorized to manage the Fund, it cannot disclose the classification of the fair value of the plan asset according to IAS 19. As of December 31, 2022, the amount of contribution expected to be made in the following accounting year was NT$60 thousand.

As of December 31, 2023 and 2022, the Company's definite benefit plans are expected to expire in the year ended 2032.

Pension costs recognized in profit or loss for the years ended December 31, 2023 and 2022:

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current period service costs | $- | $210 |
| Net Interest of Net defined benefit | (66) | (21) |
| Settlements from the plan | (66) | 189 |
| Unadjusted amount on account | 126 | (129) |
| Total pension costs recognized in profit or loss | $60 | $60 |

Reconcilation of present value of defined benefit obligation and fair value of plan assets are as follows:

| | December 31, 2023 | December 31, 2022 | January 1, 2023 |
|---|---|---|---|
| Present value of defined benefit obligation | $15,664 | $15,726 | $16,118 |
| Fair value of plan assets | (20,859) | (20,453) | (18,843) |
| Funding circumstance | (5,195) | (4,727) | (2,725) |
| Unadjusted amount on account | 797 | 671 | 800 |
| Other non-current assets, other – Net defined benefit liability (asset) on the consolidated balance sheets | $(4,398) | $(4,056) | $(1,925) |

Reconciliation of liability (asset) of the defined benefit plan is as follows:

| | Defined benefit obligation | Fair value of plan assets | Benefit liability (asset) |
|---|---|---|---|
| As at January 1, 2022 | $16,118 | $(18,843) | $(2,725) |
| Current period service costs | 210 | - | 210 |
| Interest expense (income) | 121 | (142) | (21) |
| Subtotal | 16,449 | (18,985) | (2,536) |
| 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 | (609) | (1,408) | (2,017) |
| Experience adjustments | (114) | - | (114) |
| Subtotal | 15,726 | (20,453) | (4,667) |

| | Defined benefit obligation | Fair value of plan assets | Benefit liability (asset) |
|---|---|---|---|
| Contributions by employer | - | (60) | (60) |
| As at December 31, 2022 | 15,726 | (20,393) | (4,793) |
| Current period service costs | - | - | - |
| Interest expense (income) | 220 | (286) | (66) |
| Subtotal | 15,946 | (20,739) | (4,793) |
| 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 | 90 | (60) | 30 |
| Experience adjustments | (372) | - | (372) |
| Subtotal | 15,664 | (20,799) | (5,135) |
| Contributions by employer | - | (60) | (60) |
| As at December 31, 2023 | $15,664 | $(20,859) | $(5,195) |

The following main actuarial assumptions are used to determine the present value of the defined benefit obligation:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | 1.300% | 1.400% |
| Expected salary growth rate | 1.375% | 1.375% |

A sensitivity analysis for significant assumption as at December 31, 2023 and 2022 is, as shown below:

| | For the year ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Increase of defined benefit obligation | Decrease of defined benefit obligation | Increase of defined benefit obligation | Decrease of defined benefit obligation |
| Discount rate increase by0.25% | $- | $230 | $- | $240 |
| Discount rate decrease by0.25% | 236 | - | 247 | - |
| Expected salary increase by 0.25% | 232 | - | 242 | - |
| Expected salary decrease by 0.25% | - | 227 | - | 236 |

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.

(12) Equities

(A) Common stock

The Company's authorized and issued capital were NT$800,000 thousand, and NT$590,800 thousand, as at December 31, 2021, respectively, each at a par value of NT$10. The Company has issued 59,080 thousands of common shares as at December 31, 2021, each share has one voting right and a right to receive dividends.

On June 24, 2022, the meeting of shareholders resolved to issue new shares by distributing the stock dividends for 3,545 thousand shares, at a par of NT$10 per share, with an amount of 35,448 thousand. This regards was approved and effective on July 28, 2022 by the Financial Supervision Commission Securities and Futures Bureau. The relevant statutory registration procedures have been completed and the reference date was August 21, 2022.

The Company's authorized and issued capital were NT$800,000 thousand, and NT$626,248 thousand, as of December 31, 2022, respectively, each at a par value of NT$10. The Company has issued 62,625 thousands of common shares as of December 31, 2022, each share has one voting right and a right to receive dividends.

On June 19, 2023, the meeting of shareholders resolved to issue new shares by distributing the stock dividends for 2,505 thousand shares, at a par of NT$10 per share, with an amount of 25,050 thousand. This regards was approved and effective on July 13, 2023 by the Financial Supervision Commission Securities and Futures Bureau. The relevant statutory registration procedures have been completed and the reference date was August 7, 2023.

The Company's authorized and issued capital were NT$800,000 thousand, and NT$651,298 thousand, as of December 31, 2023, respectively, each at a par value of NT$10. The Company has issued 65,130 thousands of common shares as of December

31, 2023, each share has one voting right and a right to receive dividends.

(B) Capital surplus

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Additional paid-in capital | $45,647 | $45,647 |
| Gain on disposal of assets | 834 | 834 |
| Employee stock option | 5,581 | 5,581 |
| Total | $52,062 | $52,062 |

According to the Company Act, the capital surplus shall not be used except for offsetting the deficit of the company. When a company has no accumulated deficit, it may distribute the capital surplus 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 (contribution of at least 30% should be made for the Unappropriated retained earnings portions ) and resolved in the shareholders' meeting. For cash dividends issued, the amount should be at least 20% but not above 100% of the shareholders' bonus, after deducting the cash divdend the remaining amount should be issued as stock divdends.

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 offset the deficit of the Company. When the Company has no acculuated deficit, 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.

According to existing regulations, when the Company distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, 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 in the first-time adoption of the 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.

On March 31, 2022, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution. The amount for Special reserve appropriated as of 31 December 2023 and 2022 are both NT$3,340 thousand.

Details of the 2023 and 2022 earnings distribution and dividends per share as approved and resolved by the board of directors’ meeting and shareholders’ meeting on March 14, 2024 and June 19, 2023, respectively, are as follows:

| | Appropriation of earnings | | Dividend per share (NT$) | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Legal reserve | $10,104 | $21,050 | | |
| Common stock -cash dividend | 78,156 | 81,412 | $1.2 | $1.3 |
| Common stock-stock dividend | - | 25,050 | - | 0.4 |
| Total | $88,260 | $127,512 | | |

Please refer to Note 6(16) for details on employees’ compensation and remuneration to directors and supervisors.

(13) Operating revenue

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Revenue from contracts with customers | | |
| Sale of goods | $2,738,299 | $3,238,348 |
| Revenue arising from rendering of services | 4,729 | 5,681 |
| Total | $2,743,028 | $3,244,029 |

Analysis of revenue from contracts with customers during the 2023 and 2022 are as follows:

(A) Disaggregation of revenue

For 2023

| | Taiwan Dept | Republic of China and Southeast Asia Dept | Group Total |
|---|---|---|---|
| Sale of goods | $2,036,172 | $702,127 | $2,738,299 |
| Rendering of services | 4,729 | - | 4,729 |
| Total | $2,040,901 | $702,127 | $2,743,028 |
| | | | |
| Timing of revenue recognition: | | | |
| At a point in time | $2,040,901 | $702,127 | $2,743,028 |

For 2022

| | Taiwan Dept | Republic of China | Group Total |
|---|---|---|---|
| Sale of goods | $2,297,135 | $941,213 | $3,238,348 |
| Rendering of services | 5,681 | - | 5,681 |
| Total | $2,302,816 | $941,213 | $3,244,029 |
| | | | |
| Timing of revenue recognition： | | | |
| At a point in time | $2,302,816 | $941,213 | $3,244,029 |

(B) Contract balances

Contract liabilities - current

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|---|---|---|---|
| Sales of goods | $1,901 | $108,189 | $96,836 |

The significant changes in the Group's balances of contract liabilities for 2023 and 2022 are as follows:

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| The opening balance transferred to revenue | $(108,151) | $(95,748) |
| Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period) | 1,863 | 107,101 |

(14) Expected credit loss (reversal of credit loss)

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Operating expenses –(reversal of credit loss) expected credit loss | | |
| Accounts receivable | $(5,805) | $13,672 |

Please refer to Note 12 for more details on credit risk.

The Group measures the grouping of accounts receivable loss allowance by using lifetime expected credit losse, details of period ended December 31, 2023 and 2022 are as follow:

As at December 31, 2023

| | | Overdue | | | | |
|---|---|---|---|---|---|---|
| | <=90 days | 91-120 days | 121-150 days | 151-180 days | >=181 days | Total |
| Notes receivable | $414 | $- | $- | $- | $- | $414 |
| Accounts receivable | 600,010 | 185,441 | 101,932 | 6,379 | 6,964 | 900,726 |
| Carrying amount | $600,424 | $185,441 | $101,932 | $6,379 | $6,964 | $901,140 |
| Loss rate | 0% | 0~2% | 0~7% | 0~27% | 0~100% | |
| Lifetime expected credit losses | - | (3,462) | (6,387) | (1,153) | (6,872) | (17,874) |
| Total | $600,424 | $181,979 | $95,545 | $5,226 | $92 | $883,266 |

As at December 31, 2022

| | Overdue | | | | | |
|---|---|---|---|---|---|---|
| | <=90 days | 91-120 days | 121-150 days | 151-180 days | >=181 days | Total |
| Notes receivable | $2,303 | $- | $360 | $- | $- | $2,663 |
| Accounts receivable | 649,605 | 197,232 | 109,370 | 9,230 | 14,459 | 979,896 |
| Carrying amount | $651,908 | $197,232 | $109,730 | $9,230 | $14,459 | $982,559 |
| Loss rate | 0~1% | 0~2% | 0~7% | 0~27% | 0~100% | |
| Lifetime expected credit losses | (47) | (3,429) | (5,958) | (2,272) | (14,069) | (25,776) |
| Total | $651,861 | $193,803 | $103,772 | $6,958 | $390 | $956,783 |

The movement in the provision for impairment of notes receivable and accounts receivable during the periods ended December 31, 2023 and 2022 are as follows:

| | Notes receivable | Accounts receivable | Total |
|---|---|---|---|
| As at January 1, 2023 | $- | $25,776 | $25,776 |
| Addition/(reversal) for the current period | - | (5,805) | (5,805) |
| Amounts written off during the period as uncollectible | - | (2015) | (2,015) |
| Exchange rate differences | - | (82) | (82) |
| As at December 31, 2023 | $- | $17,874 | $17,874 |
| Bal. as at January 1, 2022 | $- | $11,983 | $11,983 |
| Addition/(reversal) for the current period | - | 13,672 | 13,672 |
| Exchange rate differences | - | 121 | 121 |
| As at December 31, 2022 | $- | $25,776 | $25,776 |

(15) Leases

(A) Group as a lessee

The Group leases various properties, including properties such as land and buildings and transportation equipment. The lease terms range from 2 to 4 years.

The Group’s leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Buildings | $15,980 | $20,503 |
| Transportation equipment | 3,728 | - |
| | $19,708 | $20,503 |

During the years ended December 31, 2023 and 2022, the Group's additions to right-of-use assets amounting to NT$11,381 thousand and NT$2,037 thousand, respectively.

(b) Lease liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Lease liabilities | $21,033 | $21,692 |
| Current | $10,879 | $8,523 |
| Non-current | $10,154 | $13,169 |

Please refer to Note 6(17)(D) for the interest on lease liabilities recognized during 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 year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Buildings | $9,967 | $10,031 |
| Transportation equipment | 1,047 | - |
| | $11,014 | $10,031 |

C. Income and costs relating to leasing activities

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| The expenses relating to short-term leases | $7,600 | $7,629 |
| Gain on lease modification | (18) | - |
| Total | $7,582 | $7,629 |

D. Cash outflow relating to leasing activities

During the years ended December 31, 2023 and 2022, the Group's total cash outflows for leases amounting to NT$19,439 thousand and NT$18,367 thousand, respectively.

E. Other information relating to leasing activities

(a) Variable lease payments

Some of the Group's printer rental agreements contain variable payment terms that are linked to certain percentages of the usage amount generated from the leased printer, which is very common in the industry of the Group.

As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities.

(b) Extension and termination options

Some of the Group's 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 lessor

Please refer to Note 6(8) 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 year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Lease income for operating leases | | |
| Income realting to fixed lease payments and variable lease payments that depend on an index or a rate | $1,996 | $1,996 |

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 at December 31, 2023 and 2022 are as follow:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Not later than one year | $1,996 | $1,996 |
| Later than one year but not later than two years | 1,996 | 1,996 |
| Later than two years but not later than three years | 998 | 1,996 |
| Later than three years but not later than four years | - | 1,163 |
| Later than four years but not later than five years | - | - |
| Total | $4,990 | $7,151 |

(16) The employee benefits, depreciation and amortization expenses are summarized as follows:

| Capability / Nature | For the years ended December 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | 2022 | | | |
| | Operating costs | Operating expenses | Non-operating loss and expenses | Total | Operating costs | Operating expenses | Non-operating loss and expenses | Total |
| Employee benefits expense | | | | | | | | |
| Salaries | $- | $91,335 | $- | $91,335 | $- | $108,551 | $- | $108,551 |
| Labor and health insurance | - | 6,647 | - | 6,647 | - | 6,855 | - | 6,855 |
| Pension | - | 4,331 | - | 4,331 | - | 4,268 | - | 4,268 |
| Other employee benefits expense | - | 6,660 | - | 6,660 | - | 6,659 | - | 6,659 |
| Depreciation | - | 13,439 | - | 13,439 | - | 12,618 | - | 12,618 |
| Amortization | - | 243 | - | 243 | - | 215 | - | 215 |

According to the Articles of Incorporation, the Company shall allocate no less than 3% of profit as employees' compensation and no more than 3% of profit as directors' compensation for each profitable fiscal year. However, the company's accumulated losses shall have been offsetted. 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, distribute the aforementioned 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 year ended December 31, 2023, the Company recognized the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2023 amounted to NT$4,000 thousand and NT$3,000 thousand, respectively. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price one day earlier than the date of resolution. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors are recognized in profit or loss of the subsequent year.

On March 14, 2024 the Board of Directors resolved to issue the Companys' distribution of employees' compensation and remuneration to directors and supervisors of 2023 at the amount of NT$4,000 thousand and NT$3,000 thousand, respectively.

On March 22, 2023 the Board of Directors resolved to issue the Companys' distribution of employees' compensation and remuneration to directors and supervisors of 2022 at the amount of NT$8,000 thousand and NT$3,000 thousand, 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, 2022.

(17) Non-operating income and expenses

(A) Interest income

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Interest income | | |
| Financial assets measured at amortized cost | $10,820 | $4,732 |

(B) Other income

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Compensation income | $1,634 | $10,397 |
| Dividend income | 9,950 | 7,462 |
| Rental income | 2,006 | 2,006 |
| Other income – Government subsidy | 791 | 841 |
| Other income | 3,562 | 1,897 |
| Total | $17,943 | $22,603 |

(C) Other gains and losses

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Foreign exchange gains, net | $13,694 | 115,326 |
| Lease modification | (18) | - |
| Other losses- Other | (641) | (499) |
| Total | $13,071 | $114,827 |

(D) Finance costs

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Interests on borrowings from bank | $(13,121) | $(13,276) |
| Interests on notes receivable discounted | - | (78) |
| Interests on lease liabilities | (982) | (1,144) |
| Total | $(14,103) | $(14,498) |

(18) Components of other comprehensive income

Period 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 | $342 | $- | $342 | $(68) | $274 |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | 71,722 | - | 71,722 | - | 71,722 |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | (5,700) | - | (5,700) | - | (5,700) |
| Total | $66,364 | $- | $66,364 | $(68) | $66,296 |

Period 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 | $2,131 | $- | $2,131 | $(426) | $1,705 |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | 46,846 | - | 46,846 | - | 46,846 |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | 46,103 | - | 46,103 | - | 46,103 |
| Total | $95,080 | $- | $95,080 | $(426) | $94,654 |

(21) Income tax

The major components of income tax expense (income) for the years ended March 31, 2023 and 2022 are as follows:

Income tax expense (income) recognized in profit or loss

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current income tax expense (income): | | |
| Current income tax charge | $56,371 | $56,371 |
| Adjustments in respect of current income tax of prior periods | 1,328 | (2,330) |
| Deferred tax expense (income): | | |
| Deferred tax expense (income) relating to origination and reversal of temporary differences | 79 | (4,160) |
| Total | $26,687 | $49,881 |

Income tax relating to components of other comprehensive income

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Deferred tax expense (income): | | |
| Remeasurements of defined benefit plans | $68 | $426 |
| Income tax relating to components of other comprehensive income | $68 | $426 |

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Accounting profit (loss) before tax from continuing operations | $127,459 | $258,680 |
| Tax at the domestic rates applicable to profits in the country concerned | $29,215 | $59,966 |
| Tax effect of revenues exempt from taxation | (8,006) | (9,772) |
| Corporate income surtax on undistributed retained earnings | 5,150 | 2,017 |
| Adjustments in respect of current income tax of prior periods | 1,328 | (2,330) |
| Total | $26,687 | $49,881 |

Deferred tax assets (liabilities) relate to the following:
For the year ended December 31, 2023

| | Beginning balance as at Jan 1, 2023 | Recognized in profit or loss | Recognized in other comprehensive income | Charged directly to equity | Other | Ending balance as at Dec 31, 2023 |
|---|---|---|---|---|---|---|
| Temporary differences | | | | | | |
| Deferred tax assets | | | | | | |
| Depreciation difference for tax purpose | $14 | $- | $- | $- | $- | $14 |
| Unrealized loss on inventory | 9,239 | (2,990) | - | - | - | 6,249 |
| Unrealized gains(losses) between associated companies | 113 | 94 | - | - | - | 207 |
| Excess amount of pension expenses | 18 | - | - | - | - | 18 |
| Net unrealized exchange loss | 1,790 | 3,864 | - | - | - | 5,654 |
| Excess amount of allowance for accounts receivable | 2,336 | (973) | - | - | - | 1,393 |
| Deferred tax liabilities | | | | | | |
| Non-current liability – Defined benefit | (1,395) | - | (68) | - | - | (1,463) |
| Net unrealized exchange gain | (1,872) | (74) | - | - | - | (1,946) |
| Deferred tax income/ (expense) | | $(79) | $(68) | $- | $- | |
| Net deferred tax assets/(liabilities) | $10,273 | | | | | $10,126 |
| Reflected in balance sheet as follows: | | | | | | |
| Deferred tax assets | $13,540 | | | | | $13,535 |
| Deferred tax liabilities | $(3,267) | | | | | $(3,409) |

For the year ended December 31, 2022

| | Beginning balance as at Jan 1, 2022 | Recognized in profit or loss | Recognized in other comprehensive income | Charged directly to equity | Other | Ending balance as at Dec 31, 2022 |
|---|---|---|---|---|---|---|
| Temporary differences： | | | | | | |
| Deferred tax assets | | | | | | |
| Depreciation difference for tax purpose | $14 | $- | $- | $- | $- | $14 |
| Provisions for employee benefits | 451 | (451) | - | - | - | - |
| Unrealized loss on inventory | 5,796 | 3,443 | - | - | - | 9,239 |
| Unrealized gains(losses) between associated companies | 85 | - | - | - | - | 113 |
| Excess amount of pension expenses | 18 | - | - | - | - | 18 |
| Net unrealized exchange loss | 1,562 | - | - | - | - | 1,790 |
| Excess amount of allowance for accounts receivable | - | 2,366 | - | - | - | 2,336 |
| Deferred tax liabilities | | | | | | |
| Non-current liability – Defined benefit | (969) | - | (426) | - | - | (1,395) |
| Net unrealized exchange gain | (418) | (1,454) | - | - | - | (1,872) |
| Deferred tax income/ (expense) | | $4,160 | $(426) | $- | $- | |
| Net deferred tax assets/(liabilities) | $6,539 | | | | | $10,273 |
| Reflected in balance sheet as follows: | | | | | | |
| Deferred tax assets | $7,926 | | | | | $13,540 |
| Deferred tax liabilities | $(1,387) | | | | | $(3,267) |

Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets which not been recognized were both amounting to NT$0.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future, therefore the group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, and the deferred tax profit generated by the exchange differences on translation of foreign financial statements which is generated by the subsidiaries also will should not be recognized. As at December 31, 2023, deferred tax liabilities which have not been recognized, aggregate to NT$125,521 thousand.

