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- II. Realtek website for annual report: <http://www.hotron-ind.com/cn/index.php>



鴻碩精密電工股份有限公司

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.

2022 Annual Report

Printed Date: May 1, 2023

(Translation)

Notice to Readers:

This annual report has been prepared originally in Chinese. The English version is a direct translation of the Chinese version.

I. Spokesperson of the Company:

Name: I-Hsuan Lu
Title: General Manager
Tel: (02) 2792-8558 ext.166
Email: robert_lu@hotron-ind.com

Deputy Spokesperson of the Company:

Name: Kuo-Huang Hsu
Title: Chief Financial Officer
Tel: (02) 2792-8558 ext.200
Email: peter_hsu@hotron-ind.com

II. Headquarters, branches and plant:

Headquarters's Address: No. 169, Xing' Ai Road, Neihu District,
Taipei City 114067
Tel: (02) 2792-8558
Plant's Address: No. 128, Lu-Shan Road, Suzhou New District,
Suzhou City, Jiang Su Province, China

III. Stock Transfer Agent:

Name: CTBC Bank Transfer Agency Department
Address: 5th Floor, No. 83, Section 1, Chongqing South Road,
Zhongzheng District, Taipei City 100003
Website: <https://www.ctbcbank.com>
Tel: (02) 6636-5566

IV. Auditors:

Name: Han-Chi Wu, Ya-Hui Lin
Accounting Firm: PwC Taiwan
Address: 27th Floor, No. 333, Section 1, Keelung Road, Xinyi
District, Taipei City 110208
Website: <http://www.pwc.com/tw>
Tel: (02) 2729-6666

V. Overseas Securities Exchange and the way to search for information:

None

VI. Company Website: <http://www.hotron-ind.com/>

Table of Contents

	Page No.
I. Letter to Shareholders.....	1
II. Company Profile.....	6
III. Corporate Governance.....	10
3.1 Organization.....	10
3.2 Director, president, vice-president, associate, department, branch supervisor.....	13
3.3 Director , supervisor, president and vice president remuneration.....	22
3.4 Corporate Governance.....	29
3.5 Information on CPA Professional Fees.....	80
3.6 Information on Replacement of CPAs.....	80
3.7 Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed.....	80
3.8 Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.....	81
3.9 Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another.....	82
3.10 The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company and total shareholding.....	83
IV. Capital Overview.....	84
4.1 Capital and Shares.....	84
4.2 Issuance of Corporate Bonds.....	91
4.3 Preferred Shares.....	92
4.4 Global Depository Receipts.....	92
4.5 Employee Share Subscription Warrants.....	92
4.6 Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies.....	92
4.7. Capital Allocation Plans.....	92
V. Overview of Business Operations.....	93
5.1 Business Activities.....	93
5.1.1 Business Scope.....	93
5.1.2 Overview of the Industry.....	94

	Page No.
5.1.3 Overview of Technologies and Research and Development Work.....	115
5.1.4 Long- and Short-Term Business Development Plans.....	120
5.2 Market and Sales Overview.....	121
5.2.1 Market Analysis.....	121
5.2.2 Usage and Manufacturing Processes of Main Products.....	126
5.2.3 Supply Situation of Major Raw Materials.....	131
5.2.4 List of Major Suppliers and Clients for the 2 Most Recent Fiscal Years.....	131
5.2.5 Production Volume and Value for the 2 Most Recent Fiscal Years.....	132
5.2.6 The Volume and Value of Units Sold for the 2 Most Recent Fiscal Years.....	133
5.3 Information on Employees	133
5.4 Disbursements for Environmental Protection.....	134
5.5 Labor Relations.....	135
5.6 Cyber Security Management.....	137
5.7 Important Contracts.....	141
VI. Financial Information.....	143
6.1 Financial Summary for the 5 Most Recent Fiscal Years.....	143
6.2 Financial Analysis for the 5 Most Recent Fiscal Years.....	147
6.3 Audit Committee's Report for the Most Recent Fiscal Year's Financial Statement.....	152
6.4 Financial statement for the most recent fiscal year, including an auditor's report prepared by a CPA, and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity,cash flow chart, and any related footnotes or attached appendices audited by CPA.....	154
6.5 A parent company only financial statement for the most recent fiscal year certified by a CPA	221
6.6 If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation.....	276
VII. Review and Analysis of the Financial Position and Financial Performance and Risk	
Assessment.....	277
7.1 Financial Position.....	277
7.2 Financial Performance.....	278
7.3 Cash Flow.....	279
7.4 Effect upon financial operations of any major capital expenditures during the most recent fiscal year.....	280

7.5 Reinvestment policy for the most recent fiscal year, the main reasons for the profits/ losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.....	280
7.6 Risk analysis in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.....	281
7.7 Other Important Matters.....	287
VIII. Special Disclosure.....	288
8.1 Information on Affiliates.....	288
8.2 Private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.....	295
8.3 Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.....	295
8.4 Other matters that require additional description.....	295
IX. Situations that might materially affect shareholders' or the price of the company's securities	296

I. Letter to Shareholders

Dear Shareholders,

Last year (2022) due to the outbreak of armed conflict in Russia and Ukraine, resulting in a surge in global energy and raw material prices, and China also due to the outbreak of epidemics, which led to the adoption of strict control measures, resulting in the global supply chain suffered another blow; in addition, Europe and the U.S. as inflation continues to rise, the U.S. Federal Reserve in order to curb inflation, rising interest rates rapidly since March, and since the second half of the year to reduce bond purchases, resulting in increased volatility in global financial markets, non-USD currencies mostly have seen significant depreciation, also led to a surge in imported inflationary pressure in many countries. Looking ahead to 2023, as major economies have been raising interest rates since 2022 to curb inflation, manufacturing activity in various countries has slowed down significantly, coupled with the unresolved war between Russia and Ukraine and the resurgence of the U.S.-China technology war and other variables continue to deepen doubts about the global economic outlook, major international forecasters all believe that global economic and trade growth will slow down in 2023 compared to 2022.

Hotron Group has already taken the leading position in the market share of the existing cable products. However, in order to maintain the corporate advantages and enhance the competitiveness of the industry, Hotron Group still continues to actively carry out product upgrades and industrial transformation. In addition to the upgrade of existing products and the development of more advanced cable products with faster transmission speed, the charging gun products for electric vehicles have been steadily shipped, and we have planned to continue to develop the charging equipment products and extend the depth and breadth of electric vehicle products in order to establish a firm foothold in the electric vehicle industry in the shortest possible time. Furthermore, the new factories in Vietnam and Hubei have been put into production, which not only enable us to serve customers and supply goods locally, but also increase our production capacity, which will help increase our revenue sources and profitability.

1. FY 2022 Operating Results:

(1) Business plan implementation results:

In FY 2022, the consolidated revenue was NT\$ 3.362 billion, with a net profit after tax of NT\$ 66 million and the earnings per share after tax was NT\$ 0.71.

(2) Budget implementation status:

There was no public financial forecast for FY 2022 available, hence, there is no information on the budget execution status.

(3) Analysis of receipts, expenditures, and profitability:

Unit: NT\$ 1,000 / %

Item		Year	FY 2022 (Group Consolidated)	FY 2021 (Group Consolidated)
Financial revenues and expenditures	Net operating revenue		3,362,189	3,006,985
	Gross profit		578,812	490,483
	Gross profit rate		17.21%	16.31%
	Net profit after tax		65,746	22,676
Profitability (%)	Return on assets (%)		1.58%	0.63%
	Return on equity (%)		3.29%	1.25%
Profitability (%)	Capital adequacy ratio (%)	Operating (loss) income	8.82%	2.91%
		Pre-tax (loss) income	8.32%	2.87%
	Net profit margin (%)		1.96%	0.75%
	Basic earnings per share (NTD)		0.71	0.25

(4) Status of research and development work:

1. Continue to promote high-end products:

For connection cables, in line with the trend of high transmission in the 3C industry, the Company has successively developed and completed high-end digital signal cables, accounting for more than 80% of sales, including consumer high-frequency cables and automotive cables, and the product sales structure has gradually shifted towards high-end products.

2. Expanding new customer sources and markets:

Connection cable products have a wide range of applications. In addition to the existing signal cables for computer monitors, the shipment quantity of the digital connection cable products of the Company's other 3C products have increased year by year, such as mobile phones, gaming consoles, televisions, and other 3C products. In the future, the Company will continue to expand to new customer sources. In addition to acquiring new customers in the existing field, the Company is also expanding product applications, including solar modules and energy storage equipment cables. New business units have been established which are dedicated to developing new industries and new customers, expanding the breadth of revenue sources, and increasing revenue and profitability.

3. Product layout and customer management strategy upgrade:

To maintain competitive advantages and enhance industry competitiveness, the Company focuses on expanding its market share and promoting industrial transformation and upgrading. As for the aspect of product layout, in addition to continuous upgrading existing products and developing more advanced and faster in transmission speed products, a wider range of products have been developed, including automotive, medical, gaming console and military specifications, expanding the coverage of the product portfolio. In addition, solar module cables have begun to ship, and the energy storage equipment cables is actively expanding the market. As for the aspect of customer management, to maintain a closer cooperative relationship with existing customers, in line with customers' overseas expansion plans, the Company simultaneously carried out overseas plant construction plans, and mass production has officially put in place, providing customers with localized services and local supply sources.

4. Actively engaging in business transformation, entering the EV industry:

Due to the heightened awareness of environmental protection, coupled with the emergence of intelligent and digital technology, EV has become an inevitable global development trend in the future. Tapping the professional expertise and experience in cable technology, the Company has developed EV charging guns and are now in mass production and shipment, officially entered the EV market. Also, the Company will expand the scope of applications of EV related charging products and wires along with the development of EV.

2. Summary of the business plan for the FY 2023

(1) Business strategies:

1. Increase sales of high-end products to enhance product performance and profitability.
2. Expand new markets and acquire new customers to increase the breadth of revenue sources and implement diversified business strategies.
3. Meet diverse product needs of customers, cater to customer's needs, in line with customers' overseas expansion plans by establishing overseas plants to maintain a stable customer relationship.
4. Seek cross-industry, upstream and downstream alliances to establish industrial chain alliances, and integrating key components in the upstream supply chain to expand the scale of the Group's operations.
5. Actively engage in business transformation, cater to the development trend of EV, deeply cultivate the EV industry, and once again create rising business opportunities.

(2) The expected sales volume of the Group and the basis thereof:

Main Product Category	Expected Sales Volume	Basis of the Expected Sales Volume
Various transmission cables and charging guns	107,145 thousand pcs / year	1. Developing new products and expanding customer base 2. Expanding the market share of charging guns

By adjusting the sales product portfolio and developing new products and new customers, it is projected that the sales amount for the current year (2023) will continue to grow compared to the previous year (2022).

(3) Important production and sales policies:

1. Strengthen and stabilize product quality to enhance product competitive advantage and consolidate the market leading position.
2. Pay close attention to market product trends, align with market demand, and develop new products.
3. Fulfill diverse customer demands and establish a stable cooperative relationship.
4. Actively improve automated production to reduce production costs.
5. Diversify the development of equipment and raw material suppliers and integrate key upstream components to ensure a stable supply and strengthen the Company's procurement bargaining power.
6. Actively enter the EV industry to accelerate the business transformation.

3. Future Company Development Strategy

In response to market demands and competitive conditions, the Company has formulated the following future development strategies:

- (1) Continue to upgrade the industrial transformation by developing high-end and high-speed products to maintain the leading position in the industry.
- (2) Develop new markets, new customers, and new products, actively pursue transformation, and implement diversification.
- (3) Continuously improve product quality, implement quality policies, and enhance product competitiveness.
- (4) Seek cross-industry, upstream and downstream alliances to enhance autonomy in raw material supply and expand revenue sources.
- (5) Along with the development prospects of EV, developing diversified EV products, with a view to gaining a secure foothold in the EV industry.

4. Impact of the external competitive environment, regulatory environment and the overall business environment

(1) Impact of the external competitive environment

Although the Company holds a leading position in the connection cable products industry, it still operates on the principle of soundness, accelerating the R&D of new products, expanding the scope of revenue, and improving revenue and profitability. Due to the global economic downturn, coupled with the impacts of the Russia-Ukraine war, rapid interest rate hike and high inflation, the market trend have become unpredictable and volatile. In addition to closely paying attention to the development of economic and market conditions, in response to changes in economic prosperity and market conditions, other than the formulation of contingency measures, the Company continues to develop new products, strengthens inventory control, to minimize the adverse impacts of external competition and environmental factors.

(2) Impact of the regulatory environment

The changes in the regulatory environment and their impact on the Company in the FY 2022 are summarized as follows:

1. The Financial Supervisory Commission (FSC) issued FSC Order No. 1110380465 regarding the amendment of the "Handling Procedures for Acquisition or Disposal of Assets of Public Companies" on January 28, 2022.

On May 26, 2022, the shareholders' meeting of the Company approved the amendment to the "Handling Procedures for Acquisition or Disposal of Assets".

2. The FSC issued the FSC_Review Order No.1110380914 regarding the amendment of the "Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies" on March 4, 2022.
The Company has been executed in accordance with the regulations.

3. The FSC issued FSC Order No.1110383263 regarding the amendment of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" on August 5, 2022.
On October 13, 2022, the Board of Directors adopted the amendment to the "Regulations Governing Procedure for Board of Directors Meetings".

4. The FSC issued FSC Order No.1110383480 regarding the amendment of the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" on August 17, 2022.
The Company has been executed in accordance with the regulations.

5. The FSC issued the FSC_Review Order No.1110383772 regarding the amendment of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" on November 24, 2022.
The Company has been executed in accordance with the regulations.

6. The FSC issued FSC Order No.1110384934 regarding the amendment of the "Regulations Governing Information to be Published in Annual Reports of Public Companies" on November 25, 2022.

The Company will execute in accordance with the regulations.

7. The FSC issued FSC Order No.1110384934 regarding the amendment of the "Regulations Governing Information to be Published in Public Offering and Issuance Prospectuses" on November 25, 2022.

The Company will execute in accordance with the regulations.

8. The Taiwan Stock Exchange Corporation (TWSE) issued the TWSE Letter No. 1110023245 on November 25, 2022, and TWSE Letter No. 1110024366 on December 23, 2022 regarding the "Corporate Governance 3.0 - Sustainable Development Blueprint".

On February 14, 2023, the Board of Directors adopted amendments to the "Corporate Governance Best Practice Principles", "Self-Regulatory Rules on Disclosure of Merger and Acquisition Information", "Sustainable Development Best Practice Principles", "Directions for the Implementation of Continuing Education for Directors", etc., and formulated "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises".

(3) Impact of the overall business environment

Despite the continued global economic downturn due to the adverse factors such as the Russia-Ukraine war, inflation and the US dollar interest rate hike, Hotron Group's consolidated revenue for the previous fiscal year (2022) was NT\$ 3.362 billion. Although it grew by 12% compared to the previous fiscal year's (2021) revenue of NT

\$3.07 billion, due to it was still impacted by the multiple factors such as Russia-Ukraine war, pandemic, exchange rate, interest rate hike and rising raw materials, resulting in increased costs and expenses. Although the annual net profit after tax was NT \$65,746 thousand, an increase of 190% compared to the previous year's (2021) NT \$22,676 thousand, and its earnings per share were NT \$0.71, but the profitability was still unsatisfactory. Although the profitability not to be as anticipated, but Hotron Group has already entered the stage of industrial upgrading and business transformation and is remain optimistic about the future development.

Although Hotron Group already holding a leading position in the market share of the existing connection cable products, but it continues to actively pursue product upgrades and industrial transformation to maintain its competitive advantage and enhance industry competitiveness. In addition to continuing to upgrade the existing products and developing more advanced and faster transmission connection cable products, in terms of industrial transformation, Hotron Group has stable shipments for electric vehicle (EV) charging gun products and has planned to continue moving towards the development of charging equipment products to further extend the depth and breadth of the EV products, with a view to gaining a secure foothold in the EV industry within the shortest possible time. Furthermore, the new plant in Vietnam and Hubei have been put into production. Apart from providing localized customer service and local supply sources, the increased production capacity also helps to increase revenue sources and profitability.

Although the profit in the last year (2022) has grown, it is still unsatisfactory, and there is still room for improvement. However, the diversified transformation and development of the Hotron Group has already taken shape, coupled with the stable operation of the Hotron Group, and shows a strong determination for growth. Looking ahead to the future, despite the current economic conditions and industry uncertainties, the Hotron Group will continue to adhere its business philosophies of honesty, prudence, and proactive innovation, striving to become a fast-growing high-quality enterprise.

Yours sincerely,

Chairman CHANG, LI-JUNG

II. Company Profile

(1) Date of incorporation: December 12, 1991.

(2) Company History:

1991-The company was established with a capital of NT\$ 5 million.

1992 - (1) Relocated to the Far Eastern ABC Industrial Park in Xindian, and at the same time introduced automated production equipment.

(2) Production lines of Plant 1 and Plant 2 have been set up and completed, officially put into production and delivery.

1993 - Products have obtained UL and CSA certifications.

1994 - Capital increase by cash of NT\$ 10,000 thousand and paid-in capital increased to NT\$ 15,000 thousand.