The assessment of income tax returns

The Company's income tax returns through 2021 have been assessed and approved by the

Tax Authority.

(22) 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.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 (Traced back) |
| (A) Basic earnings per share | | |
| Profit attributable to the parent company (in thousand NT$) | $100,772 | $208,799 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 65,130 | 65,130 |
| Basic earnings per share (NT$) | $1.55 | $3.21 |
| (B) Diluted earnings per share | | |
| Profit attributable to the parent company (in thousand NT$) | $100,772 | $208,799 |
| Profit attributable to the parent company after dilution (in thousand NT$) | $100,772 | $208,799 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 65,130 | 65,130 |
| Effect of dilution: | | |
| Employee compensation－stock (in thousands) | 232 | 360 |

| | 2023 | 2022 |
|---|---|---|
| Weighted average number of ordinary shares outstanding after dilution (in thousands) | 65,362 | 65,490 |
| Diluted earnings per share (NT$) | $1.54 | $3.19 |

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 eelationship of the related parties

| Name of the related parties | Nature of relationship of the related parties |
|---|---|
| Tailyn Technologies, Inc. | Substantive related party |
| Taipei Rosyclouds Foundation For Education | Other related party |

Significant related party transactions

(1) Key management personnel compensation

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Short-term employee benefits | $20,962 | $22,593 |
| Post-employment benefits | 206 | 205 |
| Total | $21,168 | $22,798 |

(2) Sales revenue

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Substantive related party | | |
| Tailyn Technologies, Inc. | $295 | $417 |

The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection periods for sales to related parties and to third parties were all month-end 30~120 days. The outstanding balances as of December 31, 2023 and 2022 were unsecured, non-interest bearing and to be settled in cash. The receivables from the related parties were not guaranteed.

(3) Accounts receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Substantive related party | | |
| Tailyn Technologies, Inc. | $123 | $90 |

(4) Other payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Substantive related party | | |
| Tailyn Technologies, Inc. | $13 | $12 |

(5) Lease - related parties

Lease payments

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Substantive related party | | |
| Tailyn Technologies, Inc. | $363 | $363 |

The rental prices and collection terms to the above related parties are not much different from third parties. The mutual agreement of rental prices is determined by local market conditions, and is based on the location, floors and scopes of the lease.

(6) Donation

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Other related party | | |
| Taipei Rosyclouds Foundation For Education | $300 | $- |

8. Assets pledged as collateral

The following table lists assets of the Group pledged as collateral:

| | Carrying amount | | |
|---|---|---|---|
| Items | December 31, 2023 | December 31, 2022 | Secured liabilities |
| Property, plant and equipment - land | $89,074 | $89,074 | Short-term bank loan |
| Property, plant and equipment - buildings | 13,141 | 13,500 | Short-term bank loan |
| Total | $102,215 | $102,574 | |

9. Significant contingencies and unrecognized contract commitments

(1) Unused credit lines of L/C letters issued by the Group as of December 31, 2023:

| Bank | Currenct | Open Foreign Currency Amount (Dollars in thousands) |
|---|---|---|
| Mega International Commercial Bank | JPY | $187,520 |

(2) The guarantee notes issued by the Group as of December 31, 2023:

| Client | Nature | Amount |
|---|---|---|
| FLEXIUM INTERCONNECT INC | Performance guarantee | $14,465 |

(3) The Company has signed an agency contract with Company S to sell Company S's products, and the Company shall pay the agency deposit to Company S as a performance guarantee according to the contract. As of December 31, 2023, the Company has provided US$1.5 million as a performance bond, which amounted to approximately NT$46,058 thousand and is accounted under Refundable deposits paid.

(4) Endorsement

For the year ended 2023

The Company's endorsement towards GITEH Electronic Industries Co., Ltd and HOWTEH Vietnam Co., Ltd.：

| | The highest balance of endorsement per period | The company's ending balance of endorsement | Guarntee purpose |
|---|---|---|---|
| CTBC Bank CO., Ltd. | USD 3,000K | $92,115 | Credit line of loans |
| Sumitomo Group | USD 300K | 9,212 | Business dealings |
| | | $101,327 | |

For the year ended 2022

The Company's endorsement towards- GITEH Electronic Industries Co., Ltd：

| | The highest balance of endorsement per period | The company's ending balance of endorsement | Guarantee purpose |
|---|---|---|---|
| CTBC Bank CO., Ltd | USD 3,000 thousand | $92,130 | Credit line of loans |
| Sumitomo Group | USD 300 thousand | 9,213 | Business dealings |
| | | $101,343 | |

10. Significant disaster loss

None.

11 Significant subsequent events

None.

12. Other

(1) Categories of financial instruments

Financial assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial assets at fair value through other comprehensive income | $298,908 | $227,186 |
| Financial assets measured at amortized cost (Note) | 1,787,184 | 2,034,107 |
| Total | $2,086,092 | $2,261,293 |

Financial liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial liabilities at amortized cost: | | |
| Short-term borrowings | $590,000 | $903,000 |
| Notes payable and accounts payable | 265,253 | 292,506 |
| Other payables | 85,739 | 79,593 |
| Lease liabilities(including noncurrent) | 21,033 | 21,692 |
| Guarantee deposits | 3,309 | 3,314 |
| Total | $965,334 | $1,300,105 |

Note: Including cash and cash equivalents (cash on hand not included), notes receivable, accounts receivable, other receivables 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 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.

<u>Foreign currency risk</u>

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 A and foreign currency B. The information of the sensitivity analysis is as follows:

(1) When NTD strengthens against USD by 1%, the profit for the years ended December 31, 2023 and 2022 would decrease by NT$6,220 thousand and NT$8,230 thousand, respectively.

(2) When NTD strengthens against CNY by 1%, the profit for the years ended December 31, 2023 and 2022 would decrease by NT$2,541 thousand and NT$2,802 thousand, respectively , the equity would decrease by NT$1,551 thousand and NT$1,629 thousand, respectively.

(3) When NTD strengthens against HKD by 1%, the profit for the years ended December 31, 2023 and 2022 would decrease by NT$3,916 thousand and NT$3,348 thousand, respectively , the equity would decrease by NT$5,668 thousand and NT$5,330 thousand, respectively.

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 Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

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 by NT$401 thousand and NT$805 thousand, respectively.

Equity price risk

The fair value of the Group's listed and unlisted equity securities are 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 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.

As of December 31,2023 and 2022, a change of 5% 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$14,945 thousand and NT$11,359 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 account 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 the 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 the 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, the credit concentration risk of accounts receivable 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.

The Group uses IFRS 9 to evaluate the expected credit losses, receivables are measured as allowance losses over the life of expected credit losses, the remainder are not investments in debt instruments measured at fair value through profit or loss, and their original purchase is based on the assumption of low credit risk, and whether credit risk has increased significantly since the original recognition at each balance sheet date to determine the method of measuring the allowance loss and its loss rate. The debt instrument mentioned above that aren't measured at fair value through profit and loss are cash and cash equivalents (excluding cash on hand), and their carrying amount as of December 31, 2023 and December 31, 2022 were NT$903,872 thousand and NT$1,077,199 thousand, respectively, and the loss rates were both 0%. In addition, the Group also writes off financial assets when it evaluates that it cannot reasonably be expected to recover financial assets (e.g. significant financial difficulties of the issuer or debtor, or bankruptcy).

(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, bank borrowings, convertible bonds and finance leases. 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 at December 31, 2023 | | | | | |
| Short-term borrowings (estimated interests to be paid included) | $590,604 | $- | $- | $- | $590,604 |
| Lease liabilities (Non-current included) | 11,470 | 10,340 | - | - | 21,810 |
| Payables | 265,253 | - | - | - | 265,253 |
| Other payables | 85,739 | - | - | - | 85,739 |
| Guarantee deposits | 3,309 | - | - | - | 3,309 |

| | Less than 1 year | 2 to 3 years | 4 to 5 years | >5 years | Total |
|---|---|---|---|---|---|
| As at December 31, 2022 | | | | | |
| Short-term borrowings (estimated interests to be paid included) | $903,754 | $- | $- | $- | $903,754 |
| Lease liabilities (Non-current included) | 9,380 | 13,766 | - | - | 23,146 |
| Payables | 292,506 | - | - | - | 292,506 |
| Other payables | 79,593 | - | - | - | 79,593 |
| Guarantee deposits | 3,314 | - | - | - | 3,314 |

(6) Reconciliation of liabilities arising from financing activities

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

| | Short-term borrowings | Guarantee deposits | Leases liabilities | Total liabilities from financing activities |
|---|---|---|---|---|
| As at Jan 1, 2023 | $903,000 | $3,314 | $21,692 | $928,006 |
| Cash flows | (313,000) | - | (11,127) | (324,127) |
| Non-cash changes | - | (5) | 10,468 | 10,463 |
| As at Dec 31, 2023 | $590,000 | $3,309 | $21,033 | $614,342 |

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

| | Short-term borrowings | Short-term notes and bills payable | Guarantee deposits | Leases liabilities | Total liabilities from financing activities |
|---|---|---|---|---|---|
| As at Jan 1, 2022 | $1,030,000 | $30,000 | $3,312 | $27,181 | $1,090,493 |
| Cash flows | (127,000) | (30,000) | - | (10,738) | (167,738) |
| Non-cash changes | - | - | 2 | 5,249 | 5,251 |
| As at Dec 31, 2022 | $903,000 | $- | $3,314 | $21,692 | $928,006 |

(7) Fair values of financial instruments

(A) The methods and assumptions applied in determining the fair value 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).

D. The fair value of other financial assets and financial liabilities is determined on the basis of discounted cash flow analysis, and their interest rates and discount rates are mainly based on information related to similar instruments, yield curves applicable over the life of the period, etc.

(B) Fair value of financial instruments measured at amortized cost

The Group’s carrying value of financial instruments measured at amortized cost approaches to the fair value of financial instruments measured at amortized cost approaches.

(C) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(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 at December 31, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Measured at fair value through other comprehensive income | | | | |
| Equity instruments designated at fair value through other comprehensive income | $298,908 | $- | $- | $298,908 |

As at December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Measured at fair value through other comprehensive income | | | | |
| Equity instruments designated at fair value through other comprehensive income | $227,186 | $- | $- | $227,186 |

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.

Fair value measurements in Level 3 of the fair value hierarchy for movements

As of December 31, 2023 and 2022, there were no financial assets that are measured at fair value within Level 3. Therefore the valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy isn't needed. Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

As of December 31, 2023 and 2022, there were no financial assets that are measured at fair value within Level 3. Therefore the valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy isn't needed.

(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 at December 31, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investment properties (please refer to Note 6) | $- | $- | $151,445 | $151,445 |

As at December 31, 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investment properties (please refer to Note 6) | $- | $- | $151,445 | $151,445 |

(9) Significant financial assets and liabilities denominated in foreign currencies

The significant financial assets and liabilities denominated in foreign currencies were as follow:

Amounts expressed in thousand

| | December 31, 2023 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $26,376 | 30.705 | $809,860 |
| CNY | 60,517 | 4.327 | 261,856 |
| HKD | 115,834 | 3.929 | 455,113 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $7,381 | 30.705 | $187,853 |
| CNY | 2,880 | 4.327 | 7,800 |
| HKD | 9,539 | 3.929 | 63,556 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $34,181 | 30.710 | $1,049,709 |
| CNY | 66,444 | 4.408 | 292,884 |
| HKD | 94,559 | 3.938 | 372,374 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | $7,381 | 30.710 | $226,685 |
| CNY | 2,880 | 4.408 | 12,696 |
| HKD | 9,539 | 3.938 | 37,564 |

Since there were variaties of functional currencies within each entities of the Group, the Group is unable to disclose foreign exchange gain or loss information of monetary financial assets and liabilities in each foreign currency. The Group's net foreign currency exchange gain for the year ended December 31, 2023 and 2022 were NT$13,694 thousand and NT$115,326 thousand, respectively.

(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 shareholders' value. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. <u>Other disclosure</u>

(1) Information at significant transactions

(A) Financing provided to others: None.
(B) Endorsement/Guarantees provided to others: Please refer to Attachment 2.
(C) Securities on held at the end of the period：Please refer to Attachment 3.
(D) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
(E) Acquisition of individual property with amount exceeding NT$300 million or 20 percent of the capital stcok: None.
(F) Disposition of property for amount exceeding NT$300 million or 20 percent of the capital stock: None.
(G) Related parties transactions for purchases and sales amount exceeding NT$100 million or 20 percent of the capital stock: Please refer to attachment 4.
(H) Receivables from related parties with amount exceeding NT$100 million or20 percent of the capital stock: None.
(I) Derivatives transactions: None.
(J) Others: The business relationships and important transactions between the parent company and the subsidiaries, and amongsubsidiaries, along with their respective amounts are detailed in Attachment 5.

(2) Information on investees

(A) Information about the investee company that direct or indirect has significant influence or control over the investee company: Please refer to Attachment 6 and 7.

(B) Information of significant transaction within the investee company of which that has significant influence or control over the investee company, directly or indirectly：

A. Financing provided to others: Please refer to Attachment 1.

B. Endorsement/Guarantees provided to others: None.
C. Securities held at the end of the period: None
D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
E. Acquisition of individual property with amount exceeding NT$300 million or 20 percent of the capital stock: None.
F. Disposal of individual property with amount exceeding NT$300 million or 20 percent of the capital stock: None.
G. Related party transaction for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
H. Receivables from related parties with amount exceeding NT$100 million or 20 percent ofcapital stock: None.
I. Derivatives transactions: None.

(3) Investment in Mainland China

(A) Investee company name, main businesses and products, total amount of capital, investment method, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment profit and loss, carry amount of investment at the end of the period, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 7.

(B) Directly or indirectly significant transactions with investee in Mainland China through third regions:

A. The amount and percentage of goods sold and the closing balance and percentage of the related receivables for the year ended 2023：

(a) The sales amount between the Company and ShangHai HOWTEH International Trading Inc. was NT$39,254 thousand, which accounts for 1.77% of the net sales of the Company's parent company only financial statements.

(b) The accounts receivable between the Company and ShangHai HOWTEH International Trading Inc. was NT$3,559 thousand, which accounts for 0.50% of the accounts receivable of the Company's parent company only financial statements.

(c) The sales amount between the Company and ShenZhen HOWTEH Technology Co., Ltd. was NT$33,999 thousand, which accounts for 1.53% of the net sales of the Company's parent company only financial statements.

(d) The accounts receivable between the Company and ShenZhen HOWTEH Technology Co., Ltd. was NT$7,611 thousand, which accounts for 1.06 % of the accounts receivable of the Company's parent company only financial statements.

B. The amount and percentage of goods purchased and the closing balance and percentage of the related payables for the year ended 2023：None.

C. Property transactions and the amount of profit and loss arising from the transactions:：None.

D. The closing balance and purpose of the guarntee of payment instrument by endorsement or collateral provided ：None.

E. The highest balance, closing balance, interest rate range and total interest of the period for the capital and finance：Please refer to attachment 1.

F. Other transactions that have a significant impact on the profit or loss or financial position of the current period, such as the provision or receipt of services etc.：None.

(4) Information of major shareholders

Information on shareholders holding 5% or more of the Company’s equity: Please refer to attachment 8.

14 <u>Operating segment information</u>

For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

(1) Taiwan Segment：The segment is mainly responsible for the agency sales of electronic components and process eqiupments in Taiwan.
(2) China and South East Asia segment：The segment is mainly responsible for the distribution of electronic components in Eastern and Southern China (including Hongkong) and Vietnam.

The aforementioned Chinese and Southeast Asia segment are the aggregation of the operating departments of the subsidiary in Eastern and Southern China and Vietnam. Since the Eastern and Southern China operating departments both focus on providing agency sales of the same electronic components and have similar economic characteristics, they have been considerated into into a single operating department along with the Vietnam operateing department.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss before tax. There was no material difference between the accounting policies of the operating segment and those described in Note 4. However, income taxes are managed at a group level and are not allocated to operating segments.

Transfer prices between operating segments is based on regular transactions similar to those with external third parties.

Year ended December 31, 2023

| | Taiwan Segment | China and Southeast Asia segment | Subtotal | Adjustment and elimination (Note) | Consolidated |
|---|---|---|---|---|---|
| External customer | $2,040,901 | $702,127 | $2,743,028 | $- | $2,743,028 |
| Inter-segment | 181,153 | 269,541 | 450,694 | (450,694) | - |
| Total revenue | $2,222,054 | $971,668 | $3,193,722 | $(450,694) | $2,743,028 |
| Segment profit | $116,220 | $41,318 | $157,538 | $(30,079) | $127,459 |

Year ended December 31, 2022

| | Taiwan Segment | China and Southeast Asia segment | Subtotal | Adjustment and elimination (Note) | Consolidated |
|---|---|---|---|---|---|
| External customer | $2,302,816 | $941,213 | $3,244,029 | $- | $3,244,029 |
| Inter-segmet | 251,630 | 282,158 | 533,788 | (533,788) | - |
| Total revenue | $2,554,446 | $1,223,371 | $3,777,817 | $ (533,788) | $3,244,029 |
| Segment profit | $247,161 | $52,917 | $300,078 | $(41,398) | $258,680 |

Note: Inter-segment revenue is excluded at the time of consolidation, and reflected under "Reconciliation and Elimination", and all other reconciliations and removals are disclosed separately in furthur details.

The following table presents segment assets of the Group's operating segments as December 31, 2023 and 2022:

Assets of the Group's operating segments

| | Taiwan Segment | China and Southeast Asia segment | Subtotal | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| December 31, 2023 | $2,619,977 | $735,091 | $3,355,068 | $(835,478) | $2,519,590 |
| December 31, 2022 | $3,047,155 | $702,459 | $3,749,614 | $(833,868) | $2,915,746 |

Liabilities of the Group's operating segments

| | Taiwan Segment | China and Southeast Asia | Subtotal | Adjustment and elimination | Consolidated |
|---|---|---|---|---|---|
| December 31, 2023 | $900,337 | $176,250 | $1,076,587 | $(103,866) | $972,721 |
| December 31, 2022 | $1,403,322 | $177,846 | $1,581,168 | $(126,635) | $1,454,533 |

Other reconciliations of reportable segments

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Total profit or loss for reportable segments | $157,538 | $300,078 |
| Elimination of inter-segment profit | (30,079) | (41,398) |
| Income before income tax from continuing operations | $127,459 | $258,680 |

(3) Geographic information

(A) External customer

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Taiwan | $2,040,901 | $2,302,816 |
| China | 802,127 | 941,213 |
| Total | $2,743,028 | $3,244,029 |

Revenue classified based on the contries where the customers located at.

(B) Non-current assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Taiwan | $494,960 | $413,067 |
| China | 20,153 | 30,211 |
| Total | $515,113 | $443,278 |

(4) Major customers

Individual customers accounting for at least 10% of operating revenues for the years ended December 31, 2023 and 2022 were as follows:

| | Sales amount | |
|---|---|---|
| Customer name | For the year ended December 31, 2023 | For the year ended December 31, 2022 |
| Customer A | $446,733 | $393,897 |

Attached table 1: Financings Provided

( In Thousands of New Taiwan Dollars)

| No. (Note 1) | Financier | Counter-party | Item (Note 2) | Related-party | Maximum Balance (Note 3) | Ending Balance (Note 8) | Amount Actually Drawn | Interest Rate Range | Financing Provided (Note 4) | Transaction Amount (Note 5) | Financing Reasons (Note 6) | Allowance for Bad Debt | Collateral | | Financial Limit for Each Counter-party | Limit on Financier's Total Financing |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | |
| 1 | ShangHai HOWTEH International Trading Inc. | KunShan HOWTEH International Trading Inc. | Other receivables | Yes | $30,705 USD1,000 | $30,705 USD1,000 | $7,129 | 0.00% | 1 | $2,105 | Business dealings | $- | - | - | $65,139 (Note 10) | $97,709 (Note 10) |
| 1 | ShangHai HOWTEH International Trading Inc. | ShenZhen HOWTEH Technology Co., Ltd. | Other receivables | Yes | 17,308 RMB4,000 | 17,308 RMB4,000 | - | 4.35% | 2 | - | Short-term financing | - | - | - | 65,139 (Note 10) | 97,709 (Note 10) |
| 2 | ShenZhen HOWTEH Technology Co., Ltd. | ShangHai HOWTEH International Trading Inc. | Other receivables | Yes | 17,308 RMB4,000 | 17,308 RMB4,000 | - | 4.35% | 2 | - | Short-term financing | - | - | - | 32,003 (Note 11) | 48,004 (Note 11) |

Note 1: The description of the number column is as follows:

(1) Issuer fill in 0.

(2) Investee companies are numbered sequentially, beginning with the Arabic numeral 1.

Note 2: Accounts of receivables related enterprise payments, receivables related party payments, shareholder transactions, advance payments, temporary payments... and other subjects, if they are in the nature of capital loans, must be filled in this form.

Note 3: The highest balance of funds lent to others in the current year.

Note 4: The nature of the loan should be filled in as a business transaction or a need for short-term financing.

(1) Business transaction fill in 1.

(2) Short-term financing fill in 2.

Note 5: If the nature of the loan is a business transaction, the business transaction amount should be filled in, which refers to the business transaction amount of the company and the loan target who lent the funds in the latest year.

Note 6: If the nature of the capital loan is necessary for short-term financing funds, the reason for the necessary loan and the purpose of the funds to be borrowed should be specified, such as: repayment of loans, purchase of equipment, business turnover, etc.

Note 7: The maximum loan limit set by the Company shall not exceed 40% of the net value of the Company, and the maximum loan limit shall not exceed 20% of the net value of the Company for a single object.

Note 8: The amounts of funds to be loaned to others w hich have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the “Regulations Governing Loaning of Funds and Making of Endorscmcnls/ Guarantccs by Public Companies” should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. Tn addition, if the Board of Directors of a public company has authorized the Chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the “Regulations Governing Loaning of Funds and Making of Endorscmcnls/ Guarantccs by Public Companies”, the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration that they could be loaned again thereafter.

Note 9: Counter-party:

According to Article 15 of the Company Law, the company's funds shall not be lent to shareholders or any other person except in the following circumstances:

(1) Intercompany business dealers.

(2) There is a need for short-term financing between companies. The amount of financing shall not exceed 40% of the net value of enterprise.

For the purposes of the preceding paragraph, short-term term refers to one year. However, if the company's business cycle is longer than one year, the business cycle shall prevail.

(3) The financing amount referred to in the preceding paragraph is the cumulative balance of the Company's short-term financing funds.

(4) The Company directly and indirectly holds 100% of the voting shares of foreign companies engaged in capital loans, which are not subject to the restrictions of the preceding paragraph.

Note 10: The total limit of capital loans set by ShangHai HOWTEH International Trading Inc. shall not exceed 60% of the net value of the company, and the maximum loan limit for a single object shall not exceed 40% of the net value of the company.

Note 11: The total limit of capital loan and total set by ShenZhen HOWTEH Technology Co., Ltd. shall not exceed 60% of the net value of the company, and the maximum loan limit for a single object shall not exceed 40% of the net value of the company.

Attached table 2: Collaterals/Guarantee Provided

( In Thousands of New Taiwan Dollars)

| No. (Note 1) | Collaterals/Guar antee Provider | Counter-part Name | Counter-part Relationship (Note 2) | Limits on Each Counter-party's Collateral/Guarantee Amounts (Note 3) | Maximum balance accumulated up to the end of this month (Note 4、8) | Ending Balance (Note 5、8) | Actual Amount Drawn Down (Note 6) | Amount of Properties Guaranteed by Collateral | Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement (%) | Maximum Collateral/ Guarantee Amounts Allowable (Note 3) | Provision of Endorsements by Parent Company to Subsidiary (Note 6) | Provision of Endorsements by Subsidiary to Parent Company (Note 7) | Provision of Endorsements to the Company in Mainland China (Note 7) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | HOWTEH TECHNOLOGY CO., LTD. | GITEH Electronic Industries Co., Ltd. | 4 | $386,717 | $92,115<br>USD 3,000 | $92,115<br>USD 3,000 | $- | $- | 5.95% | $773,435 | Y | - | - |
| 0 | HOWTEH TECHNOLOGY CO., LTD. | HOWTEH Vietnam Co., Ltd. | 4 | 386,717 | 9,212<br>USD 300 | 9,212<br>USD 300 | - | - | 0.60% | 773,435 | Y | - | - |

Note 1: The description of the number column is as follows:

(1) Issuer fill in 0.

(2) Investee companies are numbered sequentially, beginning with the Arabic numeral 1.

Note 2: There are the following seven types of relationships between the endorsement guarantor and the endorsed guarantee object, and the types can be indicated:

(1) There are business dealings between companies.

(2) Companies in which the company directly and indirectly holds more than 50% of the voting shares.

(3) A company in which more than 50% of the voting rights are directly or indirectly held in the company.

(4) A company in which the company directly and indirectly holds more than 90% of the voting shares.

(5) A company that is mutually insured by inter-industry or co-sponsors in accordance with the provisions of the contract.

(6) A company that is endorsed and guaranteed by all contributing shareholders in accordance with their shareholding ratio due to a co-investment relationship.

(7) The performance guarantee of the pre-sale house sales contract is jointly and severally guaranteed in accordance with the Consumer Protection Law.

Note 3: Endorsement guarantee method: The total amount of endorsement guarantee shall not exceed 50% of the company's net value, and the amount of endorsement guarantee for a single enterprise shall not exceed 25% of the company's net value.

Note 4: The maximum amount accumulated up to this month is the highest guaranteed balance of endorsement for the current year.

Note 5: By the end of the year, the company shall bear the endorsement or guarantee liability when the amount of the endorsement guarantee deed or instrument signed by the company to the bank is approved; Other relevant cases with endorsement guarantee should be included in the balance of endorsement guarantee.

Note 6: The actual amount of expenditure is the amount of expenditure under the guaranteed amount of the parent company.

Note 7: Those who are endorsement guarantors of the parent company of the listed stock exchange to the subsidiary, endorsement guarantors of the subsidiaries to the parent company of the listed stock exchange, and endorsement certificates belonging to the mainla

Note 8 The exchange rate is based on the ending exchange rate.

Attached Table 3: Marketable securities held (excluding investment subsidiaries, affiliated enterprises and joint venture control part)

( In Thousands of New Taiwan Dollars)

| Holding Company | Securities Type and Name(Note 1) | Relationship with the Holding Company(Note 2) | Financial Statement Accoun | As of December 31, 2022 | | | | Notes(Note 4) |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares (1,000) | Carrying Value(Note 3) | Percentage of Ownership(%) | Fair Value | |
| HOWTEH TECHNOLOGY CO., LTD. | Financial assets at fair value through other comprehensive | | | | | | | |
| | Tailyn Technologies, Inc. | The Chairman of the company is a director of the Tailyn company | Investments in equity instruments measured at fair value through other comprehensive income - noncurrent | 8,291,475 | $298,908 | 11.05% | $298,908 | No collateral is provided |
| | Feedpool Technology Co.,Ltd. | - | 〃 | 566,030 | - | 2.52% | - | 〃 |
| | | | Total | | $298,908 | | $298,908 | |

Note 1: For the purposes of this table, marketable securities refer to stocks, bonds, beneficiary certificates and securities derived from the above items that fall within the scope of IFRS 9 "Financial Instruments".

Note 2: If the issuer of securities is not a related person, this column is exempted.

Note 3: For fair value measured, please fill in the book balance after adjustment of fair value evaluation and deduction of accumulated impairment in the carrying amount field; For those not measured at fair value, please fill in the carrying amount of the original acquisition cost or amortized cost less the accumulated impairment book balance.

Note 4: The use of marketable securities is restricted because of the provision of guarantees, pledge loans, or other agreements. The number of shares to be guaranteed or pledged, the amount and restricted use should be indicated in the remarks column.

Attached Table 4: Purchase and sale of goods from or to related parties reaching NT$ 100 million or more than 20% of the paid-in capital or more

( In Thousands of New Taiwan Dollars)

| | | | Transaction | | | | transaction terms compared to general transactions and reasons | | Notes/accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/seller | Counter-party | Relationship with the counter-party | Purchases(sales) (Note 1) | Amount | Percentage of total purchases (sales) | Credit term | Unit price (Note 2) | Credit term (Note 2) | Balance | Percentage of total notes/accounts receivable(payable)(%) | Notes |
| HOWTEH TECHNOLOGY CO., LTD. | GITEH Electronic Industries Co., Ltd. | Subsidiary | Sales | $(107,900) | (4.86) | 60days | $- | - | $20,399 | 2.84 | |
| GITEH Electronic Industries Co., Ltd. | HOWTEH TECHNOLOGY CO., LTD. | Subsidiary | Purchases | 107,990 | 19.24 | 60days | - | - | (20,399) | (23.81) | |

Note 1: Written off at the time of preparation of the consolidated financial statements.
Note 2: Comparable to general companies.
Note 3: The ratio of total notes receivable (payable) and accounts receivable (payable) to the individual financial statements of the importing (selling) company.

Attached Table 5:Business relationships and important transactions between parent and subsidiary companies

( In Thousands of New Taiwan Dollars)

| No. (Note 1) | Purchaser/seller | Counter-party | Relationship with the counter-party(Note 2) | Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount (Note 4) | Trading conditions | Ratio to total consolidated revenue or total assets (Note 3) |
| 0 | HOWTEH TECHNOLOGY CO., LTD. | ShangHai HOWTEH International Trading Inc. | 1 | Sales revenue | $39,254 | 120days | 1.43% |
| 0 | 〃 | 〃 | 1 | Accounts receivable | 3,559 | 〃 | 0.14% |
| 0 | 〃 | 〃 | 1 | Purchase | 179 | 月結60天 | 0.01% |
| 0 | 〃 | GITEH Electronic Industries Co., Ltd. | 1 | Sales revenue | 107,900 | 60days | 3.93% |
| 0 | 〃 | 〃 | 1 | Accounts receivable | 20,399 | 〃 | 0.81% |
| 0 | 〃 | 〃 | 1 | Purchase | 99,599 | 〃 | 3.63% |
| 0 | 〃 | 〃 | 1 | Accounts payable | 23,434 | 〃 | 0.93% |
| 0 | 〃 | ShenZhen HOWTEH Technology Co., Ltd. | 1 | Sales revenue | 33,999 | 〃 | 1.24% |
| 0 | 〃 | 〃 | 1 | Accounts receivable | 7,611 | 〃 | 0.30% |
| 1 | GITEH Electronic Industries Co., Ltd. | ShangHai HOWTEH International Trading Inc. | 3 | Sales revenue | 52,591 | 120days | 1.92% |
| 1 | 〃 | 〃 | 3 | Accounts receivable | 6,914 | 〃 | 0.27% |
| 1 | 〃 | 〃 | 3 | Purchase | 4,881 | 60days | 0.18% |
| 1 | 〃 | 〃 | 3 | Accounts payable | 1,749 | 〃 | 0.07% |
| 1 | 〃 | ShenZhen HOWTEH Technology Co., Ltd. | 1 | Sales revenue | 48,584 | 〃 | 1.77% |
| 1 | 〃 | 〃 | 1 | Accounts receivable | 14,725 | 〃 | 0.58% |
| 1 | 〃 | 〃 | 1 | Other payables | 1,696 | 10days | 0.07% |
| 1 | 〃 | 〃 | 1 | Operating expenses | 5,291 | 〃 | 0.19% |
| 1 | 〃 | HOWTEH Vietnam Co., Ltd. | 3 | Sales revenue | 12 | 60days | 0.00% |
| 2 | ShenZhen HOWTEH Technology Co., Ltd. | ShangHai HOWTEH International Trading Inc. | 3 | Sales revenue | 1,488 | 120days | 0.05% |
| 2 | 〃 | 〃 | 3 | Accounts receivable | 126 | 〃 | 0.01% |
| 2 | 〃 | 〃 | 3 | Purchase | 48,831 | 60days | 1.78% |
| 2 | 〃 | 〃 | 3 | Accounts payable | 15,001 | 〃 | 0.60% |
| | 〃 | KunShan HOWTEH International Trading Inc. | 3 | Accounts payable | 12 | 120days | 0.00% |
| 3 | ShangHai HOWTEH International Trading Inc. | KunShan HOWTEH International Trading Inc. | 3 | Sales revenue | 2,105 | 120days | 0.08% |
| 3 | 〃 | 〃 | 3 | Accounts receivable | 8,678 | 〃 | 0.34% |
| 3 | 〃 | 〃 | 3 | Operating expenses | 6,981 | 25days | 0.25% |

Note 1: The description of the number column is as follows:

(1) Issuer fill in 0.

(2) Investee companies are numbered sequentially, beginning with the Arabic numeral 1.

Note 2: There are three types of transaction relationships

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: The transaction amount is calculated using total revenue or total asset ratio. In the case of balance sheet accounts, the ratio of the closing amount to the total assets is used;

In the case of income statement accounts, the ratio of cumulative amounts in the period to total revenue is used.

Note 4: The important transactions in this table shall be listed by the company in accordance with the materiality principle.

Note 5: Eliminated in the consolidated financial statements.

Attached Table 6: Information on the name and location of the invested company (excluding invested companies in Mainland China

( In Thousands of New Taiwan Dollars)

| Investor Company | Investee Company (Note 1、2） | Location | Main Business activities | Initial investment amount | | Held by the company | | | Current gain (loss)(Note 2(2) ) | Investment gain (loss))(Note 2(3)) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending of this period | Ending of last year | Number of shares | Rate% | Carrying amount | | | |
| HOWTEH TECHNOLOGY CO., LTD. | GITEH Electronic Industries Co., Ltd. | Hong Kong | trading of electronic parts | HKD 12,000 | HKD 12,000 | - | 100.00% | $565,762 | $36,390 | $35,891 | |
| HOWTEH TECHNOLOGY CO., LTD. | HOWTEH International Inc. | Samoa | Investment in Shanghai and entrepot trade | USD 1,800 | USD 1,800 | - | 100.00% | 172,740 | (6,585) | (6,560) | |
| HOWTEH International Inc. | HOWTEH Vietnam Co., Ltd. | Vietnam | trading of electronic parts | USD 300 | USD 300 | - | 100.00% | 4,541 | (1,300) | (1,300) | |

Note 1: If a public offering company has a foreign holding company and uses consolidated statements as its main financial statements in accordance with local laws and regulations, the disclosure of information about the foreign invested company may only disclose the relevant information of the holding company.

Note 2: Except for the circumstances described in Note 1, fill in according to the following provisions:

(1) "Investee Company "、"Location"、"Main Business activities"、"Initial investment amount" and "Ending of this period", the reinvestment situation of the (public offering) company and the reinvestment situation of each investee company directly or indirectly controlled should be filled in order, and the relationship between each investee company and the public offering company should be indicated in the remarks column (if it is a subsidiary or grandchild).

(2) "Current gain (loss)", the current profit or loss amount of each investee company should be filled in.

(3) "Investment gain (loss)", only the profit and loss amount of each subsidiary of the public offering company recognized for direct transfer investment and each investee company evaluated by the equity method must be filled in, and the remaining information is exempted. When filling in the "nvestment gain (loss)", it should be confirmed that the current profit and loss amount of each subsidiary already includes the investment profit or loss that should be recognized according to the regulations for its reinvestment.

Note 3: Eliminated in the consolidated financial statements.

Attached Table 7： Information on investments in China

( In Thousands of New Taiwan Dollars)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note 1) | Accumulated amount of remittance from Taiwan at the beginning of current year | Amount of investment remitted or recovered during the current period | | Accumulated amount of remittance from Taiwan at the end of current year | Current profit (loss) of the invested company | Shareholding ratio of the company's investment (direct or indirect) | Investment income (loss) recognized in the current period (Note 2) | Book value of investment at the end of the period | Investment income remitted back to Taiwan as of the current period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted | Recovered | | | | | | |
| ShangHai HOWTEH International Trading Inc. | International trade, entrepot trade, inter-enterprise trade and trade agency in the bonded zone, enterprise agency with import and export operation rights and non-bonded zone enterprises engaged in trade business, commercial simple processing in the bonded | $50,663 (USD 1,650) | (2) HOWTEH International Inc. | $42,987 (USD 1,400) | $- | $- | $42,987 (USD 1,400) | $(5,196) | 100% | $(5,171) (Note 2、(2)、2) | $162,816 (Note 2、(2)、2) | None |
| ShenZhen HOWTEH Technology Co., Ltd. | Chemical products, rubber, plastics, metal products, electronic components, testing instruments, general parts, mechanical equipment, electronic equipment and related accessories, communication equipment and related accessories, electrical and electrical equipment and their spare parts wholesale, commission agency, import and export and related supporting business. Electronic product information consulting, economic information consulting, enterprise management consulting. | 27,503 (HKD 7,000) | (2) GITEH Electronic Industries Co., Ltd. | - | - | - | - | (2,178) | 100% | (2,182) (Note 2、(2)、2) | 79,966 (Note 2、(2)、2) | None |
| KunShan HOWTEH International Trading Inc. | International trade, entrepot trade, trade and trade agency between enterprises in the bonded zone, enterprise agency with import and export operation rights and non-bonded zone enterprises engaged in trade business, commercial simple processing in the bonded zone, business consulting services in the bonded zone, etc. | 9,212 (USD 300) | (1) HOWTEH TECHNOLOGY CO., LTD. | 9,212 (USD 300) | - | - | 9,212 (USD 300) | 275 | 100% | 275 (Note 2、(2)、2) | (7,786) (Note 2、(2)、2) | None |

| Accumulative amount of investment remitted from Taiwan to the mainland at the end of this period | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|---|---|---|
| $52,199 (USD1,700) | $93,664 (USD 1,950) (HKD 8,600) | $928,121 |

Note 1: Investment methods are divided into the following three types:
(1) Direct investment in mainland China.
(2) Reinvesting in the mainland through a third region company (please specify the investment company in the third region).
(3) Other methods.