1995 - The expansion of the second production line in Plant 2 has been completed and has been put into production.

1996 - (1) Launched LCD cable, USB cable and other products.

(2) The expansion of the third production line in Plant 2 has been completed and has been put into production.

1997- (1) Capital increase by cash of NT\$ 55,000 thousand and paid-in capital increased to NT\$ 70,000 thousand.

(2) Mr. CHANG, LI-JUNG, Chairman of the Board, was awarded the Golden Peak Award for Outstanding Business Leadership in the Republic of China.

(3) The production lines in Plant 2 have been expanded to nine.

1998 - (1) Obtained ISO9002 international quality certification.

(2) The headquarters relocated to the Zhonghe MIT International Science Park.

(3) Capital increase by cash of NT\$ 230,000 thousand and paid-in capital increased to NT\$ 300,000 thousand.

(4) Approved to conduct an initial public offering (IPO) of its stocks.

1999 - (1) Successfully developed communication products, launched the "mobile phone hands-free car kits" product.

(2) Establishment of Communications Business Division and Connection Cable Business Division.

2000 - Recapitalization of retained earnings of NT\$ 15,000 thousand and paid-in capital increased to NT\$ 315,000 thousand.

2002 - Listed on the Emerging Stock Market.

2003 - Established Fortuna International Holdings Co., Ltd., and indirectly invested in the establishment of Hotron Precision Electronic (Suzhou) Co., Ltd.

2004- (1) Hotron Precision Electronic (Suzhou) Co., Ltd. officially started mass production, and established the Wire and Cable Division for self-manufacturing of wires.

(2) Obtained ISO 9001: 2008 international standard certification.

2005 - (1) Re-invested in the establishment of Hotron Electron & Telecommunication(FuQing) Co., Ltd and started mass production.

(2) Obtained Samsung ECO-Partner certification and international electrical characteristics safety certification.

2006 - (1) Renamed Hotron Precision Electronic Industrial Co., Ltd.

(2) Re-invested in the Hotron Precision Electronic (Suzhou) Co., Ltd., and established the Copper Products Division and started mass production.

2007- (1) The re-invested enterprise, Hotron Precision Electronic (Suzhou) Co., Ltd. completed the integrated operation processes of copper smelting, wire drawing,

self-production of wires and cables, electronic assembly, and plastic molding, and equipped with new automated large-scale machinery and precision testing instruments.

- (2) Recapitalization of retained earnings of NT\$ 47,250 thousand and capital increase by cash of NT\$ 80,000 thousand and paid-in capital increased to NT \$442,250 thousand.
 - (3) The re-invested enterprise, Hotron Precision Electronic (Suzhou) Co., Ltd. obtained the high-tech product certification certificate - aluminum-magnesium alloy wire certification from the Jiangsu Provincial Science and Technology Department in mainland China.
 - (4) Obtained OHSAS 18001: 2007 international standard certification.
 - (5) The Company ranked 228th in business performance, 57th in the net revenue in computer peripherals equipment industry, and 146th in the business performance in manufacturing industry of the CRIF Top 5000.
 - (6) The Company ranked 109th in revenue growth rate, 232nd in profit margin before tax, and 825th in mixed revenue of the Commercial Times Top 1000 Taiwanese businessmen in the mainland.
- 2008-
- (1) Recapitalization of retained earnings of NT\$ 44,225 thousand and paid-in capital increased to NT\$ 486,475 thousand.
 - (2) Ranked 52nd of the net revenue in computer peripherals equipment industry of the CRIF Top 5000.
 - (3) Ranked in the "Deloitte AP Technology Fast 500".
 - (4) Obtained IECQ QC080000 international standard certification.
- 2009-
- (1) The re-invested enterprise, Hotron Precision Electronic (Suzhou) Co., Ltd. successfully developed automated connector assembly equipment.
 - (2) Recapitalization of retained earnings of NT\$ 24,324 thousand and paid-in capital increased to NT\$ 510, 799 thousand.
 - (3) The third phase of the plant of the re-invested enterprise, Hotron Precision Electronic (Suzhou) Co., Ltd. has officially put into operation.
 - (4) The re-invested enterprise, Hotron Precision Electronic (Suzhou) Co., Ltd. re-invested in the establishment of Suzhou Shanghong Electronic Trading Co., Ltd.
 - (5) Ranked in the "Deloitte AP Technology Fast 500".
 - (6) Ranked 39th in the Network and Communication category, and 850th in the Manufacturing category of the "Common Wealth Magazine" Top 1000.
- 2010 -
- (1) Capital increase by cash of NT\$ 68,110 thousand and paid-in capital increased to NT\$ 578,909 thousand.
 - (2) Listed on the stock exchange.
 - (3) Recapitalization of retained earnings of NT\$ 28,945 thousand and paid-in capital increased to NT\$ 607,854 thousand.
 - (4) The headquarters relocated to No. 169, Xing'AI Road, Neihu District, Taipei City (Hotron Building).
- 2011 -
- (1) Recapitalization of retained earnings of NT\$ 30,393 thousand and paid-in capital increased to NT\$ 638,247 thousand.
 - (2) Ranked 39th in the Network and Communication category, and 728th in the Manufacturing category of the "Common Wealth Magazine" Top 1000.
 - (3) Obtained ISO 9001: 2015 international standard certification.
- 2012 -
- (1) Established the AC Power Cord Production Division and FFC Production Division.
 - (2) Obtained European and American certifications for power cords.