Note 2: In investment income (loss) recognized in the current period column:
(1) If there is no investment profit or loss in the preparation of the company, it should be indicated.
(2) There are three bases for recognition of investment gains and losses, which should be indicated.
1.The amount recognized was based on the financial statements that were audited by a cooperative relationship with the Republic of China CPA firm.
2.The amount recognized was based on the financial statements that were audited by parent company's CPA firm.
3.Other。
4.The difference between current profit (loss) of the investee and investment income (loss) recognized were unrealized downstream, upstream and sidestream transactions with the subsidiaries during the period.

Note 3: The figures in this table should be presented in New Taiwan Dollars at the following exchange rates:

| Ending exchange rat | Average Exchange Rate : |
|---|---|
| USD=30.705 | USD=30.7075 |
| HKD=3.929 | HKD=3.9335 |
| RMB=4.327 | RMB=4.3675 |

Note 4: Eliminated in the consolidated financial statements.

Attached Table 8：Information on major shareholders

(Unit: one share)

| major shareholders | Holding shares | | | |
|---|---|---|---|---|
| | Number of common shares | Number of special shares | Total number of shares held | Shareholding ratio |
| Hui Hong Investment Co., Ltd. | 5,624,875 | - | 5,624,875 | 8.63% |
| Chen, Kuo-Hung | 5,295,984 | - | 5,295,984 | 8.13% |

Note 1： This table is based on the last business day at the end of each quarter, and the total number of ordinary shares and special shares held by shareholders of the company that have completed the non-physical registration delivery (including treasury shares) reaches more than 5%.The number of shares recorded in the company's financial reports and the number of shares actually completed without physical registration may differ depending on the basis of the preparation and calculation.

Note 2： If the above information belongs to the shareholders who deliver the shares to the trust, they will be revealed in the separate accounts of the settlor who opened a special trust account by the trustee.For insider equity declarations filed by shareholders holding more than 10% of the shares in accordance with the Securities Exchange Act, including shareholding plus shares delivered to the trust and having the right to decide on the use of trust property, please refer to the Public Observation Information Station for the reporting materials.

Note 3： The principle of preparation of this table is to calculate the distribution of credit transaction balances from the register of securities owners (excluding securities lending) that the shareholders' temporary meeting has stopped transferring.

Note 4： Shareholding ratio (%) = total number of shares held by the shareholder / total number of shares that have been delivered without physical registration.

Note 5： The total number of shares (including treasury shares) that have been delivered without physical registration is 65,129,792 shares = 65,129,792 (common shares) + 0 (special shares).

## Independent Auditors' Report Translated from Chinese

To the Board of Directors and Shareholders of **HOWTEH TECHNOLOGY CO., LTD.**

### Opinion

We have audited the accompanying parent company only balance sheets of HOWTEH TECHNOLOGY 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 (together "the parent company only financial statements").

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. Based on our audits, 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 our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

   The Company recognized a net operating revenue of NT$2,222,504 thousand in the year of 2023. Due to the diversity of the Company's products, the sales of domestic and foreign markets, and the different trading conditions, we believe that it is important to decide the performance obligation and the timing of the fulfillment of which. Thus, we conclude that revenue recognition is a key audit matter.

   Our audit procedure include but not limited to, assessing the appropriateness of accounting policies for revenue recognition, understanding and testing the design and implementation of internal controls related to the sales cycle; selecting samples to perform transaction detail tests, inspecting the transaction records and check the important terms in the order or contract, identifying the performance obligation of the order or contract and confirming the time point of satisfaction; performance cut-off tests for a period of time around the end of the year, including obtaining the customer's original order or contract, inspecting the trading conditions and checking the relevant vouchers to verify the correctness of the transaction recognition point and confirming that the performance obligation has been satisfied; performing analytical procedures such as analysis of gross margin fluctuation and sales changes of the top 10 customers, and inspecting the significant sales returns and discounts if any subsequent to the balance sheet date to confirm the reasonableness of the timing of revenue recognition.

   We have also evaluates the appropriateness of the related disclosure in notes 4 and 6 to the parent company only financial statements.

2. Valuation of inventories

   As of December 31, 2023, the Company’s net inventories amounted to NT$172,563 thousand, which accounted for approximately 7% of the total assets, Considering that products technology and market changes has significant impact on inventory turnover and selling prices, that the management's assessment of the net realizable value of inventory is important to the financial statements. Thus, we conclude that inventory valuation is a key audit matter.

   Our audit procedures include, but not limited to, performing analytical procedures such as days of inventory turnover to assess the reasonableness of inventory valuation accounting policies (including provisions for slow-moving and obsolete inventory and net realizable value of inventory); selecting inventory samples from different inventory aging buckets, verifying transaction vouchers and comparing transaction records to confirm the accuracy of inventory aging; selecting samples with large amounts and considering the recent market prices to assess the reasonableness of the net realizable value of the inventory adopted by management.

   We have also evaluates the appropriateness of the related disclosure in notes 4, 5 and 6 to the parent company only financial statements.

**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 are responsible for overseeing the financial reporting process of the Company.

**Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 maintain 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 auditor's 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 auditor's 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsuan-Hsuan Wang

Chih-Ming Chang

Ernst & Young, Taiwan

March 14, 2024

**Notice to Readers**

The accompanying parent company only 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying parent company only financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or 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.

HOWTEH TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in Thousands of New Taiwan Dollars)

| CODE | ASSETS | NOTES | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|---|
| | | | AMOUNT | % | AMOUNT | % |
| | CURRENT ASSETS | | | | | |
| 1100 | Cash and cash equivalents | 4,6,12 | $323,799 | 13 | $568,450 | 20 |
| 1150 | Notes receivable, net | 4,5,6,12 | 414 | - | 1,372 | - |
| 1170 | Accounts receivable, net | 4,5,6,12 | 685,609 | 28 | 740,318 | 26 |
| 1180 | Accounts receivable due from related parties, net | 4,5,6,7,12 | 31,692 | 2 | 32,313 | 1 |
| 1200 | Other receivables | 5,12 | 5 | - | 25 | - |
| 1220 | Current tax assets | 4,5,6 | 2,317 | - | - | - |
| 130x | Current inventories | 4,5,6 | 172,563 | 7 | 285,636 | 10 |
| 1410 | Prepayments | 6 | 5,130 | - | 116,121 | 4 |
| 11xx | Total current assets | | 1,221,529 | 50 | 1,744,235 | 61 |
| | NON-CURRENT ASSETS | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 4,6,12 | 298,908 | 12 | 227,186 | 8 |
| 1550 | Investment accounted for using equity method | 4,6,12 | 730,716 | 30 | 706,810 | 25 |
| 1600 | Property, plant and equipment | 4,6,8 | 103,461 | 5 | 103,874 | 4 |
| 1755 | Right-of-use assets | 4,6 | 8,289 | - | 558 | - |
| 1760 | Investment property, net | 4,5,6,12 | 8,548 | - | 8,660 | - |
| 1780 | Intangible assets | 4,6 | 840 | - | 528 | - |
| 1840 | Deferred tax assets | 4,5,6 | 13,521 | 1 | 13,526 | - |
| 1920 | Guarantee deposits paid | 9,12 | 52,553 | 2 | 50,660 | 2 |
| 1990 | Other non-current assets, others | 4,5,6 | 8,840 | - | 8,498 | - |
| 15xx | Total non-current assets | | 1,225,676 | 50 | 1,120,300 | 39 |
| 1xxx | TOTAL ASSETS | | $2,447,205 | 100 | $2,864,535 | 100 |

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

HOWTEH TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in Thousands of New Taiwan Dollars)

| CODE | LIABILITIES AND EQUITY | NOTES | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|---|
| | | | AMOUNT | % | AMOUNT | % |
| | CURRENT LIABILITIES | | | | | |
| 2100 | Current borrowings | 4,6,8,9,12 | $590,000 | 24 | $903,000 | 32 |
| 2130 | Current contract liabilities | 4,6 | 175 | - | 106,880 | 4 |
| 2170 | Accounts payable | 12 | 192,762 | 8 | 242,225 | 8 |
| 2180 | Accounts payable to related parties | 7,12 | 23,434 | 1 | 30,611 | 1 |
| 2200 | Other payables | 7,12 | 76,240 | 3 | 71,028 | 3 |
| 2230 | Current tax liabilities | 4,5,6 | 725 | - | 40,996 | 1 |
| 2280 | Current lease liabilities | 4,6,12 | 3,922 | - | 565 | - |
| 2399 | Other current liabilities, others | | 1,936 | - | 1,441 | - |
| 21xx | Total current liabilities | | 889,194 | 36 | 1,396,746 | 49 |
| | NON-CURRENT LIABILITIES | | | | | |
| 2570 | Deferred tax liabilities | 4,5,6 | 3,409 | - | 3,267 | - |
| 2580 | Non-current lease liabilities | 4,6,12 | 4,424 | - | - | - |
| 2645 | Guarantee deposits received | 12 | 3,309 | - | 3,309 | - |
| 25xx | Total non-current liabilities | | 11,142 | - | 6,576 | - |
| 2xxx | TOTAL LIABILITIES | | 900,336 | 36 | 1,403,322 | 49 |
| 31xx | EQUITY | | | | | |
| 3100 | Share capital | 6 | | | | |
| 3110 | Common stock | | 651,298 | 28 | 626,248 | 22 |
| 3200 | Capital surplus | 6 | 52,062 | 2 | 52,062 | 2 |
| 3300 | Retained earnings | 6 | | | | |
| 3310 | Legal reserve | | 225,647 | 9 | 204,597 | 7 |
| 3320 | Special reserve | | 3,340 | - | 3,340 | - |
| 3350 | Unappropriated retained earnings | | 400,655 | 16 | 427,121 | 15 |
| 3400 | Other equity interest | 4,6 | 213,867 | 9 | 147,845 | 5 |
| 3xxx | TOTAL EQUITY | | 1,546,869 | 64 | 1,461,213 | 51 |
| | TOTAL LIABILITIES AND EQUITY | | $2,447,205 | 100 | $2,864,535 | 100 |

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

HOWTEH TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

| CODE | ITEMS | NOTES | 2023 AMOUNT | 2023 % | 2022 AMOUNT | 2022 % |
|---|---|---|---|---|---|---|
| 4000 | Operating revenue | 4,6,7 | $2,222,054 | 100 | $2,554,446 | 100 |
| 5000 | Operating costs | 6,7 | (2,014,446) | (91) | (2,306,696) | (90) |
| 5900 | Gross profit | | 207,608 | 9 | 247,750 | 10 |
| 6000 | Operating expenses | | | | | |
| 6100 | Selling expenses | | (79,187) | (3) | (83,704) | (3) |
| 6200 | Administrative expenses | | (56,270) | (2) | (67,194) | (3) |
| 6450 | Reversal of credit loss (expected credit loss) | | 5,483 | - | (11,354) | - |
| | Total operating expenses | 4,5,6,7 | (129,974) | (5) | (162,252) | (6) |
| 6900 | Operating income | | 77,634 | 4 | 85,498 | 4 |
| 7000 | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6 | 6,658 | - | 2,806 | - |
| 7010 | Other income | 4,5,6 | 14,499 | 1 | 18,693 | 1 |
| 7020 | Other gains and losses | 6,12 | 7,669 | - | 113,430 | 4 |
| 7050 | Finance costs | 4,6 | (13,261) | - | (13,297) | (1) |
| 7070 | Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method | 4,6 | 29,606 | 1 | 41,262 | 2 |
| | Total non-operating income and expense | | 45,171 | 2 | 162,894 | 6 |
| 7900 | Income before income tax | | 122,805 | 6 | 248,392 | 10 |
| 7950 | Income tax expense | 4,5,6 | (22,033) | (1) | (39,593) | (2) |
| 8200 | Net income | | 100,772 | 5 | 208,799 | 8 |
| 8300 | Other comprehensive income (loss) | 4,6 | | | | |
| 8310 | Items that will not be reclassified subsequently to profit or loss | | | | | |
| 8311 | Remeasurements of defined benefit plans | | 342 | - | 2,131 | - |
| 8316 | Unrealize gain (loss) on equity instrument at fair value through other comprehensive income | | 71,722 | 3 | 46,846 | 2 |
| 8349 | Income tax expense related to items that will not be reclassified subsequently | | (68) | - | (426) | - |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | | |
| 8381 | Exchange differences arising on translation of foreign operations | | (5,700) | - | 46,103 | 2 |
| | Total other comprehensive income, net of income tax | | 66,296 | 3 | 94,654 | 4 |
| 8500 | Total comprehensive income | | $167,068 | 8 | $303,453 | 12 |
| 9750 | Basic earnings per share (in NTD) | 6 | $1.55 | | $3.21 | |
| 9850 | Diluted earnings per share (in NTD) | 6 | $1.54 | | $3.19 | |

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

HOWTEH TECHNOLOGY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in Thousands of New Taiwan Dollars)

| | | | | Retained Earnings | | | Other Components of equity | | |
|---|---|---|---|---|---|---|---|---|---|
| | Items | Common Stock | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Retained Earnings | Exchange differences arising on translation of foreign operations | Unrealized gains/losses on financial assets at fair value through other comprehensive income | Total equity |
| Code | | 3100 | 3200 | 3310 | 3320 | 3350 | 3410 | 3420 | 3XXX |
| A1 | Balance, January 1, 2022 | $590,800 | $52,062 | $190,269 | $3,340 | $319,565 | $(53,437) | $108,333 | $1,210,932 |
| | Appropriation of 2021 earnings: | | | | | | | | |
| B1 | Legal reserve | - | - | 14,328 | - | (14,328) | - | - | - |
| B5 | Cash dividends | - | - | - | - | (53,172) | - | - | (53,172) |
| B9 | Stock dividends | 35,448 | - | - | - | (35,448) | - | - | - |
| D1 | Net income for the year | - | - | - | - | 208,799 | - | - | 208,799 |
| D3 | Other comprehensive income for the year | - | - | - | - | 1,705 | 46,103 | 46,846 | 94,654 |
| D5 | Total comprehensive income for the year | - | - | - | - | 210,504 | 46,103 | 46,846 | 303,453 |
| Z1 | Balance, December 31, 2022 | $626,248 | $52,062 | $204,597 | $3,340 | $427,121 | $(7,334) | $155,179 | $1,461,213 |
| A1 | Balance, January 1, 2023 | $626,248 | $52,062 | $204,597 | $3,340 | $427,121 | $(7,334) | $155,179 | $1,461,213 |
| | Appropriation of 2022 earnings: | | | | | | | | |
| B1 | Legal reserve | - | - | 21,050 | - | (21,050) | - | - | - |
| B5 | Cash dividends | - | - | - | - | (81,412) | - | - | (81,412) |
| B9 | Stock dividends | 25,050 | - | - | - | (25,050) | - | - | - |
| D1 | Net income for the year | - | - | - | - | 100,772 | - | - | 100,772 |
| D3 | Other comprehensive income (loss) for the year | - | - | - | - | 274 | (5,700) | 71,722 | 66,296 |
| D5 | Total comprehensive income (loss) for the year | - | - | - | - | 101,046 | (5,700) | 71,722 | 167,068 |
| Z1 | Balance, December 31, 2023 | $651,298 | $52,062 | $225,647 | $3,340 | $400,655 | $(13,034) | $226,901 | $1,546,869 |

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

HOWTEH TECHNOLOGY CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in Thousands of New Taiwan Dollars)

| Code | | 2023 | 2022 |
|---|---|---|---|
| AAAA | CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| A10000 | Income before income tax | $122,805 | $248,392 |
| A20000 | Adjustments to reconcile net loss before tax to net | | |
| A20010 | Profit or loss not effecting cash flows: | | |
| A20100 | Depreciation expense | 4,578 | 3,443 |
| A20200 | Amortization expense | 243 | 215 |
| A20300 | Expected credit loss (reversal of credit loss) | (5,483) | 11,354 |
| A20900 | Interest expense | 13,261 | 13,297 |
| A21200 | Interest income | (6,658) | (2,806) |
| A21300 | Dividend income | (9,950) | (7,462) |
| A22400 | Share of loss/profit of subsidiaries, associates and joint ventures accounted for using equity method | (29,606) | (41,262) |
| A30000 | Changes in operating assets and liabilities: | | |
| A31130 | Decrease (increase) in notes receivable | 958 | (1,071) |
| A31150 | Decrease (increase) in accounts receivable | 60,192 | 171,084 |
| A31160 | Decrease (increase) in accounts receivables from related parties | 621 | (8,066) |
| A31180 | Decrease (increase) in other receivables | 20 | 4,383 |
| A31200 | Decrease (increase) in inventories | 113,073 | 130,459 |
| A31230 | Decrease (increase) in prepayments | 110,991 | (33,874) |
| A32125 | Inicrease (dcreasee) in contract liabilities | (106,705) | 12,849 |
| A32150 | Inicrease (dcreasee) in accounts payable | (49,463) | (92,706) |
| A32160 | Inicrease (dcreasee) in accounts payable to related parties | (7,177) | (16,945) |
| A32180 | Inicrease (dcreasee) in other payables | 5,212 | 8,011 |
| A32230 | Inicrease (dcreasee) in other current liabilities | 495 | (237) |
| A33000 | Cash from operating activities | 217,407 | 399,058 |
| A33100 | Interest received | 6,658 | 2,806 |
| A33500 | Income tax paid | (64,542) | (5,042) |
| AAAA | Net cash generated from operating activities | 159,523 | 396,822 |

| Code | | 2023 | 2022 |
|---|---|---|---|
| BBBB | CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| B02700 | Acquisition of property, plant and equipment | (677) | (439) |
| B03700 | Refundable deposits | (1,893) | (4,545) |
| B04500 | Acquisition of intangible assets | (555) | - |
| B07600 | Dividends received | 9,950 | 7,462 |
| BBBB | Net cash generated from investing activities | 6,825 | 2,478 |
| CCCC | CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| C00100 | Increase in short-term loan | 3,142,000 | 4,752,000 |
| C00200 | Decrease in short-term loan | (3,455,000) | (4,879,000) |
| C00500 | Increase in short-term notes and bills payable | 50,000 | 100,000 |
| C00600 | Decrease in short-term notes and bills payable | (50,000) | (130,000) |
| C04020 | Payment of the principal portion of lease liabilities | (3,466) | (2,306) |
| C04500 | Cash dividends paid | (81,412) | (53,172) |
| C05600 | Interest paid | (13,121) | (13,276) |
| CCCC | Net cash used in by financing activities | (410,999) | (225,754) |
| DDDD | Effect of exchange rate changes on cash and cash equivalents | - | - |
| EEEE | Net (decrease) increase in cash and cash equivalents | (244,651) | 173,546 |
| E00100 | Cash and cash equivalents at beginning of period | 568,450 | 394,904 |
| E00200 | Cash and cash equivalents at end of period | $323,799 | $568,450 |

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

HOWTEH TECHNOLOGY CO., LTD
NOTES TO PARENT COMPANY ONLY FAINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. History and organization

Howteh Technology Co., Ltd. (referred to "the Company") which was formally known as Howteh Enterprise Co., Ltd, has applied to change its name to Howteh Technology Co., Ltd. In December 28, 2000, and was incorporated in September 23, 1978. The Company is engaged mainly in trading and agency business in passive electronic components, active electronic components, integrated circuit carrier board equipment, chemicals and raw materials, semiconductors and optical equipment. The Company's common shares were publicly listed on the Taipei Exchange (TPEX) on March 25, 2004. The Company's registered office and the main business location is at 6F, No. 25, Section 1, Dunhua South Road, Taipei City, Republic of China (R.O.C.).

2. The authorization of financial statements

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

3. Application of New Standards, Amendments 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 1 January 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, but not yet adopted by the Company as at the end of the reporting period are listed below.

| | 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 | Leases 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 | 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) Leases 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 month after the reporting period do not affect the classification of debts 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 abovementioned 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 Company assesses all 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.

| | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|---|---|---|
| a | Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 | 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 company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a company 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 2022. 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 , 2022); 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 – from annual reporting periods beginning on or after January 1, 2023.

(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 abovementioned 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 Group assesses all standards and interpretations have no material impact on the Group.

4. Summary of significant account policies

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2023 and 2022 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

The parent company only 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 presented in thousands of New Taiwan Dollars ("NT$") unless otherwise specified.

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in New Taiwan Dollar, which is the parent company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange. Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items 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 from the settlement or translation of 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

Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The assets and liabilities of foreign operations are translated into New Taiwan dollars at the closing rate of exchange prevailing at the balance sheet 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 under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

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 NCIs in that foreign operation, instead of recognized in profit or loss. In partial disposal of an associate or jointly controlled entity 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.

Goodwill generated due to acquisition of foreign operation by the company and fair value adjustments made towards the carrying value of foreign operations' assets and liabilities, are regarded as the assets and liabilities which belongs to the foreign operation and is reported in its own 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 investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than one year from the date of acquisition).

(7) Financial instruments

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

The Company determines the classification of its financial assets at initial recognition. In accordance with IFRS 9 and the Regulations, financial assets of the Company are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost and notes, accounts and other receivables. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

(A) Financial assets: Recognition and Measurement

Purchase or sale of financial assets is recognized using trade date accounting.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(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 note 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 instrument 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 are 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 balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

(B) Impairment of financial assets

The Company is recognized 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 statement of financial position.

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 follow:

(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 for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition 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 been 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 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) 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.

(9) Inventories

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

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

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.

(10) Investments accounted for under the equity method / subsidiaries and associates

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IFRS 10 "Consolidated Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

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. Joint venture means that the Company has a right to the net assets of the joint agreement (with joint controllers).

Under the equity method, the investment in the associate or 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 pro rata 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.

(11) Property, plant and equipment

Property, plant and equipment are 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 | 60 years |
| Office equipment | 3 years |
| Right-of-use asset | 2～3 years |
| Other equipment | 3 years |

An item of property, plant and equipment or 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 asset’s residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(12) 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 Company 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 | 60 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 transfers properties to or from investment properties according to the actual use of the properties.

The Company transfers to or from investment properties when there is a change in use for these 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.

(13) 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 standalone 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, maximizing the use of observable information.

<u>Company as a lessee</u>

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 implicit interest rate 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 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.

<u>Company as a lessor</u>

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.

(14) 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, not meeting the recognition criteria, 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 are 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 are 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.

<u>Computer software</u>

The cost of computer software is amortized on a straight-line basis over the estimated useful life (5 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 |

(15) 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 group 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.

(16) Revenue recognition

The Company's revenue arising from contracts with customers mainly includes sale of goods. The accounting policies for the Company's types of revenue are explained as follow:

Sale of goods

The Company sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is electronic components and equipments and revenue is recognized based on the consideration stated in the contract or the order.

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 30 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 received part of the consideration before transferring the goods to customers. Therefore, the Company has to undertake the obligation of transferring the goods afterwards, these contracts should be presented as contract liabilities.

(17) 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.

(18) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to pension plans that are 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 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 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. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

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.

(19) 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.

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 and, at the time of

the transaction, affects neither the accounting profit nor taxable profit or loss;

(B) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, 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 and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

(B) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed 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 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 relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized according.

Deferred tax assets and 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.

Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules” introduce a temporary exception to the requirements in IAS 12 by stipulating that the Company should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

5. Significant accounting Judgments estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgments, 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 assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities 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 consolidated 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.

(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) 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.

(B) Inventory valuation

As inventories are valued at the lower of cost and net realization value, the Company must use judgment and estimation to determine the net realization value of inventory at the balance sheet date. Due to rapid technological change, the Company evaluates the amount of inventory at the balance sheet date due to normal wear and tear, obsolescence or no market value and writes the cost of inventory to net realized value. This inventory evaluation is mainly based on the estimated product demand for a specific period in the future and is subject to material changes.

(C) 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. The detailed illustrations of assumptions used to determine the cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans, are further explained in Note 6.

(D) 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.

6. Contents of significant accounts

(1) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash on hand and petty cash | $110 | $255 |
| Demand deposits | 323,689 | 568,195 |
| Total | $323,799 | $568,450 |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Equity instrument investments measured at fair value through other comprehensive income – non-current: | | |
| Listed companies' stocks | $298,908 | $227,186 |

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

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the periods ended 31 December 2023 and 2022 are as follow:

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Dividend income related to investments held at the end of the reporting period | $9,950 | $7,462 |

(3) Notes receivables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Notes receivables arising from operating activities | $414 | $1,372 |
| Less: loss allowance | - | - |
| Total | $414 | $1,372 |

Notes receivables were not pledged.

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.

(4) Accounts receivable-related parties

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts Receivables | $699,895 | $760,087 |
| Less: loss allowance | (14,286) | (19,769) |
| Net of allowances | 685,609 | 740,318 |
| Accounts Receivables-related parties | 31,692 | 32,313 |
| Less: loss allowance | - | - |
| Net of allowances | 31,692 | 32,313 |
| Total | $717,301 | $772,631 |

Accounts receivables were not pledged.

Accounts receivable are generally on 30 to120 days terms. The total carrying amount as of 31 December 2023 and 31 December 2022 were NT$731,587 thousand and NT$792,400 thousand, respectively. Please refer to Note 6(15) for more details on loss allowance of Accounts receivables for the periods ended 31 December 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(5) Inventories

(A) Net of inventories include:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Merchandise | $172,563 | $285,636 |

(B) Operating costs details recognized by the Company: :

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Cost of inventory sold | $2,026,307 | $2,284,451 |
| (Gain) loss on inventory valuation | (13,504) | 17,315 |
| Others | 1,644 | 4,930 |
| Total | $2,014,447 | $2,306,696 |

For the year ended December 31, 2023, disposal of excess inventory resulted in gains from price recovery of inventory.

(C) The insurance amounts for the inventories were NT$49,149 thousand and NT$59,382 thousand as of December 31, 2023 and 2022, respectively.

(D) No inventories were pledged.

(6) Prepayment

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Payment in advance | $1,666 | $112,299 |
| Other | 3,464 | 3,822 |
| Total | $5,130 | $116,121 |

(7) Investments accounted for under the equity

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Investee companies | Amount | Percentage of Ownership (%) | Amount | Percentage of Ownership (%) |
| Investments in subsidiaries: | | | | |
| GITEH Electronic Industries Co.,Ltd. | $565,762 | 100% | $532,456 | 100% |
| HOWTEH INTERNATIONAL INC. | 172,740 | 100% | 182,563 | 100% |
| KunShan HOWTEH International Trading Inc. | (7,786) | 100% | (8,209) | 100% |
| Total | $730,716 | | $706,810 | |

Investments in subsidiaries were present in the parent-company-only financial statements under the caption of investments accounted for under equity method or credit for investment accounted for the equity method. Valuation adjustment is made if deemed necessary

The Company's investments accounted for under the equity method were not pledged.

(8) Property, plant and equipment

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Owner occupied property, plant and equipment | $103,461 | $103,874 |

| | Land | Buildings | Office equipment | Transportation equipment | Other Equipment |
|---|---|---|---|---|---|
| Cost： | | | | | |
| As at January 1, 2023 | $89,203 | $22,220 | $2,047 | $94 | $113,564 |
| Additions | - | - | 677 | - | 677 |
| Disposals | - | - | (287) | - | (287) |
| As at December 1, 2023 | $89,203 | $22,220 | $2,437 | $94 | $113,954 |
| As at January 1, 2022 | $89,203 | $22,220 | $2,175 | $- | $113,598 |
| Additions | - | - | 345 | 94 | 439 |
| Disposals | - | - | (473) | - | (473) |
| As at December 1, 2022 | $89,203 | $22,220 | $2,047 | $94 | $113,564 |
| | | | | | |
| Depreciation and impairment： | | | | | |
| As at January 1, 2023 | $- | $8,585 | $1,095 | $10 | $9,690 |
| Depreciation | - | 365 | 693 | 32 | 1,090 |
| Disposals | - | - | (287) | - | (287) |
| As at December 1, 2023 | $- | $8,950 | $1,095 | $42 | $10,493 |
| As at January 1, 2022 | $- | $8,220 | $879 | $- | $9,099 |
| Depreciation | - | 365 | 689 | 10 | 1,064 |
| Disposals | - | - | (473) | - | (473) |
| As at December 1, 2022 | $- | $8,585 | $1,095 | $10 | $9,690 |
| | | | | | |
| Net carrying amount as at: | | | | | |
| December 31, 2023 | $89,203 | $13,270 | $936 | $52 | $103,461 |
| December 31, 2022 | $89,203 | $13,635 | $952 | $84 | $103,874 |

The major components of the Company is the main building which is depreciated over 60 years.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(9) Investment property

The Company's investment properties include owned investment properties. The Company has entered into commercial property leases on its owned investment properties with terms of between 7 and 8 years. These leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

| | Land | Buildings | Total |
|---|---|---|---|
| Cost： | | | |
| As at January 1, 2023 | $6,816 | $4,249 | $11,065 |
| Additions from subsequent expenditure | - | - | - |
| As at December 31, 2023 | $6,816 | $4,249 | $11,065 |
| As at January 1, 2022 | $6,816 | $4,249 | $11,065 |
| Additions from subsequent expenditure | - | - | - |
| As at December 31, 2022 | $6,816 | $4,249 | $11,065 |
| | | | |
| Depreciation and impairment： | | | |
| As at January 1, 2023 | $- | $2,405 | $2,405 |
| Depreciation | - | 112 | 112 |
| As at December 31, 2023 | $- | $2,517 | $2,517 |
| As at January 1, 2022 | $- | $2,293 | $2,293 |
| Depreciation | - | 112 | 112 |
| As at December 31, 2022 | $- | $2,405 | $2,405 |
| | | | |
| Net carrying amount as at： | | | |
| December 31, 2023 | $6,816 | $1,732 | $8,548 |
| December 31, 2022 | $6,816 | $1,844 | $8,660 |

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Rental income from investment property | $1,996 | $1,996 |
| Less: Direct operating expenses from investment property generating rental income | (149) | (150) |
| Total | $1,847 | $1,846 |

On March 28, 2019 the Board of Directors resolves that in order to enhance working capital, it intends to sell the investment properties in Yucheng section of Nangang, and is currently in search of a buyer. The Company will comply with the regulations governing the acquisition and disposal of assets and authorizes the Chairman to follow-up on the related matters.

No investment property was pledged.

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.

Investment properties held by the Company are mainly located at Zhongshan area and Nangang area in Taipei city. The fair value of investment properties was NT$151,445 thousand upon the valuation performed by an independent appraiser in the first quarter of 2013. The valuation methods used are Comparative approach and Income capitalization rate approach and Comparative approach and Land development analysis approach. By considering the nature of the subject property, condition of use, development scope and the credibility of the baseline data, the price per square feet is estimated using the weighted amount calculated by one of the two methods listed per below:

(A) 60% Comparative approach + 40% Income capitalization rate approach
(B) 40% Comparative approach + 60% Land development analysis approach.

Calculations used within the valuation methods:

(A) The main evaluation parameter used for the comparative approach is calculated by investigating and estimating the cases nearby the subject property.
(B) The main parameter of the income capitalization rate approach is to calculate the price per square feet based on the annual lease amount according to the market survey, and then calculate the price per square feet based on the income capitalization rate of 1.85%.
(C) As for the land development analysis approach, it is to evaluate the reasonable acquisition price of the development land.

Considering that the capitalization rate of income from the domestic real estate market in the most recent year is comparable to the valuation date mentioned above, the Company therefore refers to the valuation results and the above-mentioned recent real estate market as the fair value of the investment real estate on the cut-off date of each financial report.

The Company conducted the estimation of of the investment property on December 31, 2023 and December 31, 2022, respectively. The estimation results were obtained by using the actual transaction price of each year and the market transaction price of similar properties in the vicinity of the relevant assets (including the Real Price Enquiry Service Network of Real Estate Transactions of the Ministry of the Interior and the Real Price Inquiry Service Website of Housing Arbitration Industry).The estimation was equivalent to the valuation results mentioned above.

(10) Intangible assets

| | Cost of Computer Software |
|---|---|
| Cost： | |
| As at January 1, 2023 | $1,078 |
| Additions | 555 |
| Disposals | - |
| As at December 31, 2023 | $1,633 |
| As at January 1, 2022 | $1,078 |
| Additions | - |
| Disposals | - |
| As at December 31, 2022 | $1,078 |
| | |
| Amortization and impairment： | |
| As at January 1, 2023 | $550 |
| Amortization | 243 |
| Disposals | - |
| As at December 31, 2023 | $793 |
| As at January 1, 2022 | $335 |
| Amortization | 215 |
| Disposals | - |
| As at December 31, 2022 | $550 |
| | |
| Net carrying amount as at： | |
| As at December 31, 2023 | $840 |
| As at December 31, 2022 | $528 |

Amortization expense of intangible assets under the statement of comprehensive income:

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Selling expense | $134 | $118 |
| Administrative expense | 109 | 97 |
| Total | $243 | $215 |

(11) Short-term borrowings

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Unsecured bank loans | $446,000 | $759,000 |
| Secured bank loans | 144,000 | 144,000 |
| Total | $590,000 | $903,000 |

The Company's annual interest rates for unsecured bank loans are 1.800%~1.982% and 1.51%~1.975%, as at December 31, 2023, and December 31, 2022, respectively.

The Company's annual interest rate for secured bank loans are 1.710% and 1.655%, as at December 31, 2023, and December 31, 2022, respectively.

The Company's unused short-term lines of credits amount to NT$1,111,410 thousand, and NT$828,420 thousand, as at December 31, 2023, and December 31, 2022, respectively.

Part of property, plant and equipment provides guarantee for secured bank loans. Please refer to Note 8 for more details of pledge situations.

(12) Post-employment benefits

Defined contribution plan

The labor pension regulations of the Company were established according to the Enforcement rules of the labor pension act and is recognized as defined contribution plan. The monthly contribution rate of the labor pension borne by the Company shall not be less than 6% of the employee's monthly salary. By following the labor pension regulations which was established in accordance with the Enforcement rules of the labor pension act, the Company has allocated 6% of the employee's salary to the individual pension account of the Labor Insurance Board monthly.

Expenses under the defined contribution plan for the years ended December 31, 2023 and

2022 were NT$2,627 thousand and NT$2,665 thousand, respectively.

Defined benefits plan

The defined benefit plan of the Company's Employee Retirement Plan is regulated according to the Labor Standards Act. 2. Retirement benefits are based on such factors as the employee's length of service and final pensionable salary. In accordance with the Act, 2 bases are given for each full year on the first 15 years of service and 1 base is given for each full year after 15 years of service. The total bases given shall not exceed 45. Under the retirement plan, the Company contributes monthly an amount equal to 2% of gross salary to the pension reserve fund, which is deposited into a designated depository account with the Bank of Taiwan. At the end of each year, if the balance in the designated labor pension reserve funds is inadequate to cover the benefit estimated to be paid in the following year, the Company should make up the difference in 1 appropriation before the end of March in the following year.

Safeguard and Utilization of the Labor Retirement Fund is regulated by the Ministry of Labor. Investment of the fund is made by outsourcing and self-management. A long-term investment strategy is adopted with both initiative and passive approach. Considering market risk, creditability and liquidity etc., the Ministry of labor has set limit for fund risk and risk management plan so that the target rate of return can be reached without excess exposure to risk. Because the Company is not authorized to manage the Fund, it cannot disclose the classification of the fair value of the plan asset according to IAS 19. As of December 31, 2022, the amount of contribution expected to be made in the following accounting year was NT$60 thousand.

As of December 31, 2023 and 2022, the Company's definite benefit plans are expected to expire in the year ended 2032.