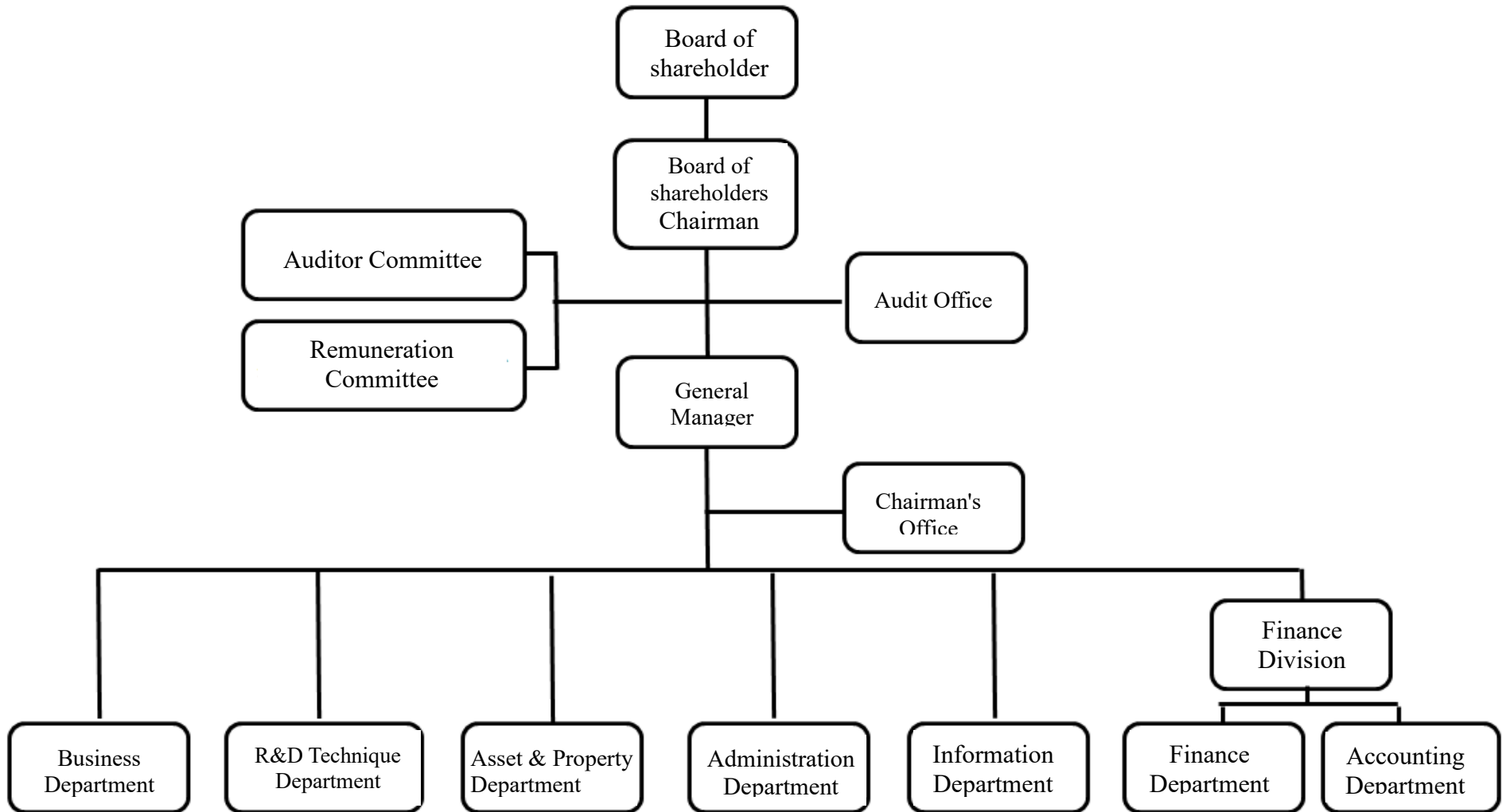
- (3) Initiated the first share buyback, repurchased 353,000 shares of the Company's common stock.
 - (4) Obtained ISO TS16949: 2009 international standard certification.
 - (5) Obtained ISO 14001: 2015 international standard certification.
 - (6) The Company passed the CG6007 General Assessment Criteria for the Corporate Governance System.
- 2013 - (1) AC power cords and FFC began shipping.
- 2014 - (1) Successfully developed high-frequency signal cables and began shipping.
- (2) Completed the development of automotive signal cables.
- 2015 - (1) Initiated the first share capital decrease by way of treasury shares cancellation of NT\$ 3,530 thousand and paid-in capital decreased to NT\$ 634,717 thousand.
- (2) Initiated the second share buyback, repurchased 181,000 shares of the Company's common stock.
- 2016 - (1) The USB series products obtained recognition and verification from North American automotive manufacturer, officially entered the supply chain of the largest automotive company in the United States, focusing on supplying original First Tier automotive audio-visual systems.
- (2) The fourth phase of the plant of the re-invested enterprise, Hotron Precision Electronic (Suzhou) Co., Ltd. has officially been put into operation.
- 2017 - (1) Recapitalization of retained earnings of NT\$ 63,291 thousand and paid-in capital increased to NT\$ 698,008 thousand.
- (2) Passed the certification and obtained membership certificate from the HDMI Licensing Administrator.
 - (3) Ranked 12th in the wire and cable industry of the "CRIF".
 - (4) Ranked 31st in the "CRIF" Top 500 Comprehensive Index of Operating Performance of Enterprises - Manufacturing Industry.
 - (5) Ranked 75th in the "CRIF" Top 5000 Comprehensive Index of Operating Performance of Enterprises- Overall Ranking.
 - (6) Mr. CHANG, LI-JUNG, Chairman of the Board, was awarded the "40th Entrepreneurial Role Model of the Republic of China".
 - (7) Licensed by Sony Green Partner of Sony Corporation.
 - (8) The re-invested enterprise, Hotron Precision Electronic (Suzhou) Co., Ltd. obtained the "High-tech Enterprise Certificate".
- 2018 - (1) Recapitalization of retained earnings of NT\$ 13,924 thousand and paid-in capital increased to NT \$711,932 thousand.
- (2) Initiated the second share capital decrease by way of treasury shares cancellation of NT\$ 1,810 thousand and paid-in capital decreased to NT\$ 710,122 thousand.
 - (3) Re-invested in the establishment of Hotlink Company Limited.
 - (4) Obtained IATF16949: 2016 international standard certification.
- 2019- (1) Re-invested in the establishment of Hotron Precision Electronic Industrial (HuBei) Co., Ltd.
- (2) Re-invested in the establishment of Hotron Real Estate Development (Tianmen) Co., Ltd.
 - (3) Recapitalization of retained earnings of NT\$ 35,506 thousand and paid-in capital increased to NT\$ 745,628 thousand.
 - (4) Re-invested in the establishment of Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.
 - (5) Obtained GB/T23331-2020/ISO 50001: 2018 international standard certification.

- 2020 - (1) Recapitalization of retained earnings of NT\$ 59,650 thousand and paid-in capital increased to NT\$ 805,278 thousand.
- (2) Established the first Audit Committee.
- (3) The re-invested enterprise, Hotron Precision Electronic (Suzhou) Co., Ltd. obtained the "High-tech Enterprise Certificate".
- (4) Issued the first domestic secured convertible bonds (Hotron 1) for a total of NT\$ 500 million (three-year term).
- (5) Capital increase by conversion of first domestic secured convertible bonds (Hotron 1) to common stock capital of NT\$ 27,532 thousand and paid-in capital increased to NT\$ 832,810 thousand.
- 2021 - (1) On May 13, 2021, the stocks were listed and publicly traded.
- (2) Obtained ISO 45001: 2018 international standard certification.
- (3) Capital increase by conversion of first domestic secured convertible bonds (Hotron 1) to common stock capital of NT\$ 90,371 thousand and paid-in capital increased to NT\$ 923,181 thousand.
- (4) The shipment of electric vehicle charging guns and high-end connection cables for Japanese gaming consoles have started.
- (5) The Company is Dun & Bradstreet D-U-N-S Registered, with the D-U-N-S Number ® 65-725-6681 and awarded the D-U-N-S ® Registered™ electronic mark.
- 2022 - (1) Capital increase by conversion of first domestic secured convertible bonds (Hotron 1) to common stock capital of NT\$ 9,029 thousand and paid-in capital increased to NT\$ 932,210 thousand.
- (2) Re-invested in the establishment of SmartGreen Solution Co., LTD., which is responsible for the production and marketing of new energy products.
- (3) The re-invested enterprise, Hotron Precision Electronic Industrial (HuBei) Co., Ltd. obtained ISO 9001: 2015 certification, ISO 14001: 2015 certification, ISO 45001: 2018 certification and IECQ QC080000 international standard certification.
- (4) The re-invested enterprise, Hotron Precision Electronic Industrial (Vietnam) Co., Ltd. obtained ISO 9001: 2015 certification, ISO 14001: 2015 certification and ISO 45001: 2018 international standard certification.
- 2023 - Capital increase by cash of NT\$ 100,000 thousand and paid-in capital increased to NT\$ 1,032,210 thousand.

III. Corporate Governance

1. Organisation

(1) Organisation chart:



(2) Core business of each department

1. Audit Office:

- Audit of regulation in case implementation.
- Feedbacks on management.
- Audit of business performance, budget implementation, financial statements, etc.
- Promulgation and implementation of annual audit plan.
- Coordination of internal audit and external audit.
- Audit of documentation of each recurring clerical task.
- Update and implementation of internal system.

2. Chairman's Office:

- Company-wise supervision of operation performance for chairman
- Implementation of investment, promotion of projects, promulgation and implementation of programmes for president
- Planning and execution of digitalisation for the group and promotion and implementation of paperless policy by the company
- Execution of governance programmes, projects, rectification

3. Business Division:

- Promulgation of marketing policy
- Promulgation and amendment of business system.
- Development and management of clients.
- Overall control of order and invoice.

4. R & D Technical Division

- Research and development of new products and renovation of existing products.
- Preparation, establishment, and maintenance of BOM.
- Proofreading of technical documents, promulgation of safety guideline, planning of each project.
- Admission and production of sample presentation
- Research and development of new products.
- Process development and collection of new components.
- Management of moulds and identification and maintenance of specification.
- Management of product specification and drawings.

5. Asset and material division:

- Management of contractors
- Procurement of quality-conforming materials and components
- Management of movement and stock of raw materials, end products

6. Management department:

- Promulgation and implementation of HR regulation.
- Recruitment, remuneration, shuffling, incentives & punishment, severance of personnel.
- Promulgation and execution of training.
- Management of fixed assets.
- Management of general clerical purchase.

7. Information division:

- Promotion of each application (E.g. ERP). Computer information service for each department.
- Maintenance and updates of software and hardware equipment.
- Maintenance of local network and management of computer rooms by plant and office.

8. Finance Division:

- Promulgation of financial management and financial programme.
- Promulgation of budget system and audit system.
- Fundraising and allocation.
- Promulgation and control of annual budget.
- Declaration and settlement of payables.
- Preparation, analysis, followup, and review of financial statements.
- Acquisition, application, and distribution of short-, medium-, and long-term plan for capital.

2. Director, president, vice-president, associate, department, branch supervisor

(1) Directors

Directors information(1)

holder-of-record dat: 1 April 2023/Unit: share

Title (*1)	Nationality	Name	Gender /Age	Start date	Term of service	Onboard date	Shareholder per election		Current shares held		Current shareholding of spouse and minor children		Substantial shareholding		Major (degree) experience(*1)	Other current titles by the company or other companies	Other supervisors or directors who is a spouse or relative within second grade hereto			Remarks (*2)
							Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio			Title	Name	Relation	
Chairman	Republic of China	CHANG, LI-JUNG	Male Aged 61	5 June 2020	Three years	15 July 1998	13,253,685	17.78%	9,512,228	9.22%	1,268,389	1.23%	16,695,194	16.17%	Mechanical Engineering, Wu Feng Technical College Development researcher by Silicon Crystalline Centre, College of Engineering, Datung University Outer operation Team Lead by Foxconn Co., Ltd.	Chairman by Fortuna International Holdings Ltd. Chairman by Hotron Precision Electronic Industrial (Suzhou) Co.,Ltd. Chairman by Hotlink Company Limited Hotron Precision Electronic Industrial (Hubei) Co.,Ltd. Chairman by Hotron Real Estate Development (Tianmen) Co., Ltd. Chairman by SmartGreen Solution Co., Ltd. Chairman by Gaopeng Investment Co., Ltd. Director by Chuan hung Investment Co., Ltd. Chairman by Hung Rung Investment Co., Ltd. Chairman by Hung Ming Development Co, Ltd.	n/a	n/a	n/a	n/a

Title (*1)	Nationality	Name	Gender /Age	Start date	Term of service	Onboard date	Shareholder per election		Current shares held		Current shareholding of spouse and minor children		Substantial shareholding		Major (degree) experience(*1)	Other current titles by the company or other companies	Other supervisors or directors who is a spouse or relative within second grade hereto			Remarks (*2)
							Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio			Title	Name	Relation	
Director	Republic of China	LU, I-HSUAN	Male Aged 61	5 June 2020	Three years	1 June 1999	60,701	0.08%	70,831	0.07%	0	0	0	0	MBA Programme, NCCU Vice president of management department, Askey Computer Corp. Headquarters. Fianance Director of Financial Centre, TAINET Communication System Corp. President of Honghsuan Information Co., Ltd.	President of the company President of Fortuna International Holdings Ltd. Director by Hotron Precision Electronic Industrial (Suzhou) Co.,Ltd. Chairman and President by Hotron Electron & Telecommunication (Fuqing) Co., Ltd. Director by Hotron Precision Electronic Industrial (Hubei) Co.,Ltd Director and president by Hotron Real Estate Development(Tianmen) Co., Ltd.	n/a	n/a	n/a	n/a
Director	Republic of China	CHEN, TAI-CHUNG	Male Aged 68	5 June 2020	Three years	5 June 2020	0	0	0	0	0	0	0	0	Graduated from An-an Elementary School in Donshi Township, Yunlin County	President of Xiang Yang Land Development Co., Ltd. Chairman by Apex Science & Engineering Corp.	n/a	n/a	n/a	n/a
Director	Republic of China	HSU, TING-JUNG	Male Aged 71	109.6.5	Three years	21 May 2008	0	0	0	0	0	0	0	0	Department of Management Sciences, National Yang Ming Chiao Tung University Fiscal audit, Fiscal Information Agency, Ministry of Finance Chairman of 13 th and 14 th Taipei City Audit Committee Vice chairman of 5 th and 6 th Risk Management Society of Taiwan General chairman of 6 th International Cooperation and Development Fund (ICDF) Supervisor by Quang Viet Enterprise Co., Ltd. Supervisor by Nishoku Technology Inc.	Chief of Honglin Accounting Co., Ltd.	n/a	n/a	n/a	n/a
Independent Director	Republic of China	HSIEH, I-TA	Male Aged 60	5 June 2020	Three years	8 June 2017	0	0	0	0	0	0	0	0	School of Law BA, National Chung Hsing University Staff Member, Construction Management Office, Taipei City Government	In-charge and attorney of Yicheng United Law Firm	n/a	n/a	n/a	n/a

Title (*1)	Nationality	Name	Gender /Age	Start date	Term of service	Onboard date	Shareholder per election		Current shares held		Current shareholding of spouse and minor children		Substantial shareholding		Major (degree) experience(*1)	Other current titles by the company or other companies	Other supervisors or directors who is a spouse or relative within second grade hereto			Remarks (*2)	
							Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio			Title	Name	Relation		
Independent Director	Republic of China	CHU, YANN-FANG	Male Aged 66	5 June 2020	Three years	109.6.5	0	0	0	0	0	0	0	0	0	Commerce Department PhD, NTU Project Management Professional(PMP), Project Management Institute (PMI) Associate Professor at Shih Chien University Associate Professor at Soochow University Chairman of 5th, 6 th , 7 th , 8 th , National Project Management Association	National Project Management Association	n/a	n/a	n/a	n/a
Independent Director	Republic of China	CHOU, CHE-YI	Male Aged 48	5 June 2020	Three years	5 June 2020	0	0	0	0	0	0	0	0	0	Department of Accounting MA, Taipei University Associate of Audit Dept. PwC Taiwan	Accountant by Earnesty & Confidence & Co., CPAs Finance Associate, Abyco Avy Co., Ltd. Independent director by Nan Yang Dyeing & Finishing Co., Ltd.	n/a	n/a	n/a	n/a

*1: Position and scope shall be specified if it took place at our CPAs or affiliates: n/a.

*2: One who is entitle chairperson and president or equivalent position (chief manager), a spouse or relative of first grade kinship to whom: n/a.

Director(2)

1. Disclosure of credential of directors and independence of independent directors:

1 April 2023

Name \ Credential	Credential and experience (*1)	Independence (*2)	Number of other companies where entitled independent directors
Chairman- CHANG, LI-JUNG	<ol style="list-style-type: none"> 1. Chairman CHANG, LI-JUNG founded Hotron Precision Electronic Industrial Co.,Ltd. in 1991, leading company operation and innovation business. 2. Experienced in commerce, law, governance management and company operation: please refer to aforesaid table: Directors. 3. Not been a person of any conditions defined in Article 30 of the Company Act. 	n/a.	0
Director- LU, I-HSUAN	<ol style="list-style-type: none"> 1. Experienced in commerce, law, governance management and company operation: please refer to aforesaid table: Directors. 2. Not been a person of any conditions defined in Article 30 of the Company Act. 	n/a.	0
Director- CHEN, TAI-CHUNG	<ol style="list-style-type: none"> 1. Experienced in commerce, law, governance management and company operation: please refer to aforesaid table: Directors. 2. Not been a person of any conditions defined in Article 30 of the Company Act. 	n/a.	0
Director- HSU, TING-JUNG	<ol style="list-style-type: none"> 1. A licensed account. 2. Experienced in commerce, law, governance management and company operation: please refer to aforesaid table: Directors. 3. Not been a person of any conditions defined in Article 30 of the Company Act. 	n/a.	0
Independent Director- HSIEH, I-TA	<ol style="list-style-type: none"> 1. Audit Committee member. 2. In possession of attorney's license. 3. Experienced in commerce, law, governance management and company operation: please refer to aforesaid table: Directors. 4. Not been a person of any conditions defined in Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Independence conforming. 2. Without matters stipulated by Art.3 Para. 1 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies during the two years prior to being elected or during the term of office 	0

Name \ Credential	Credential and experience (*1)	Independence (*2)	Number of other companies where entitled independent directors
Independent Director – CHU, YANN-FANG	1. Audit Committee member. 2. In possession of American Project Management Association PMP license. 3. Over five years' experience as instructor in commerce, finance, audit by national and private universities. 4. Experienced in commerce, law, governance management and company operation: please refer to aforesaid table: Directors. 5. Not been a person of any conditions defined in Article 30 of the Company Act.	1. Independence conforming. 2. Without matters stipulated by Art.3 Para. 1 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies during the two years prior to being elected or during the term of office.	0
Independent Director – CHOU, CHE-YI	1. Audit Committee Convenor. 2. In possession of CPA license. 3. Experienced in commerce, law, governance management and company operation: please refer to aforesaid table: Directors. 4. Not been a person of any conditions defined in Article 30 of the Company Act.	1. Independence conforming. 2. Without matters stipulated by Art.3 Para. 1 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies during the two years prior to being elected or during the term of office.	1

*1: Credential and experience: specify credential and experience of respective directors and supervisors. Should they be Audit Committee members and audit or financial experts, specify their audit or financial credential and work experience, as well as any matter stipulated by Art. 30 of Company Act if applicable.

*2: Independent directors shall specify their independence conformity, including but not limited to their director, supervisor, or employee titles, their spouse, relatives within second grade kinship entitled director, supervisor, or employee by the company or its affiliated companies; number and ratio of held shares of the company, or held (or substantial) by spouse or relatives within second grade kinship; their director, supervisor, or employee titles by liaised companies (See Art.3 Sec. 1 Para. 5~8 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); remuneration acquired via commercial, legal, financial, audit service provided to the company or its affiliated companies within the past 2 years.