Pension costs recognized in profit or loss for the years ended December 31, 2023 and 2022:

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current period service costs | $- | $210 |
| Net Interest of Net defined benefit | (66) | (21) |
| Settlements from the plan | (66) | 189 |
| Unadjusted amount on account | 126 | (129) |
| Total pension costs recognized in profit or loss | $60 | $60 |

Reconciliation of present value of defined benefit obligation and fair value of plan assets are as follows:

| | December 31, 2023 | December 31, 2022 | January 1, 2023 |
|---|---|---|---|
| Present value of defined benefit obligation | $15,664 | $15,726 | $16,118 |
| Fair value of plan assets | (20,859) | (20,453) | (18,843) |
| Funding circumstance | (5,195) | (4,727) | (2,725) |
| Unadjusted amount on account | 797 | 671 | 800 |
| Other non-current assets, other – Net defined benefit liability (asset) on the consolidated balance sheets | $(4,398) | $(4,056) | $(1,925) |

Reconciliation of liability (asset) of the defined benefit plan is as follows:

| | Defined benefit obligation | Fair value of plan assets | Benefit liability (asset) |
|---|---|---|---|
| As at January 1, 2022 | $16,118 | $(18,843) | $(2,725) |
| Current period service costs | 210 | - | 210 |
| Interest expense (income) | 121 | (142) | (21) |
| Subtotal | 16,449 | (18,985) | (2,536) |
| 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 | (609) | (1,408) | (2,017) |
| Experience adjustments | (114) | - | (114) |
| Subtotal | 15,726 | (20,453) | (4,667) |
| Contributions by employer | - | (60) | (60) |
| As at December 31, 2022 | 15,726 | (20,393) | (4,793) |
| | | | |
| Current period service costs | - | - | - |
| Interest expense (income) | 220 | (286) | (66) |
| Subtotal | 15,946 | (20,739) | (4,793) |
| 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 | 90 | (60) | 30 |
| Experience adjustments | (372) | - | (372) |
| Subtotal | 15,664 | (20,799) | (5,135) |
| Contributions by employer | - | (60) | (60) |
| As at December 31, 2023 | $15,664 | $(20,859) | $(5,195) |

The following main actuarial assumptions are used to determine the present value of the defined benefit obligation:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | 1.300% | 1.400% |
| Expected salary growth rate | 1.375% | 1.375% |

A sensitivity analysis for significant assumption as at December 31, 2023 and 2022 is, as shown below:

| | For the year ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Increase of defined benefit obligation | Decrease of defined benefit obligation | Increase of defined benefit obligation | Decrease of defined benefit obligation |
| Discount rate increase by 0.25% | $- | $230 | $- | $240 |
| Discount rate decrease by 0.25% | 236 | - | 247 | - |
| Expected salary increase by 0.25% | 232 | - | 242 | - |
| Expected salary decrease by 0.25% | - | 227 | - | 236 |

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 and issued capital were NT$800,000 thousand, and NT$590,800 thousand, as at December 31, 2021, respectively, each at a par value of NT$10. The Company has issued 59,080 thousands of common shares as at December 31, 2021, each share has one voting right and a right to receive dividends.

On June 24, 2022, the meeting of shareholders resolved to issue new shares by distributing the stock dividends for 3,545 thousand shares, at a par of NT$10 per share, with an amount of 35,448 thousand. This regards was approved and effective on July 28, 2022 by the Financial Supervision Commission Securities and Futures Bureau. The relevant statutory registration procedures have been completed and the reference date was August 21, 2022.

The Company's authorized and issued capital were NT$800,000 thousand, and NT$626,248 thousand, as of December 31, 2022, respectively, each at a par value of NT$10. The Company has issued 62,625 thousands of common shares as of December 31, 2022, each share has one voting right and a right to receive dividends.

On June 19, 2023, the meeting of shareholders resolved to issue new shares by distributing the stock dividends for 2,505 thousand shares, at a par of NT$10 per share, with an amount of 25,050 thousand. This regards was approved and effective on July 13, 2023 by the Financial Supervision Commission Securities and Futures Bureau. The relevant statutory registration procedures have been completed and the reference date was August 7, 2023.

The Company's authorized and issued capital were NT$800,000 thousand, and NT$651,298 thousand, as of December 31, 2023, respectively, each at a par value of NT$10. The Company has issued 65,130 thousands of common shares as of December 31, 2023, each share has one voting right and a right to receive dividends.

(B) Capital surplus

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Additional paid-in capital | $45,647 | $45,647 |
| Gain on disposal of assets | 834 | 834 |
| Employee stock option | 5,581 | 5,581 |
| Total | $52,062 | $52,062 |

According to the Company Act, the capital surplus shall not be used except for offsetting the deficit of the company. When a company has no accumulated deficit, it may distribute the capital surplus 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 (contribution of at least 30% should be made for the Unappropriated retained earnings portions) and resolved in the shareholders' meeting. For cash dividends issued, the amount should be at least 20% but not above 100% of the shareholders' bonus, after deducting the cash dividends the remaining amount should be issued as stock dividends.

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 offset the deficit of the Company. When the Company has no accumulated deficit, 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.

According to existing regulations, when the Company distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, 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 in the first-time adoption of the 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.

On March 31, 2021, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution. The amount for Special reserve appropriated as of 31 December 2023 and 2022 are both NT$3,340 thousand.

Details of the 2023 and 2022 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on March 14, 2024 and June 19, 2023, respectively, are as follows:

| | Appropriation of earnings | | Dividend per share (NT$) | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Legal reserve | $10,104 | $21,050 | | |
| Common stock -cash dividend | 78,156 | 81,412 | $1.2 | $1.3 |
| Common stock-stock dividend | - | 25,050 | - | 0.4 |
| Total | $88,260 | $127,512 | | |

Please refer to Note 6(17) for details on employees' compensation and remuneration to directors and supervisors.

(14) Operating revenue

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Revenue from contracts with customers | | |
| Sale of goods | $2,217,325 | $2,548,765 |
| Revenue arising from rendering of services | 4,729 | 5,681 |
| Total | $2,222,504 | $2,554,446 |

Analysis of revenue from contracts with customers during the 2023 and 2022 are as follows:

(A) Disaggregation of revenue

| | Taiwan Dept. | |
|---|---|---|
| | 2023 | 2022 |
| Sale of goods | $2,217,325 | $2,548,765 |
| Rendering of services | 4,729 | 5,681 |
| Total | $2,222,504 | $2,554,446 |
| Timing of revenue recognition: | | |
| At a point in time | $2,222,504 | $2,554,446 |

(B) Contract balances

Contract liabilities – current

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|---|---|---|---|
| Sales of goods | $175 | $106,880 | $94,031 |

The significant changes in the Company's balances of contract liabilities for 2023 and 2022 are as follows:

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| The opening balance transferred to revenue | $(106,880) | $(94,031) |
| Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period) | 175 | 106,880 |

(15) Expected credit losses (reversal of credit loss)

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Operating expenses – (reversal of credit loss) expected credit losses | | |
| Accounts receivable | $(5,483) | $11,354 |

Please refer to Note 12 for more details on credit risk.

The Company measures the Companying of accounts receivable loss allowance by using lifetime expected credit losses, details of period ended December 31, 2023 and 2022 are as follow:

As at December 31, 2023

| | Overdue | | | | | |
|---|---|---|---|---|---|---|
| | <=90 days | 91-120 days | 121-150 days | 151-180 days | >=181 days | Total |
| Notes receivable | $414 | $- | $- | $- | $- | $414 |
| Accounts receivable | 467,814 | 162,741 | 92,490 | 4,718 | 3,824 | 731,587 |
| Carrying amount | $468,228 | $162,741 | $92,490 | $4,718 | $3,824 | $732,001 |
| Loss rate | 0% | 0~2% | 0~7% | 0~27% | 0~100% | |
| Lifetime expected credit losses | - | (3,235) | (6,198) | (1,121) | (3,732) | (14,286) |
| Total | $468,228 | $159,506 | $86,292 | $3,597 | $92 | $717,715 |

As at December 31, 2022

| | Overdue | | | | | |
|---|---|---|---|---|---|---|
| | <=90 days | 91-120 days | 121-150 days | 151-180 days | >=181 days | Total |
| Notes receivable | $1,372 | $- | $- | $- | $- | $1,372 |
| Accounts receivable | 519,570 | 168,233 | 90,496 | 3,516 | 10,585 | 792,400 |
| Carrying amount | $520,942 | $168,233 | $90,496 | $3,516 | $10,585 | $793,772 |
| Loss rate | 0~1% | 0~2% | 0~7% | 0~27% | 0~100% | |
| Lifetime expected credit losses | - | (3,140) | (5,560) | (651) | (10,418) | (19,769) |
| Total | $520,942 | $165,093 | $84,936 | $2,865 | $167 | $774,003 |

The movement in the provision for impairment of notes receivable and accounts receivable during the periods ended December 31, 2023 and 2022 are as follows:

| | Notes receivable | Accounts receivable | Total |
|---|---|---|---|
| Bal. as at January 1, 2023 | $- | $19,769 | $19,769 |
| Addition/(reversal) for the current period | - | (5,483) | (5,483) |
| Bal. as at December 31, 2023 | $- | $14,286 | $14,286 |
| Bal. as at January 1, 2022 | $- | $8,415 | $8,415 |
| Addition/(reversal) for the current period | - | 11,354 | 11,354 |
| Bal. as at December 31, 2022 | $- | $19,769 | $19,769 |

(16) Leases

(A) Company as a lessee

The Company leases various properties, including properties such as land and buildings and transportation equipment. The lease terms range from 2 to 3 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

(a) Amounts recognized in the balance sheet

(I) Right-of-use assets

The carrying amount of right-of-use assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Buildings | $4,561 | $558 |
| Transportation equipment | 3,728 | - |
| | $8,289 | $558 |

During the years ended December 31, 2023 and 2022, the Company's additions to right-of-use assets amounting to NT$11,107 thousand and NT$0 thousand, respectively.

(II) Lease liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Lease liabilities | $8,346 | $565 |
| | | |
| Current | $3,922 | $565 |
| Non-current | $4,424 | $- |

Please refer to Note 18(4)(D) for the interest on lease liabilities recognized during 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 year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Buildings | $2,329 | $2,267 |
| Transportation equipment | 1,047 | - |
| | $3,376 | $2,267 |

(c) Income and costs relating to leasing activities

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| The expenses relating to short-term leases | $2,753 | $2,666 |

(d) Cash outflow relating to leasing activities

During the years ended December 31, 2023 and 2022, the Company's total cash outflows for leases amounting to NT$6,220 thousand and NT$4,972 thousand, respectively.

(e) Other information relating to leasing activities

(I) Variable lease payments

Some of the Company's printer rental agreements contain variable payment terms that are linked to certain percentages of the usage amount generated from the leased printer, which is very common in the industry of the Company.

As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities.

(II) Extension and termination options

Some of the Company's 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 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 year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Lease income for operating leases | | |
| Income relating to fixed lease payments and variable lease payments that depend on an index or a rate | $1,996 | $1,996 |

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 at December 31, 2023 and 2022 are as follow:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Not later than one year | $1,996 | $1,996 |
| Later than one year but not later than two years | 1,996 | 1,996 |
| Later than two years but not later than three years | 998 | 1,996 |
| Later than three years but not later than four years | - | 1,163 |
| Later than four years but not later than five years | - | - |
| Total | $4,990 | $7,151 |

(17) The employee benefits, depreciation and amortization expenses are summarized as follows:

| Capability / Nature | For the years ended December 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | | 2022 | | | |
| | Operating costs | Operating expenses | Non-operating loss and expenses | Total | Operating costs | Operating expenses | Non-operating loss and expenses | Total |
| Employee benefits expense | | | | | | | | |
| Salaries | $- | $68,946 | $- | $68,946 | $- | $86,103 | $- | $86,103 |
| Labor and health insurance | - | 5,762 | - | 5,762 | - | 6,058 | - | 6,058 |
| Pension | - | 2,687 | - | 2,687 | - | 2,725 | - | 2,725 |
| Remuneration to directors | - | 10,195 | - | 10,195 | - | 9,536 | - | 9,536 |
| Other employee benefits expense | - | 4,613 | - | 4,613 | - | 4,864 | - | 4,864 |
| Depreciation | - | 4,578 | - | 4,578 | - | 3,443 | - | 3,443 |
| Amortization | - | 243 | - | 243 | - | 215 | - | 215 |

As at December 31, 2023 and 2022, the number of employees of the Company was 70 and 72 respectively. Among the Company’s directors, there were 5 and 5, respectively, who were not the employees, as of December 31, 2023 and 2022. The average annual employee welfare expenses were NT$1,489 thousand and NT$1,172 thousand respectively. The average annual salary expenses of employees were NT$985 thousand and NT$1,285 thousand respectively. Employee salary and expense adjustments changed by (23%).

The policy on remuneration of directors, supervisors and managers of the Company is submitted to the Remuneration Committee for consideration in accordance with the provisions of the "Regulations for the Establishment and Exercise of Powers of the Remuneration Committee of Companies Listed on Stocks or Traded at the Business Premises of Securities Dealers". The manager's remuneration policy is mainly determined by reference to personal experience, performance, contribution to the company, future potential and business performance of the company; The remuneration policy for employees, directors and supervisors is for the year in which the company has a surplus and is handled in accordance with the articles of association. Employee remuneration includes principal salary, various allowances, job additions, overtime pay and various bonuses. The salary shall be based on his academic experience, professional skills and the value of the position held, and shall be assessed taking into account the salary level of the same industry; The bonus is based on the company's annual operating surplus and the achievement of the goals set by departments and individuals. In 2022, the supervisors' remuneration was NT$1,075 thousand, and the Company set up an audit committee on July 22, 2022. There was no supervisors' remuneration in the 2023.

According to the Articles of Incorporation, the Company shall allocate no less than 3% of profit as employees’ compensation and no more than 3% of profit as directors’ compensation for each profitable fiscal year. However, the company's accumulated losses shall have been offsetted. 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, distribute the aforementioned 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 year ended December 31, 2023, the Company recognized the amounts of the employees’ compensation and remuneration to directors and supervisors for the year ended December 31, 2023 amounted to NT$4,000 thousand and NT$3,000 thousand, respectively. If the Board of Directors resolved to distribute employees’ compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price one day earlier than the date of resolution. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors are recognized in profit or loss of the subsequent year.

On March 14, 2024 the Board of Directors resolved to issue the Company's distribution of employees' compensation and remuneration to directors and supervisors of 2023 at the amount of NT$4,000 thousand and NT$3,000 thousand, respectively.

On March 22, 2023 the Board of Directors resolved to issue the Company's distribution of employees' compensation and remuneration to directors and supervisors of 2022 at the amount of NT$8,000 thousand and NT$3,000 thousand, 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, 2022.

(18) Non-operating income and expenses

(A) Interest income

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Interest income | | |
| Financial assets measured at amortized cost | $6,658 | $2,806 |

(B) Other income

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Rental income | $2,006 | $2,006 |
| Dividend income | 9,950 | 7,462 |
| Compensation income | 117 | 8,190 |
| Other income- Other | 2,426 | 1,035 |
| Total | $14,499 | $18,693 |

(C) Other gains and losses

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Foreign exchange gains, net | $7,676 | $113,485 |
| Other losses- Other | (7) | (55) |
| Total | $7,669 | $113,430 |

(D) Finance costs

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Interests on borrowings from bank | $(13,121) | $(13,276) |
| Interests on lease liabilities | (140) | (21) |
| Total | $(13,261) | $(13,297) |

(19) Components of other comprehensive income

Period 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 | $342 | $- | $342 | $(68) | $274 |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | 71,722 | - | 71,722 | - | 71,722 |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | (5,700) | - | (5,700) | - | (5,700) |
| Total | $66,364 | $- | $66,364 | $(68) | $66,296 |

Period 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 | $2,131 | $- | $2,131 | $(426) | $1,705 |
| Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income | 46,846 | - | 46,846 | - | 46,846 |
| To be reclassified to profit or loss in subsequent periods: | | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | 46,103 | - | 46,103 | - | 46,103 |
| Total | $95,080 | $- | $95,080 | $(426) | $94,654 |

(20) Income tax

The major components of income tax expense (income) for the years ended March 31, 2023 and 2022 are as follows:

Income tax expense (income) recognized in profit or loss

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current income tax expense (income): | | |
| Current income tax charge | $20,626 | $46,083 |
| Adjustments in respect of current income tax of prior periods | 1,328 | (2,330) |
| Deferred tax expense (income): | | |
| Deferred tax expense (income) relating to origination and reversal of temporary differences | 79 | (4,160) |
| Total | $22,033 | $39,593 |

Income tax relating to components of other comprehensive income

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Deferred tax expense (income): | | |
| Remeasurements of defined benefit plans | $68 | $426 |
| Income tax relating to components of other comprehensive income | $68 | $426 |

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Accounting profit (loss) before tax from continuing operations | $122,805 | $248,392 |
| Tax at the domestic rates applicable to profits in the country concerned | $24,561 | $49,678 |
| Tax effect of revenues exempt from taxation | (8,006) | (9,772) |
| Corporate income surtax on undistributed retained earnings | 5,150 | 2,017 |
| Adjustments in respect of current income tax of prior periods | 1,328 | (2,330) |
| Total | $22,033 | $39,593 |

Deferred tax assets (liabilities) relate to the following:
For the year ended December 31, 2023

| | Beginning balance as at Jan 1, 2023 | Recognized in profit or loss | Recognized in other comprehensive income | Charged directly to equity | Other | Ending balance as at Dec 31. 2023 |
|---|---|---|---|---|---|---|
| Temporary differences: | | | | | | |
| Deferred tax assets | | | | | | |
| Unrealized loss on inventory | $9,239 | ($2,990) | $- | $- | $- | $6,249 |
| Unrealized gains(losses) between associated companies | 113 | 94 | - | - | - | 207 |
| Excess amount of pension expenses | 18 | - | - | - | - | 18 |
| Net unrealized exchange loss | 1,790 | 3,864 | - | - | - | 5,654 |
| Excess amount of allowance for accounts receivable | 2,366 | (973) | - | - | - | 1,393 |
| Deferred tax liabilities | | | | | | |
| Non-current liability – Defined benefit | (1,395) | - | (68) | - | - | (1,463) |
| Net unrealized exchange gain | (1,872) | (74) | - | - | - | (1,946) |
| Deferred tax income/(expense) | | $(79) | $(68) | $- | $- | |
| Net deferred tax assets/(liabilities) | $10,259 | | | | | $10,112 |

| | Beginning balance as at Jan 1, 2023 | Recognized in profit or loss | Recognized in other comprehensive income | Charged directly to equity | Other | Ending balance as at Dec 31. 2023 |
|---|---|---|---|---|---|---|
| Reflected in balance sheet as follows: | | | | | | |
| Deferred tax assets | $13,526 | | | | | $13,521 |
| Deferred tax liabilities | $(3,267) | | | | | $(3,409) |

For the year ended December 31, 2022

| | Beginning balance as at Jan 1, 2022 | Recognized in profit or loss | Recognized in other comprehensive income | Charged directly to equity | Other | Ending balance as at Dec 31. 2022 |
|---|---|---|---|---|---|---|
| Temporary differences： | | | | | | |
| Deferred tax assets | | | | | | |
| Provisions for employee benefits | $451 | $(451) | $- | $- | $- | $- |
| Unrealized loss on inventory | 5,796 | 3,443 | - | - | - | 9,239 |
| Unrealized gains(losses) between associated companies | 85 | 28 | - | - | - | 113 |
| Excess amount of pension expenses | 18 | - | - | - | - | 18 |
| Net unrealized exchange loss | 1,562 | 228 | - | - | - | 1,790 |
| Excess amount of allowance for accounts receivable | - | 2,366 | - | - | - | 2,366 |
| Deferred tax liabilities | | | | | | |
| Non-current liability – Defined benefit | (969) | - | (426) | - | - | (1,395) |
| Net unrealized exchange gain | (418) | (1,454) | - | - | - | (1,872) |
| Deferred tax income/(expense) | | $4,169 | $(426) | $- | $- | |
| Net deferred tax assets/(liabilities) | $6,525 | | | | | $10,259 |
| Reflected in balance sheet as follows: | | | | | | |
| Deferred tax assets | $7,912 | | | | | $13,526 |
| Deferred tax liabilities | $(1,387) | | | | | $(3,267) |

Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets which not been recognized were both amounting to NT$0.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future, therefore the Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, and the deferred tax profit generated by the exchange differences on translation of foreign financial statements which is generated by the subsidiaries also will should not be recognized. As at December 31, 2023, deferred tax liabilities which have not been recognized, aggregate to NT$125,521 thousand.

The assessment of income tax returns

The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(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 Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 (Traced back) |
| (A) Basic earnings per share | | |
| Profit attributable to the parent company (in thousand NT$) | $100,772 | $208,799 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 65,130 | 65,130 |
| Basic earnings per share (NT$) | $1.55 | $3.21 |
| (B) Diluted earnings per share | | |
| Profit attributable to the parent company (in thousand NT$) | $100,772 | $208,799 |
| Profit attributable to the parent company after dilution (in thousand NT$) | $100,772 | $208,799 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 65,130 | 65,130 |
| Effect of dilution: | | |
| Employee compensation－stock (in thousands) | 232 | 360 |
| Weighted average number of ordinary shares outstanding after dilution (in thousands) | 65,362 | 65,490 |
| Diluted earnings per share (NT$) | $1.54 | $3.19 |

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 relationship of the related parties

| Name of the related parties | Nature of relationship of the related parties |
|---|---|
| GITEH Electronic Industries Co., Ltd. | Subsidiary |
| ShangHai HOWTEH International Trading Inc. | Second-tier subsidiary |
| ShenZhen HOWTEH Technology Co., Ltd. | Second-tier subsidiary |
| Tailyn Technologies, Inc. | Substantive related party |
| Taipei Rosyclouds Foundation For Education | Other related party |

(1) Sales revenue

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Subsidiary | | |
| GITEH Electronic Industries Co., Ltd. | $107,900 | $163,663 |
| Second-tier subsidiary | | |
| ShangHai HOWTEH International Trading Inc. | 39,254 | 42,822 |
| ShenZhen HOWTEH Technology Co., Ltd. | 33,999 | 45,145 |
| Total | 73,253 | 87,967 |
| Substantive related party | | |
| Tailyn Technologies, Inc. | 295 | 417 |
| Total | $181,448 | $252,047 |

The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection periods for sales to related parties and to third parties were all month-end 30~120 days. The outstanding balances as of December 31, 2023 and 2022 were unsecured, non-interest bearing and to be settled in cash. The receivables from the related parties were not guaranteed.

(2) Purchase

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Subsidiary | | |
| GITEH Electronic Industries Co., Ltd. | $116,293 | $116,293 |
| Second-tier subsidiary | | |
| ShangHai HOWTEH International Trading Inc. | 179 | - |
| Total | $99,778 | $116,293 |

The transaction price of the company's purchase of goods by the above related persons is similar to that of general manufacturers, and the payment terms of general manufacturers are month-end 25~90 days. The company's payment terms for GITEH Electronic Industries Co., Ltd. and ShangHai HOWTEH International Trading Inc. are month-end 60 days.

(3) Accounts receivable from related parties

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Subsidiary | | |
| GITEH Electronic Industries Co., Ltd. | $20,399 | $21,575 |
| Second-tier subsidiary | | |
| ShangHai HOWTEH International Trading Inc. | 3,559 | 4,783 |
| ShenZhen HOWTEH Technology Co., Ltd. | 7,611 | 5,865 |
| Substantive related party | | |
| Tailyn Technologies, Inc. | 123 | 90 |
| Total | $31,692 | $32,313 |

(4) Accounts payable to related parties

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Subsidiary | | |
| GITEH Electronic Industries Co., Ltd. | $23,434 | $30,611 |

(5) Other payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Substantive related party | | |
| Tailyn Technologies, Inc. | $13 | $12 |

(6) Lease - related parties

Lease payments

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Other related party | | |
| Tailyn Technologies, Inc. | $363 | $363 |

The rental prices and collection terms to the above related parties are not much different from third parties. The mutual agreement of rental prices is determined by local market conditions, and is based on the location, floors and scopes of the lease.

(7) Donation

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Substantive related party | | |
| Taipei Rosyclouds Foundation For Education | $300 | $- |

(8) Endorsement guarantee

For the year ended 2023

The Company’s endorsement towards GITEH Electronic Industries Co., Ltd and HOWTEH Vietnam Co., Ltd.：

| | The highest balance of endorsement per period | The company’s ending balance of endorsement | Guarantee purpose |
|---|---|---|---|
| CTBC Bank CO., Ltd. | USD 3,000 thousand | $92,114 | Credit line of loans |
| Sumitomo Group | USD 300 thousand | 9,212 | Business dealings |
| | | $101,327 | |

For the year ended 2022
The Company’s endorsement towards GITEH Electronic Industries Co., Ltd：

| | The highest balance of endorsement per period | The company’s ending balance of endorsement | Guarantee purpose |
|---|---|---|---|
| CTBC Bank CO., Ltd. | USD 3,000 thousand | $92,130 | Credit line of loans |
| Sumitomo Group | USD 300 thousand | 9,213 | Business dealings |
| | | $101,343 | |

(9) Key management personnel compensation

| | For the year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Short-term employee benefits | $20,962 | $22,593 |
| Post-employment benefits | 206 | 205 |
| Total | $21,168 | $22,798 |

For details on the remuneration of the above key management, please refer to the contents of the annual report of the Shareholders' Meeting.

8. Assets pledged as collateral

The following table lists assets of the Company pledged as collateral:

| Items | Carrying amount December 31, 2023 | Carrying amount December 31, 2022 | Secured liabilities |
|---|---|---|---|
| Property, plant and equipment - land | $89,074 | $89,074 | Short-term bank loan |
| Property, plant and equipment - buildings | 13,500 | 13,500 | Short-term bank loan |
| Total | $102,574 | $102,574 | |

9. Significant contingencies and unrecognized contract commitments

(1) Unused credit lines of L/C letters issued by the Company as of December 31, 2023:

| Bank | Currency | Open Foreign Currency Amount (Dollars in thousands) |
|---|---|---|
| Mega International Commercial Bank | JPY | $187,520 |

(2) The guarantee notes issued by the Company as of December 31, 2023:

| Client | Nature | Amount |
|---|---|---|
| FLEXIUM INTERCONNECT INC | Performance guarantee | $14,465 |

(3) The Company has signed an agency contract with Company S to sell Company S's products, and the Company shall pay the agency deposit to Company S as a performance guarantee according to the contract. As of December 31, 2023, the Company has provided US$1.5 million as a performance bond, which amounted to approximately NT$46,058 thousand and is accounted under Refundable deposits paid.

(4) For the year ended December 31, 2023, the details of the amount of endorsement guarantee provided by GITEH Electronic Industries Co., Ltd and HOWTEH Vietnam Co., Ltd., please refer to Notes 7(8).

10. Significant disaster loss

None.

11. Significant subsequent events

None.

12. Other

(1) Categories of financial instruments

Financial assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial assets at fair value through other comprehensive income | $298,908 | $227,186 |
| Financial assets measured at amortized cost (Note) | 1,093,962 | 1,392,883 |
| Total | $1,392,870 | $1,620,069 |

Financial liabilities

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial liabilities at amortized cost: | | |
| Short-term loan | $590,000 | $903,000 |
| Accounts payable(including related parties) | 216,196 | 272,836 |
| Other payables | 76,240 | 71,028 |
| Guarantee deposits | 3,309 | 3,309 |
| Lease liabilities(including noncurrent) | 8,346 | 565 |
| Total | $894,091 | $1,250,738 |

Note: Including cash and cash equivalents (cash on hand not included), notes receivable, accounts receivable, other receivables and refundable deposits.

(2) Financial risk management objectives and policies

The Company 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 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. The information of the sensitivity analysis is as follows:

When NTD strengthens against USD by 1%, the profit for the years ended December 31, 2023 and 2022 would decrease by NT$6,301 thousand and NT$8,242 thousand, respectively.

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 Company manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

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 by NT$544 thousand and NT$859 thousand, respectively.

<u>Equity price risk</u>

The fair value of the Company's listed and unlisted equity securities are 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 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.

As of December 31,2023 and 2022, a change of 5% 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$14,495 thousand and NT$11,359 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 account 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 the 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 the 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, the credit concentration risk of accounts receivable 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.

The Company uses IFRS 9 to evaluate the expected credit losses, receivables are measured as allowance losses over the life of expected credit losses, the remainder are not investments in debt instruments measured at fair value through profit or loss, and their original purchase is based on the assumption of low credit risk, and whether credit risk has increased significantly since the original recognition at each balance sheet date to determine the method of measuring the allowance loss and its loss rate. The debt instrument mentioned above that aren't measured at fair value through profit and loss are cash and cash equivalents (excluding cash on hand), and their carrying amount as of December 31, 2023 and December 31, 2022 were NT$376,242 thousand and NT$618,855 thousand, respectively, and the loss rates were both 0%.

In addition, the Company also writes off financial assets when it evaluates that it cannot reasonably be expected to recover financial assets (e.g. significant financial difficulties of the issuer or debtor, or bankruptcy).

(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, bank borrowings, convertible bonds and finance leases. 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 at December 31, 2023 | | | | | |
| Short-term loans (estimated interests to be paid included) | $590,604 | $- | $- | $- | $590,604 |
| Lease liabilities (Non-current included) | 4,049 | 3,928 | 548 | - | 8,525 |
| Payables | 216,196 | - | - | - | 216,196 |
| Other payables | 76,240 | - | - | - | 76,240 |
| Guarantee deposits | 3,309 | - | - | - | 3,309 |

| | Less than 1 year | 2 to 3 years | 4 to 5 years | >5 years | Total |
|---|---|---|---|---|---|
| As at December 31, 2022 | | | | | |
| Short-term loans (estimated interests to be paid included) | $903,754 | $- | $- | $- | $903,754 |
| Lease liabilities (Non-current included) | 565 | - | - | - | 565 |
| Payables | 272,836 | - | - | - | 272,836 |
| Other payables | 71,028 | - | - | - | 71,028 |
| Guarantee deposits | 3,309 | - | - | - | 3,309 |

(6) Reconciliation of liabilities arising from financing activities

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

| | Short-term loans | Guarantee deposits | Leases liabilities | Total liabilities from financing activities |
|---|---|---|---|---|
| As at Jan 1, 2023 | $903,000 | $3,309 | $565 | $906,874 |
| Cash flows | (313,000) | - | (3,466) | (316,466) |
| Non-cash changes | - | - | 11,247 | 11,247 |
| As at Dec 31, 2023 | $590,000 | $3,309 | $8,346 | $601,655 |

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

| | Short-term loans | Short-term notes and bills payable | Guarantee deposits | Leases liabilities | Total liabilities from financing activities |
|---|---|---|---|---|---|
| As at Jan 1, 2022 | $1,030,000 | $30,000 | $3,309 | $2,850 | $1,066,159 |
| Cash flows | (127,000) | (30,000) | - | (2,306) | (159,306) |
| Non-cash changes | - | - | - | 21 | 21 |
| As at Dec 31, 2022 | $903,000 | $- | $3,309 | $565 | $906,874 |

(7) Fair values of financial instruments

(A) The methods and assumptions applied in determining the fair value 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, receivables and payables 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).

(d) The fair value of other financial assets and financial liabilities is determined on the basis of discounted cash flow analysis, and their interest rates and discount rates are mainly based on information related to similar instruments, yield curves applicable over the life of the period, etc.

(B) Fair value of financial instruments measured at amortized cost

The Company's carrying value of financial instruments measured at amortized cost approaches to the fair value of financial instruments measured at amortized cost approaches.

(C) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

(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 at December 31, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Measured at fair value through other comprehensive income | | | | |
| Equity instruments designated at fair value through other comprehensive income | $298,908 | $- | $- | $298,908 |

As at December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Measured at fair value through other comprehensive income | | | | |
| Equity instruments designated at fair value through other comprehensive income | $227,186 | $- | $- | $227,186 |

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.

Fair value measurements in Level 3 of the fair value hierarchy for movements

As of December 31, 2023 and 2022, there were no financial assets that are measured at fair value within Level 3. Therefore the valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy isn't needed.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

As of December 31, 2023 and 2022, there were no financial assets that are measured at fair value within Level 3. Therefore the valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy isn't needed.

(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 at December 31, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investment properties (please refer to Note 6) | $- | $- | $151,445 | $151,445 |

As at December 31, 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investment properties (please refer to Note 6) | $- | $- | $151,445 | $151,445 |

(9) Significant financial assets and liabilities denominated in foreign currencies

The significant financial assets and liabilities denominated in foreign currencies were as follow:

Amounts expressed in thousand

| | December 31, 2023 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $27,404 | 30.705 | $841,429 |
| Non-monetary items: | | | |
| CNY | 35,836 | 4.327 | 155,062 |
| HKD | 144,252 | 3.929 | 566,767 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | 6,882 | 30.705 | 211,298 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $35,215 | 30.710 | $1,081,464 |
| Non-monetary items: | | | |
| CNY | 36,963 | 4.408 | 162,932 |
| HKD | 135,338 | 3.938 | 532,962 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | 8,378 | 30.710 | 257,297 |

Since there were varieties of functional currencies within each entities of the Company, the Company is unable to disclose foreign exchange gain or loss information of monetary financial assets and liabilities in each foreign currency. The Company's net foreign currency exchange gain (loss) for the year ended December 31, 2023 and 2022 were NT$113,484 thousand and NT$(15,398) thousand, respectively.

(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 shareholders' value. 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) Financing provided to others: Please refer to Attachment 1.
(B) Endorsement/Guarantees provided to others: Please refer to Attachment 2.
(C) Securities on held at the end of the period：Please refer to Attachment 3.
(D) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
(E) Acquisition of individual property with amount exceeding NT$300 million or 20 percent of the capital stock: None.
(F) Disposition of property for amount exceeding NT$300 million or 20 percent of the capital stock: None.
(G) Related parties transactions for purchases and sales amount exceeding NT$100 million or 20 percent of the capital stock: Please refer to attachment 4.
(H) Receivables from related parties with amount exceeding NT$100 million or 20 percent of the capital stock: None.
(I) Derivatives transactions: None.
(J) Others: The business relationships and important transactions between the parent company and the subsidiaries, and among subsidiaries, along with their respective amounts are detailed in Attachment 5.

(2) Information on investees

(A) Information about the investee company that direct or indirect has significant influence or control over the investee company: Please refer to Attachment 6 and 7.

(B) Information of significant transaction within the investee company of which that has significant influence or control over the investee company, directly or indirectly：

(a) Financing provided to others: Please refer to Attachment 1.
(b) Endorsement/Guarantees provided to others: None.

(c) Securities held at the end of the period: None
(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.
(e) Acquisition of individual property with amount exceeding NT$300 million or 20 percent of the capital stock: None.
(f) Disposal of individual property with amount exceeding NT$300 million or 20 percent of the capital stock: None.
(g) Related party transaction for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 4.
(h) Receivables from related parties with amount exceeding NT$100 million or 20 percent of capital stock: None.
(i) Derivatives transactions: None.

(3) Investment in Mainland China

(A) Investee company name, main businesses and products, total amount of capital, investment method, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment profit and loss, carry amount of investment at the end of the period, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 7.

(B) Directly or indirectly significant transactions with investee in Mainland China through third regions:

(a) The amount and percentage of goods sold and the closing balance and percentage of the related receivables for the year ended 2023：

(I) The sales amount between the Company and ShangHai HOWTEH International Trading Inc. was NT$39,254 thousand, which accounts for 1.77% of the net sales of the Company's parent company only financial statements.

(II) The accounts receivable between the Company and ShangHai HOWTEH International Trading Inc. was NT$3,559 thousand, which accounts for 0.50% of the accounts receivable of the Company's parent company only financial statements.

(III) The sales amount between the Company and ShenZhen HOWTEH Technology Co., Ltd. was NT$33,999 thousand, which accounts for 1.53% of the net sales of the Company's parent company only financial statements.

(IV) The accounts receivable between the Company and ShenZhen HOWTEH Technology Co., Ltd. was NT$7,611 thousand, which accounts for 1.06% of the accounts receivable of the Company's parent company only financial statements.

(b) The amount and percentage of goods purchased and the closing balance and percentage of the related payables for the year ended 2023：None.

(c) Property transactions and the amount of profit and loss arising from the transactions:：None.

(d) The closing balance and purpose of the guarantee of payment instrument by endorsement or collateral provided ：None.

(e) The highest balance, closing balance, interest rate range and total interest of the period for the capital and finance：Please refer to attachment 1.

(f) Other transactions that have a significant impact on the profit or loss or financial position of the current period, such as the provision or receipt of services etc.：None.

(4) Information of major shareholders

Information on shareholders holding 5% or more of the Company’s equity: Please refer to attachment 8.

Attached table 1: Financings Provided

( In Thousands of New Taiwan Dollars)

| No. (Note 1) | Financier | Counter-party | Item (Note 2) | Related-party | Maximum Balance (Note 3) | Ending Balance (Note 8) | Amount Actually Drawn | Interest Rate Range | Financing Provided (Note 4) | Transaction Amount (Note 5) | Financing Reasons (Note 6) | Allowance for Bad Debt | Collateral | | Financial Limit for Each Counter-party | Limit on Financier's Total Financing |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | |
| 1 | ShangHai HOWTEH International Trading Inc. | KunShan HOWTEH International Trading Inc. | Other receivables | Yes | $30,705 USD1,000 | $30,705 USD1,000 | $7,129 | 0.00% | 1 | $2,105 | Business dealings | $- | - | - | $65,139 (Note 10) | $97,709 (Note 10) |
| 1 | ShangHai HOWTEH International Trading Inc. | ShenZhen HOWTEH Technology Co., Ltd. | Other receivables | Yes | 17,308 RMB4,000 | 17,308 RMB4,000 | - | 4.35% | 2 | - | Short-term financing | - | - | - | 65,139 (Note 10) | 97,709 (Note 10) |
| 2 | ShenZhen HOWTEH Technology Co., Ltd. | ShangHai HOWTEH International Trading Inc. | Other receivables | Yes | 17,308 RMB4,000 | 17,308 RMB4,000 | - | 4.35% | 2 | - | Short-term financing | - | - | - | 32,003 (Note 11) | 48,004 (Note 11) |

Note 1: The description of the number column is as follows:

(1) Issuer fill in 0.

(2) Investee companies are numbered sequentially, beginning with the Arabic numeral 1.

Note 2: Accounts of receivables related enterprise payments, receivables related party payments, shareholder transactions, advance payments, temporary payments... and other subjects, if they are in the nature of capital loans, must be filled in this form.

Note 3: The highest balance of funds lent to others in the current year.

Note 4: The nature of the loan should be filled in as a business transaction or a need for short-term financing.

(1) Business transaction fill in 1.

(2) Short-term financing fill in 2.

Note 5: If the nature of the loan is a business transaction, the business transaction amount should be filled in, which refers to the business transaction amount of the company and the loan target who lent the funds in the latest year.

Note 6: If the nature of the capital loan is necessary for short-term financing funds, the reason for the necessary loan and the purpose of the funds to be borrowed should be specified, such as: repayment of loans, purchase of equipment, business turnover, etc.