2. Board of Directors' policy towards diversity and independence:

(1) Board of directors towards diversity:

The company elects directors fair, just, and open. Election guideline for Board of Directors was promulgated pursuant to Art. 21 of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

The election of Board of Directors takes account of overall composition of the Board of Directors and promulgated diversification guideline on its operation, type of operation and development requirements; it shall include but not be limited to following two standards:

1. Basic conditions and value: gender, age, nationality, culture, etc.
2. Profession and skills: professional background (e.g. law, accounting, industry, finance, marketing, or technology), professional skills and industrial experience, etc.

Members of Board of Directors shall have overall competence in terms of required knowledge, skills, and literacy as following for the implementation of duties:

1. Operation and judgement.
2. Accounting and financial analytic.
- Governance and management.
4. Crisis management.
5. Industrial knowledge.
6. Understanding of international market.
7. Leadership.
8. Decision making.

The company's goal is to establish functioning company structure, securing the stakeholders' right, strengthening competitiveness of Board of Directors, exercising functionality of Audit Committee, respect to stakeholders' right, elevation of information transparency. The current Board of Directors cannot accept over one third of its seats with a second title as manager by the company. Apart from that, members of the Board of Directors are elected based on diversification guideline. The current seven seats of the Board of Directors include three independent directors; independent directors take up three sevenths (approximate ratio at 43%) of the Board of Directors. No independent directors have been elected over three times. It conforms to Articles of Incorporate and Corporate Governance provisions. All 7 members of the Board of Directors are males, no female members in the Board of Directors; the average age of directors is approximately 62. All are Republic of China nationals.

Common members of the Board of Directors shall be experienced in commerce, law, finance, accounting, or business operation required by the industry.

All independent directors are professional and experienced. Independent director HSIEH, I-TA is an licensed attorney and have years' experience in legal profession; independent director CHOU, CHE-YI is an accountant and experienced in accounting; independent director CHU, YANN-FANG has a Department of Commerce PhD by National Taiwan University and American Project Management Association license (PMP).

Please refer to P.13~15 of the annual report for directors and independent directors' details; the diversification and its implementation by the company in the Board of Directors and their overall competence are compiled as in Table 1. The members of the Board of Directors take up diverse profession and it advises on diversification policy guideline for the company. In future at least one female director will be elected in the new Board of Directors based on operation and profession requirements. It will improve females in participation of decision making and complements structure of the Board of Directors.

(2) Independent of Board of Directors

The 9th Board of Directors by the company has seven directors, including three independent directors (approximate 43%). No independent director has been elected over three times. It conforms to Articles of Incorporate and Corporate Governance provisions.

All members of Board of Directors are independent. None has a matter stipulated by Art. 26-3 Para. 3 and Para. 4 of Securities Exchange Act, and no partnership or kinship within second grade exists among directors. For disclosure of directors and independent directors information, please refer to aforesaid Directors (2).

Table 1: Implementation of diversification of Board of Directors and competence of overall members of the Board of Directors

Diversification Core items		Service term of independent directors	Second title as employee or manager	Profession	Operation judgement	Accounting and fiscal analysis	Governance and management	Risk management	Industrial understand ing	Understanding of international marker	Leadership	Decision making	Law
Title Directors													
Chairman	CHANG, LI-JUNG	0	Y	Corporate management Mechanical engineering	✓	✓	✓	✓	✓	✓	✓	✓	
Director	LU, I-HSUAN	0	Y	Corporate management Finance and accounting	✓	✓	✓	✓	✓	✓	✓	✓	
Director	HSU, TING-JUNG	0	N	Accountant	✓	✓	✓	✓	✓	✓	✓	✓	
Director	CHEN, TAI-CHUNG	0	N	Construction engineering	✓		✓	✓	✓	✓	✓	✓	
Independent director	HSIEH, I-TA	5.8	N	Lawyer	✓		✓	✓	✓	✓	✓	✓	✓
Independent director	CHU, YANN-FANG	2.8	N	American Project Management Association (PMP)	✓	✓	✓	✓	✓	✓	✓	✓	
Independent director	CHOU, CHE-YI	2.8	N	Accountant	✓	✓	✓	✓	✓	✓	✓	✓	

(2) President, Vice President, Associate, Supervisor of each department and branch

Reference date of shares: 1 April 2023/Unit: shares

Title	Nationality	Name	Gender	Service Date of first term	Shareholding		Shares held by spouse or minor children		Substantial Shareholding		Mentionable experience (degree) (*1)	Titles by other companies	Manager who is spouse or kinship within second grade			Remarks (*2)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Manager	Kinship	
General Manager	Republic of China	LU, I-HSUAN	M	December 2007	70,831	0.07%	0	0	0	0	MBA Programme, NCCU Vice president of management department, Askey Computer Corp. Headquarters. Finance Director of Financial Centre, TAINET Communication System Corp. President of Honghsuan Information Co., Ltd. Director by Hotron Precision Electronic Industrial Co.,Ltd.	President of Fortuna International Holdings Ltd. Director by Hotron Precision Electronic Industrial (Suzhou) Co.,Ltd. Chairman and President by Hotron Electron & Telecommunication (Fuqing) Co., Ltd. Director by Hotron Precision Electronic Industrial (Hubei) Co.,Ltd Director and president by Hotron Real Estate Development(Tianmen) Co., Ltd.	n/a	n/a	n/a	n/a
CFO and chief corporate governance officer	Republic of China	HSU, KUO-HUANG	M	May 2019	0	0	0	0	0	0	Department of Accounting, Tamkang University Underwriting Manager of Masterlink Securities Finance Manager of CoreMax Corporation Audit supervisor, finance/accounting, substitute spokesperson, corporate governance supervisor of Hotron Precision Electronic Industrial Co.,Ltd.Group Finance director by Exemt Inc.	Financial supervisor by Fortuna International Holdings Ltd. Director and vice president of general management Hotron Precision Electronic Industrial (Suzhou) Co.,Ltd. Director and financial supervisor by Hotron Electron & Telecommunication (Fuqing) Co.,Ltd. Director and finance in-charge of Hotron Precision Electronic Industrial (Hubei) Co.,Ltd. Director and financial in-charge of Hotron Real Estate Development(Tianmen) Co., Ltd.	n/a	n/a	n/a	n/a
Vice president of business department of connecting wires by Hotlink Company Limited	Republic of China	KAO, I-HONG	M	July 2018	26,289	0.03%	0	0	0	0	Department of industrial engineering and management, Mig Chi University of Technology Plant Chief Of Ns-Tech Co., Ltd.	President of Hotron Precision Electronic Industrial Co.,Ltd. President of Hotron Precision Electronic Industrial (Hubei) Co.,Ltd. Director by Hotron Electron & Telecommunication (Fuqing) Co.,Ltd. Legal behalf and president of Hotron Precision Electronic Industrial (Vietnam) Co.,Ltd	n/a	n/a	n/a	n/a
Information Department Lead of Hotlink Company Limited	Republic of China	LIN, CHAO-YIN	F	Jan. 2022	63,000	0.06%	0	0	0	0	IT Information technology, Queensland University of Technology Technician by Yulong Group Co., Ltd.	Department Supervisor of Management of Hotron Precision Electronic Industrial Co.,Ltd. Management Supervisor, Hotlink Company Limited Management supervisor of SmartGreen Solution Co., LTD.	n/a	n/a	n/a	n/a
Vice president of Hotron (Vietnam)	Republic of China	YU, TUNG-HUA	M	July 2022	21,000	0.03%	0	0	0	0	Electrical engineering, Chin-Yi College Vice president of Kuenshan Plant, Celxpert Energy President of Dongwan Plant, Dexmart Technology Corp. Plant Lead of Hotron Precision Electronic Industrial Co.,Ltd.	n/a.	n/a	n/a	n/a	

Title	Nationality	Name	Gender	Service Date of first term	Shareholding		Shares held by spouse or minor children		Substantial Shareholding		Mentionable experience (degree) (*1)	Titles by other companies	Manager who is spouse or kinship within second grade			Remarks (*2)
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Manager	Kinship	
Senior assistant at Director's Office	Republic of China	CHEN, YUEH-CHIN	F	Sep. 2022	43,270	0.04%	0	0	0	0	Accounting by NTUB Extension University Financial supervisor, audit supervisor by Hotron Precision Electronic Industrial Co.,Ltd.	Vice president of management department, Hotron Precision Electronic Industrial (Hubei) Co.,Ltd.	n/a	n/a	n/a	n/a
Executive Vice President	Republic of China	WU, CHIEN-HUEI	M	Feb. 2023	0	0	0	0	0	0	College of International Business Management PhD, Tianjin Nankai University President of Jenn Feng New Energy Co., Ltd. Senior vice president by C-Techone International Group Co., Ltd. President of Rise Ever Co., Ltd.	n/a.	n/a	n/a	n/a	n/a

*1: Relevant experience to current position, e.g. service at CPA agency or affiliates during aforesaid term: n/a.

*2: One who is chairman and president or an equivalent position (top manager), the spouse or kinship of first grade to whom: n/a.

(3) Should one be Chairman and President or an equivalent position (top manager), the spouse or kinship of first grade to whom, please specify reason, rationale, necessity, and response measure details (E.g. additional independent director seats, with over a half seats of board of directors who are not employees or managers, etc.): n/a.

3. Director, supervisor, president and vice president remuneration

(1) Common director and independent director remuneration

Unit: thousand NTD

Title	Name	Director remuneration								A+B+C+D total and ratio to net income after tax (*10)		Remuneration for employee as second title								A+B+C+D+E+F+G total and ratio to net income after tax (*10)		Remuneration from a non-subsiidiary investee company or parent company (*11)
		Remuneration (*2)		Severance Pension (B)		Director remuneration (C)(*3)		Operation fee (D) (*4)				Pay, bonus, and special allowance, etc. (E)(*5)		Severance Pension (F)		Employee remuneration (G)(*6)						
		The company	All companies from financial statement (*7)	The company	All companies from financial statement (*7)	The company	All companies from financial statement (*7)	The company	All companies from financial statement (*7)	The company	All companies from financial statement (*7)	The company	All companies from financial statement (*7)	The company	All companies from financial statement (*7)	Cash bonus	Stock bonus	Cash bonus	Stock bonus	The company	All companies from financial statement(*7)	
Chairman	CHANG, LI-JUNG	5,980	5,980	0	0	375	375	18	18	9.69%	9.69%	0	0	0	0	0	0	0	0	9.69%	9.69%	n/a
Director	LU, I-HSUAN	0	0	0	0	375	375	18	18	0.60%	0.60%	2,507	2,507	108	108	93	0	93	0	4.72%	4.72%	n/a
Director	HSU, TING-JUNG	0	0	0	0	375	375	18	18	0.60%	0.60%	0	0	0	0	0	0	0	0	0.60%	0.60%	n/a
Director	CHEN, TAI-CHUNG	0	0	0	0	375	375	16	16	0.59%	0.59%	0	0	0	0	0	0	0	0	0.59%	0.59%	n/a
Independent Director	HSIEH, I-TA	0	0	0	0	375	375	44	44	0.64%	0.64%	0	0	0	0	0	0	0	0	0.64%	0.64%	n/a
	CHU, YANN-FANG	0	0	0	0	375	375	44	44	0.64%	0.64%	0	0	0	0	0	0	0	0	0.64%	0.64%	n/a
	CHOU, CHE-YI	0	0	0	0	375	375	44	44	0.64%	0.64%	0	0	0	0	0	0	0	0	0.64%	0.64%	n/a

1. Please specify remuneration policy, system, standard and structure for independent directors, and justify in terms of their scope, risk, work time and other associating factors with remuneration:

(1) Remuneration policy, system, standard and structure for independent directors is based on regulation, Art. 13-2, Art. 20 of articles of incorporate, articles of Rumeration Committee, and director remuneration guideline are the basis of Remuneration and evaluation.

(2) Director remuneration takes account of evaluation of directors' participation in business operation, personal contribution(duties, risks, time, etc.), and standard of same indsutry by Remuneration Committee pursuant to Art. 13-2 of articles of incorporate, as well as overall performance and external market factors. Remuneration Committee and Board of Directors review regularly and offer reasonable remuneration; relevant performance evaluation and remuneration rationale are reviewed by Remuneration Committee and Board of Directors, and is reviewed based on actual operation and relevant provisions if applicable; so that sustainability and risk control of the company strike balance.

(3) Art. 20 of Articles of Incorporate stipulates a three percent cap ratio shall be allocated for director remuneration against current earnings of the company.

(4) Please refer to Annual Report P.27 (1) Compare remuneration analysis for directors, supervisors, president and vice presidents in the most recent two fiscal years by the company and by all companies included in the consolidated financial statements ratio to net profit after tax, and specify remuneration policy, standard and combination, promulgation procedure for directors, supervisors, president and vice presidents, and business performance and future risk relativity.

2. Besides aforesaid disclosure, director remuneration for service at the company (e.g. parent company/all companies from the financial statement/non-employee advisor by an investee): n/a.

(Followed by next page)

Remuneration scale

Remuneration scale of directors	Directors			
	Total of 4 (A+B+C+D) remunerations		Total of 7 (A+B+C+D+E+F+G)	
	The company(*8)	List of Companies from Financial Statements (*9) H	The company(*8)	List of Companies from Financial Statements (*9)I
Under 1,000,000 NTD	LU, I-HSUAN. HSU, TING-JUNG. CHEN, TAI-CHUNG. HSIEH, I-TA. CHU, YANN-FANG. CHOU, CHE-YI	LU, I-HSUAN. HSU, TING-JUNG. CHEN, TAI-CHUNG. HSIEH, I-TA. CHU, YANN-FANG. CHOU, CHE-YI	HSU, TING-JUNG. CHEN, TAI-CHUNG. HSIEH, I-TA. CHU, YANN-FANG. CHOU, CHE-YI	HSU, TING-JUNG. CHEN, TAI-CHUNG. HSIEH, I-TA. CHU, YANN-FANG. CHOU, CHE-YI
1,000,000 NTD (incl.) ~ 2,000,000NTD (not incl.)				
2,000,000 NTD (incl.) ~ 3,500,000 NTD (not incl.)			LU, I-HSUAN	LU, I-HSUAN
3,500,000 NTD (incl.) ~ 5,000,000 NTD (not incl.)				
5,000,000 NTD (incl.) ~ 10,000,000 NTD (not incl.)	CHANG, LI-JUNG	CHANG, LI-JUNG	CHANG, LI-JUNG	CHANG, LI-JUNG
10,000,000 NTD (incl.) ~ 15,000,000 NTD (not incl.)				
15,000,000 NTD (incl.) ~ 30,000,000 NTD (not incl.)				
30,000,000 NTD (incl.) ~ 50,000,000 NTD(not incl.)				
50,000,000 NTD(incl.) ~ 100,000,000 NTD (not incl.)				
100,000,000 NTD above				
Total	7	7	7	7

*1: Should Director be president or vice president, please specify in the table and following table.

*2: 2022 director remuneration (director pay, additional work, bonus, incentive, etc.).

*3: Allocated director remuneration for 2022

*4: Business operation fee for directors for 2022 (transport cost, subsidies etc.)

*5: Pay, additional work, bonus, transport fee, subsidies, company car, other offered items for employee directors for 2022.

*6: Employee directors (including president, vice president, other managers, and employees) remuneration for 2022. Please disclose employee remuneration adopted by Board of Directors. Should it not be able to estimate, calculate actual distributed amount from same period of previous year for allocation proposal for current year, and fill out following table 3: President and vice president remuneration.

*7: Remuneration total of all companies (including the company) in the consolidated report (including the company) for directors of the company.

*8: Director remuneration total of the company. Directors are disclosed in the belonging scale chart.

*9: Please disclose director in belonging scale of all companies (including the company) in the consolidated report along with their remuneration.

*10: Net profit post-tax indicates net profit post-tax form 2022 individual financial statement.

*11: No director by the company acquired remuneration from investees other than subsidiaries or parent company.

*The remuneration disclosed in the table differs from income tax law. The table serves for information disclosure purpose, not for taxation purpose.

(2)Supervisor remuneration: n/a.

(3) President and vice president remuneration

Unit: thousand NTD

Title	Name(*1)	Salary (A)(*2)		Pension per discharge (B)		Reward and perk etc. (C)(*3)		Employee remuneration (D) (*4)				A+B+C+D total and ratio to net income after tax(%)(*8)		Remuneration from ventures other than subsidiaries or from the parent company (*9)
		The Company	List of Companies from Financial statements(*5)	The Company	List of Companies from Financial statements (*5)	The Company	List of Companies from Financial statements	The company		All companies in the financial statement(*5)		The Company	List of Companies from Financial statements (*5)	
								Cash bonus	Divident	Cash bonus	Divident			
General Manager	LU, I-HSUAN	2,507	2,507	108	108	300	300	93	0	93	0	4.58%	4.58%	n/a

* Disclose all titles regardless of president, vice president or equivalence (e.g. chief, executive director, executive, etc...)