Note 7: The maximum loan limit set by the Company shall not exceed 40% of the net value of the Company, and the maximum loan limit shall not exceed 20% of the net value of the Company for a single object.

Note 8: The amounts of funds to be loaned to others w hich have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the “Regulations Governing Loaning of Funds and Making of Endorscmcnls/ Guarantccs by Public Companies” should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. Tn addition, if the Board of Directors of a public company has authorized the Chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the “Regulations Governing Loaning of Funds and Making of Endorscmcnls/ Guarantccs by Public Companies”, the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration that they could be loaned again thereafter.

Note 9: Counter-party:

According to Article 15 of the Company Law, the company's funds shall not be lent to shareholders or any other person except in the following circumstances:

(1) Intercompany business dealers.

(2) There is a need for short-term financing between companies. The amount of financing shall not exceed 40% of the net value of enterprise.

For the purposes of the preceding paragraph, short-term term refers to one year. However, if the company's business cycle is longer than one year, the business cycle shall prevail.

(3) The financing amount referred to in the preceding paragraph is the cumulative balance of the Company's short-term financing funds.

(4) The Company directly and indirectly holds 100% of the voting shares of foreign companies engaged in capital loans, which are not subject to the restrictions of the preceding paragraph.

Note 10: The total limit of capital loans set by ShangHai HOWTEH International Trading Inc. shall not exceed 60% of the net value of the company, and the maximum loan limit for a single object shall not exceed 40% of the net value of the company.

Note 11: The total limit of capital loan and total set by ShenZhen HOWTEH Technology Co., Ltd. shall not exceed 60% of the net value of the company, and the maximum loan limit for a single object shall not exceed 40% of the net value of the company.

Attached table 2: Collaterals/Guarantee Provided

( In Thousands of New Taiwan Dollars)

| No. (Note 1) | Collaterals/Guar antee Provider | Counter-part Name | Counter-part Relationship (Note 2) | Limits on Each Counter-party's Collateral/Guarantee Amounts (Note 3) | Maximum balance accumulated up to the end of this month (Note 4、8) | Ending Balance (Note 5、8) | Actual Amount Drawn Down (Note 6) | Amount of Properties Guaranteed by Collateral | Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement (%) | Maximum Collateral/ Guarantee Amounts Allowable (Note 3) | Provision of Endorsements by Parent Company to Subsidiary (Note 6) | Provision of Endorsements by Subsidiary to Parent Company (Note 7) | Provision of Endorsements to the Company in Mainland China (Note 7) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | HOWTEH TECHNOLOGY CO., LTD. | GITEH Electronic Industries Co., Ltd. | 4 | $386,717 | $92,115<br>USD 3,000 | $92,115<br>USD 3,000 | $- | $- | 5.95% | $773,435 | Y | - | - |
| 0 | HOWTEH TECHNOLOGY CO., LTD. | HOWTEH Vietnam Co., Ltd. | 4 | 386,717 | 9,212<br>USD 300 | 9,212<br>USD 300 | - | - | 0.60% | 773,435 | Y | - | - |

Note 1: The description of the number column is as follows:

(1) Issuer fill in 0.

(2) Investee companies are numbered sequentially, beginning with the Arabic numeral 1.

Note 2: There are the following seven types of relationships between the endorsement guarantor and the endorsed guarantee object, and the types can be indicated:

(1) There are business dealings between companies.

(2) Companies in which the company directly and indirectly holds more than 50% of the voting shares.

(3) A company in which more than 50% of the voting rights are directly or indirectly held in the company.

(4) A company in which the company directly and indirectly holds more than 90% of the voting shares.

(5) A company that is mutually insured by inter-industry or co-sponsors in accordance with the provisions of the contract.

(6) A company that is endorsed and guaranteed by all contributing shareholders in accordance with their shareholding ratio due to a co-investment relationship.

(7) The performance guarantee of the pre-sale house sales contract is jointly and severally guaranteed in accordance with the Consumer Protection Law.

Note 3: Endorsement guarantee method: The total amount of endorsement guarantee shall not exceed 50% of the company's net value, and the amount of endorsement guarantee for a single enterprise shall not exceed 25% of the company's net value.

Note 4: The maximum amount accumulated up to this month is the highest guaranteed balance of endorsement for the current year.

Note 5: By the end of the year, the company shall bear the endorsement or guarantee liability when the amount of the endorsement guarantee deed or instrument signed by the company to the bank is approved; Other relevant cases with endorsement guarantee should be included in the balance of endorsement guarantee.

Note 6: The actual amount of expenditure is the amount of expenditure under the guaranteed amount of the parent company.

Note 7: Those who are endorsement guarantors of the parent company of the listed stock exchange to the subsidiary, endorsement guarantors of the subsidiaries to the parent company of the listed stock exchange, and endorsement certificates belonging to the mainla

Note 8 The exchange rate is based on the ending exchange rate.

Attached Table 3: Marketable securities held (excluding investment subsidiaries, affiliated enterprises and joint venture control part)

( In Thousands of New Taiwan Dollars)

| Holding Company | Securities Type and Name(Note 1) | Relationship with the Holding Company(Note 2) | Financial Statement Accoun | As of December 31, 2022 | | | | Notes(Note 4) |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares (1,000) | Carrying Value(Note 3) | Percentage of Ownership(%) | Fair Value | |
| HOWTEH TECHNOLOGY CO., LTD. | Financial assets at fair value through other comprehensive | | | | | | | |
| | Tailyn Technologies, Inc. | The Chairman of the company is a director of the Tailyn company | Investments in equity instruments measured at fair value through other comprehensive income - noncurrent | 8,291,475 | $298,908 | 11.05% | $298,908 | No collateral is provided |
| | Feedpool Technology Co.,Ltd. | - | 〃 | 566,030 | - | 2.52% | - | 〃 |
| | | | Total | | $298,908 | | $298,908 | |

Note 1: For the purposes of this table, marketable securities refer to stocks, bonds, beneficiary certificates and securities derived from the above items that fall within the scope of IFRS 9 "Financial Instruments".

Note 2: If the issuer of securities is not a related person, this column is exempted.

Note 3: For fair value measured, please fill in the book balance after adjustment of fair value evaluation and deduction of accumulated impairment in the carrying amount field; For those not measured at fair value, please fill in the carrying amount of the original acquisition cost or amortized cost less the accumulated impairment book balance.

Note 4: The use of marketable securities is restricted because of the provision of guarantees, pledge loans, or other agreements. The number of shares to be guaranteed or pledged, the amount and restricted use should be indicated in the remarks column.

Attached Table 4: Purchase and sale of goods from or to related parties reaching NT$ 100 million or more than 20% of the paid-in capital or more

( In Thousands of New Taiwan Dollars)

| Purchaser/seller | Counter-party | Relationship with the counter-party | Transaction | | | | transaction terms compared to general transactions and reasons | | Notes/accounts receivable (payable) | | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases(sales) (Note 1) | Amount | Percentage of total purchases (sales) | Credit term | Unit price (Note 2) | Credit term (Note 2) | Balance | Percentage of total notes/accounts receivable(payable)(%) | |
| HOWTEH TECHNOLOGY CO., LTD. | GITEH Electronic Industries Co., Ltd. | Subsidiary | Sales | $(107,900) | (4.86) | 60days | $- | - | $20,399 | 2.84 | |
| GITEH Electronic Industries Co., Ltd. | HOWTEH TECHNOLOGY CO., LTD. | Subsidiary | Purchases | 107,990 | 19.24 | 60days | - | - | (20,399) | (23.81) | |

Note 1: Written off at the time of preparation of the consolidated financial statements.
Note 2: Comparable to general companies.
Note 3: The ratio of total notes receivable (payable) and accounts receivable (payable) to the individual financial statements of the importing (selling) company.

Attached Table 5:Business relationships and important transactions between parent and subsidiary companies

( In Thousands of New Taiwan Dollars)

| No. (Note 1) | Purchaser/seller | Counter-party | Relationship with the counter-party(Note 2) | Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount (Note 4) | Trading conditions | Ratio to total consolidated revenue or total assets (Note 3) |
| 0 | HOWTEH TECHNOLOGY CO., LTD. | ShangHai HOWTEH International Trading Inc. | 1 | Sales revenue | $39,254 | 120days | 1.43% |
| 0 | 〃 | 〃 | 1 | Accounts receivable | 3,559 | 〃 | 0.14% |
| 0 | 〃 | 〃 | 1 | Purchase | 179 | 月結60天 | 0.01% |
| 0 | 〃 | GITEH Electronic Industries Co., Ltd. | 1 | Sales revenue | 107,900 | 60days | 3.93% |
| 0 | 〃 | 〃 | 1 | Accounts receivable | 20,399 | 〃 | 0.81% |
| 0 | 〃 | 〃 | 1 | Purchase | 99,599 | 〃 | 3.63% |
| 0 | 〃 | 〃 | 1 | Accounts payable | 23,434 | 〃 | 0.93% |
| 0 | 〃 | ShenZhen HOWTEH Technology Co., Ltd. | 1 | Sales revenue | 33,999 | 〃 | 1.24% |
| 0 | 〃 | 〃 | 1 | Accounts receivable | 7,611 | 〃 | 0.30% |
| 1 | GITEH Electronic Industries Co., Ltd. | ShangHai HOWTEH International Trading Inc. | 3 | Sales revenue | 52,591 | 120days | 1.92% |
| 1 | 〃 | 〃 | 3 | Accounts receivable | 6,914 | 〃 | 0.27% |
| 1 | 〃 | 〃 | 3 | Purchase | 4,881 | 60days | 0.18% |
| 1 | 〃 | 〃 | 3 | Accounts payable | 1,749 | 〃 | 0.07% |
| 1 | 〃 | ShenZhen HOWTEH Technology Co., Ltd. | 1 | Sales revenue | 48,584 | 〃 | 1.77% |
| 1 | 〃 | 〃 | 1 | Accounts receivable | 14,725 | 〃 | 0.58% |
| 1 | 〃 | 〃 | 1 | Other payables | 1,696 | 10days | 0.07% |
| 1 | 〃 | 〃 | 1 | Operating expenses | 5,291 | 〃 | 0.19% |
| 1 | 〃 | HOWTEH Vietnam Co., Ltd. | 3 | Sales revenue | 12 | 60days | 0.00% |
| 2 | ShenZhen HOWTEH Technology Co., Ltd. | ShangHai HOWTEH International Trading Inc. | 3 | Sales revenue | 1,488 | 120days | 0.05% |
| 2 | 〃 | 〃 | 3 | Accounts receivable | 126 | 〃 | 0.01% |
| 2 | 〃 | 〃 | 3 | Purchase | 48,831 | 60days | 1.78% |
| 2 | 〃 | 〃 | 3 | Accounts payable | 15,001 | 〃 | 0.60% |
| | 〃 | KunShan HOWTEH International Trading Inc. | 3 | Accounts payable | 12 | 120days | 0.00% |
| 3 | ShangHai HOWTEH International Trading Inc. | KunShan HOWTEH International Trading Inc. | 3 | Sales revenue | 2,105 | 120days | 0.08% |
| 3 | 〃 | 〃 | 3 | Accounts receivable | 8,678 | 〃 | 0.34% |
| 3 | 〃 | 〃 | 3 | Operating expenses | 6,981 | 25days | 0.25% |

Note 1: The description of the number column is as follows:
(1) Issuer fill in 0.
(2) Investee companies are numbered sequentially, beginning with the Arabic numeral 1.

Note 2: There are three types of transaction relationships
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: The transaction amount is calculated using total revenue or total asset ratio. In the case of balance sheet accounts, the ratio of the closing amount to the total assets is used;
In the case of income statement accounts, the ratio of cumulative amounts in the period to total revenue is used.

Note 4: The important transactions in this table shall be listed by the company in accordance with the materiality principle.

Note 5: Eliminated in the consolidated financial statements.

Attached Table 6: Information on the name and location of the invested company (excluding invested companies in Mainland China

( In Thousands of New Taiwan Dollars)

| Investor Company | Investee Company (Note 1、2） | Location | Main Business activities | Initial investment amount | | Held by the company | | | Current gain (loss)(Note 2(2) ) | Investment gain (loss))(Note 2(3)) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending of this period | Ending of last year | Number of shares | Rate% | Carrying amount | | | |
| HOWTEH TECHNOLOGY CO., LTD. | GITEH Electronic Industries Co., Ltd. | Hong Kong | trading of electronic parts | HKD 12,000 | HKD 12,000 | - | 100.00% | $565,762 | $36,390 | $35,891 | |
| HOWTEH TECHNOLOGY CO., LTD. | HOWTEH International Inc. | Samoa | Investment in Shanghai and entrepot trade | USD 1,800 | USD 1,800 | - | 100.00% | 172,740 | (6,585) | (6,560) | |
| HOWTEH International Inc. | HOWTEH Vietnam Co., Ltd. | Vietnam | trading of electronic parts | USD 300 | USD 300 | - | 100.00% | 4,541 | (1,300) | (1,300) | |

Note 1: If a public offering company has a foreign holding company and uses consolidated statements as its main financial statements in accordance with local laws and regulations, the disclosure of information about the foreign invested company may only disclose the relevant information of the holding company.

Note 2: Except for the circumstances described in Note 1, fill in according to the following provisions:

(1) "Investee Company "、"Location"、"Main Business activities"、"Initial investment amount" and "Ending of this period", the reinvestment situation of the (public offering) company and the reinvestment situation of each investee company directly or indirectly controlled should be filled in order, and the relationship between each investee company and the public offering company should be indicated in the remarks column (if it is a subsidiary or grandchild).

(2) "Current gain (loss)", the current profit or loss amount of each investee company should be filled in.

(3) "Investment gain (loss)", only the profit and loss amount of each subsidiary of the public offering company recognized for direct transfer investment and each investee company evaluated by the equity method must be filled in, and the remaining information is exempted. When filling in the "nvestment gain (loss)", it should be confirmed that the current profit and loss amount of each subsidiary already includes the investment profit or loss that should be recognized according to the regulations for its reinvestment.

Note 3: Eliminated in the consolidated financial statements.

Attached Table 7： Information on investments in China

( In Thousands of New Taiwan Dollars)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note 1) | Accumulated amount of remittance from Taiwan at the beginning of current year | Amount of investment remitted or recovered during the current period | | Accumulated amount of remittance from Taiwan at the end of current year | Current profit (loss) of the invested company | Shareholding ratio of the company's investment (direct or indirect) | Investment income (loss) recognized in the current period (Note 2) | Book value of investment at the end of the period | Investment income remitted back to Taiwan as of the current period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted | Recovered | | | | | | |
| ShangHai HOWTEH International Trading Inc. | International trade, entrepot trade, inter-enterprise trade and trade agency in the bonded zone, enterprise agency with import and export operation rights and non-bonded zone enterprises engaged in trade business, commercial simple processing in the bonded | $50,663 (USD 1,650) | (2) HOWTEH International Inc. | $42,987 (USD 1,400) | $- | $- | $42,987 (USD 1,400) | $(5,196) | 100% | $(5,171) (Note 2、(2)、2) | $162,816 (Note 2、(2)、2) | None |
| ShenZhen HOWTEH Technology Co., Ltd. | Chemical products, rubber, plastics, metal products, electronic components, testing instruments, general parts, mechanical equipment, electronic equipment and related accessories, communication equipment and related accessories, electrical and electrical equipment and their spare parts wholesale, commission agency, import and export and related supporting business. Electronic product information consulting, economic information consulting, enterprise management consulting. | 27,503 (HKD 7,000) | (2) GITEH Electronic Industries Co., Ltd. | - | - | - | - | (2,178) | 100% | (2,182) (Note 2、(2)、2) | 79,966 (Note 2、(2)、2) | None |
| KunShan HOWTEH International Trading Inc. | International trade, entrepot trade, trade and trade agency between enterprises in the bonded zone, enterprise agency with import and export operation rights and non-bonded zone enterprises engaged in trade business, commercial simple processing in the bonded zone, business consulting services in the bonded zone, etc. | 9,212 (USD 300) | (1) HOWTEH TECHNOLOGY CO., LTD. | 9,212 (USD 300) | - | - | 9,212 (USD 300) | 275 | 100% | 275 (Note 2、(2)、2) | (7,786) (Note 2、(2)、2) | None |

| Accumulative amount of investment remitted from Taiwan to the mainland at the end of this period | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|---|---|---|
| $52,199 (USD1,700) | $93,664 (USD 1,950) (HKD 8,600) | $928,121 |

Note 1: Investment methods are divided into the following three types:
(1) Direct investment in mainland China.
(2) Reinvesting in the mainland through a third region company (please specify the investment company in the third region).
(3) Other methods.

Note 2: In investment income (loss) recognized in the current period column:
(1) If there is no investment profit or loss in the preparation of the company, it should be indicated.
(2) There are three bases for recognition of investment gains and losses, which should be indicated.
1.The amount recognized was based on the financial statements that were audited by a cooperative relationship with the Republic of China CPA firm.
2.The amount recognized was based on the financial statements that were audited by parent company's CPA firm.
3.Other。
4.The difference between current profit (loss) of the investee and investment income (loss) recognized were unrealized downstream, upstream and sidestream transactions with the subsidiaries during the period.

Note 3: The figures in this table should be presented in New Taiwan Dollars at the following exchange rates:

| Ending exchange rat | Average Exchange Rate : |
|---|---|
| USD=30.705 | USD=30.7075 |
| HKD=3.929 | HKD=3.9335 |
| RMB=4.327 | RMB=4.3675 |

Note 4: Eliminated in the consolidated financial statements.

Attached Table 8：Information on major shareholders

(Unit: one share)

| major shareholders | Holding shares | | | |
|---|---|---|---|---|
| | Number of common shares | Number of special shares | Total number of shares held | Shareholding ratio |
| Hui Hong Investment Co., Ltd. | 5,624,875 | - | 5,624,875 | 8.63% |
| Chen, Kuo-Hung | 5,295,984 | - | 5,295,984 | 8.13% |

Note 1： This table is based on the last business day at the end of each quarter, and the total number of ordinary shares and special shares held by shareholders of the company that have completed the non-physical registration delivery (including treasury shares) reaches more than 5%.The number of shares recorded in the company's financial reports and the number of shares actually completed without physical registration may differ depending on the basis of the preparation and calculation.

Note 2： If the above information belongs to the shareholders who deliver the shares to the trust, they will be revealed in the separate accounts of the settlor who opened a special trust account by the trustee.For insider equity declarations filed by shareholders holding more than 10% of the shares in accordance with the Securities Exchange Act, including shareholding plus shares delivered to the trust and having the right to decide on the use of trust property, please refer to the Public Observation Information Station for the reporting materials.

Note 3： The principle of preparation of this table is to calculate the distribution of credit transaction balances from the register of securities owners (excluding securities lending) that the shareholders' temporary meeting has stopped transferring.

Note 4： Shareholding ratio (%) = total number of shares held by the shareholder / total number of shares that have been delivered without physical registration.

Note 5： The total number of shares (including treasury shares) that have been delivered without physical registration is 65,129,792 shares = 65,129,792 (common shares) + 0 (special shares).