Remuneration scale

Remuneration scale of president and vice president by the company	President and vice president	
	The company (*6)	All companies in the financial statement(*7)E
Under 1,000,000 NTD		
1,000,000 NTD (incl.) ~ 2,000,000NTD (not incl.)		
2,000,000 NTD (incl.) ~ 3,500,000 NTD (not incl.)	LU, I-HSUAN	LU, I-HSUAN
3,500,000 NTD (incl.) ~ 5,000,000 NTD (not incl.)		
5,000,000 NTD (incl.) ~ 10,000,000 NTD (not incl.)		
10,000,000 NTD (incl.) ~ 15,000,000 NTD (not incl.)		
15,000,000 NTD (incl.) ~ 30,000,000 NTD (not incl.)		
30,000,000 NTD (incl.) ~ 50,000,000 NTD(not incl.)		
50,000,000 NTD(incl.) ~ 100,000,000 NTD (not incl.)		
100,000,000 NTD above		
Total	1	1

(Following)

- *1: Should Director be president or vice president, please specify in the table and following table.
- *2: 2022 director remuneration (director pay, additional work, bonus, incentive, etc.).
- *3: Pay, additional work, bonus, transport fee, subsidies, company car, other offered items for employee directors for 2022.
- *4: Employee remuneration (cash) distributed by president and vice president adopted by Board of Directors for 2022. Should it not be able to estimate, calculate actual distributed amount from same period of previous year for allocation proposal for current year, and fill out following table 3: President and vice president remuneration.
- *5: President and vice president remuneration total from all companies in consolidated statement (including the company).
- *6: Please disclose president and vice president and their remuneration from the company in belonging scale.
- *7: Please disclose president and vice president in belonging scale of all companies (including the company) in the consolidated report along with their remuneration.
- *8: Net profit post-tax indicates net profit post-tax form 2022 individual financial statement.
- *9: No president or vice president by the company acquired remuneration from investees other than subsidiaries or parent company.
- *The remuneration disclosed in the table differs from income tax law. The table serves for information disclosure purpose, not for taxation purpose

(4) Managers who allocate employee remuneration and allocation details

Unit: thousand NTD

	Title(*1)	Name(*1)	Stock value	Cash	Total	Total and ratio to net income after tax(%)
Manager	General Manager	LU, I-HSUAN	0	652	652	0.99%
	CFO and chief corporate governance officer	HSU, KUO-HUANG				
	Senior assistant by the Chairman's Office	CHEN, YUEH-CHIN				
	Executive vice president	WU, CHIEN-HUEI				
	Vice president of business department of connecting wires by Hotlink Company Limited	KAO, I-HONG				
	Information Department Lead of Hotlink Company Limited	LIN, CHAO-YIN				
	Vice president of Hotron (Vietnam)	YU, TUNG-HUA				

- *1: Disclose names and titles, while distributable earnings can be presented with a total.
- *2: Employee remuneration (cash) distributed by managers adopted by Board of Directors for 2022 is estimated from calculation of actual distributed amount from same period of 2021 for allocation proposal for current year. Net income post-tax is net income from individual financial statement for 2022.
- *3: Managers apply to following scope, stipulated by Taiwan finance order 0920001301 of 27 March 2003.
 - (1) President or equivalent
 - (2) Vice president or equivalent
 - (3) Associate or equivalent
 - (4) Financial supervisor
 - (5) Accounting supervisor
 - (6) Other managerial or authorisers by the company
- *4: Should directors, president, and vice president are remunerated (with cash), please fill the table besides director remuneration scale and president and vice president remuneration scale.

(5) Compare remuneration analysis for directors, supervisors, president and vice presidents in the most recent two fiscal years by the company and by all companies included in the consolidated financial statements ratio to net profit after tax, and specify remuneration policy, standard and combination, promulgation procedure for directors, supervisors, president and vice presidents, and business performance and future risk relativity.

1. Analysis of director, supervisor, president, and vice president remuneration ratio to net income after tax from the company and consolidated report for the past two years: director, supervisor, president, and vice president remuneration ratio to net income after tax from the company for 2022 and 2021 as following:

Item/Title	remuneration ratio to net income after tax			
	2022		2021	
	The company	All companies in the financial statement	The company	All companies in the financial statement
Director, independent director	17.52%	17.52%	48.31%	48.31%
President and vice president	7.71%	7.71%	13.54%	13.54%

2. Remuneration policy, standard, and combination

(1) Directors, independent directors:

The company has remuneration and evaluation basis pursuant to provision, Art. 13-2, Art. 20 of articles of incorporate, articles of incorporate of Remuneration Committee, director remuneration guideline. The company remunerates directors pay (business operation) and bonus.

A. Director remuneration, aka director duty operation pay, takes account of evaluation of directors' participation in business operation, personal contribution(duties, risks, time, etc.), and standard of same industry by Remuneration Committee pursuant to Art. 13-2 of articles of incorporate, as well as overall performance and external market factors. Remuneration Committee and Board of Directors review regularly and offer reasonable remuneration; relevant performance evaluation and remuneration rationale are reviewed by Remuneration Committee and Board of Directors, and is reviewed based on actual operation and relevant provisions if applicable; so that sustainability and risk control of the company strike balance.

B. Director remuneration: Art. 20 of Articles of incorporate stipulates a three percent cap ratio shall be allocated for director remuneration against current earnings of the company.

(2) President and vice president

The company remunerates president and vice president in terms of pay, subsidies, incentives and employee bonus, etc., adopted pursuant to their participation in business operation and personal contribution and internal Remuneration Management Guideline.

3. Remuneration promulgation procedure

The company established Remuneration Committee in order to implement company governance and complements director, independent director, and manager remuneration by the company pursuant to Art. 14-6 of Securities Exchange Act and Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange. The Committee is

professional and independent. It evaluates director, independent director and manager remuneration policy and system and advises Board of Directors on decision making on the basis of its profession and objectivity.

Art. 7 of articles of incorporate of Remuneration Committee stipulates scope of Remuneration Committee as following:

1. Establishes and reviews director and manager performance and remuneration policy, system, standard, and structure.
2. Evaluates regularly and sets director and manager wage and bonus.

Before the Committee exercises aforesaid duty, please follow following principles:

1. Director and manager performance evaluation and wage/bonus shall be referenced to remuneration in same industry, and take account of personal performance, company governance performance and future risk relativity.
2. Shall not encourage directors and managers to pursue remuneration by taking conducts exceeding risk appetite of the company.
3. Remuneration adoption taking account of ratio to short-term performance bonus and variable remuneration of high-ranked managers based on industry conditions and type of business operation.

Aforesaid remuneration includes cash wage, stock option, bonus from dividends, pension benefit or severance pay, subsidies and other actual incentives.

The remuneration proposal shall take account of amount, remuneration type, and future risks of the company per presentation to the Board of Directors for discussion.

The president and vice president remuneration is promulgated pursuant to internal Remuneration Guideline and is adjusted based on accomplishment of annual business targets of the company and personal performance assessment. The annual remuneration will be admitted by the chairman and submitted to Remuneration Committee for review. It will then be remunerated with permission of the Board of Directors.

4. Business performance and future risk relativity

The company remunerates directors, independent directors, and managers (including president and vice president) pursuant to one's participation in business operation and personal contribution and internal Remuneration Management Guideline and Director Remuneration Guideline, and takes account of common standards of listed companies. It is highly relevant to business performance and one's responsible governance. Management and remuneration committee of the company reviews regularly remuneration of the company and adjusts accordingly, so that it will ensure the competitive of the managerial resources and risk control of the company.

4. Corporate Governance

(1) Board of Directors

Operation of the Board of Directors

A total of 10 (A) meetings of the (9th) Board of Directors were held in recent year. The attendance of director and supervisor were as following:

1 Jan. 2022 ~ 1 April 2023

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	CHANG, LI-JUNG	10	0	100.00 %	-
Director	LU, I-HSUAN	10	0	100.00 %	-
Director	CHEN, TAI-CHUNG	9	0	90.00 %	-
Director	HSU, TING-JUNG	10	0	100.00 %	-
Independent Director	HSIEH, I-TA	10	0	100.00 %	-
Independent Director	CHU, YANN-FANG	10	0	100.00 %	-
Independent Director	CHOU, CHE-YI	10	0	100.00 %	-

Other mentionable items:

1. If any of the following circumstances matters occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response shall be specified:

(1) Matters referred to in Article 14-3 of Securities Exchange Act:

Meeting date of Board of Directors	Session	Subject	all independent directors' opinions and the company's response hereto
20 Jan. 2022	16 th meeting by 9 th Board of Directors	Remuneration of annual bonus for executive directors and managers of the company for 2021.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		CPA commission and assessment of independence and competence of CPA auditors.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
25 Feb. 2022	17 th meeting by 9 th Board of Directors	Remuneration of annual bonus for employees and directors and director business operation of the company for 2021.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Internal control system disclaimer is established for the company pursuant to 2021 internal control system self-evaluation report.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		2021 Business Report, Individual Financial Statement and Consolidated Financial Statement	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Amendments to articles of incorporate	All of three independent directors agreed without objection. Adopted by all present directors without objection.
8 April 2022	18 th meeting by 9 th Board of Directors	2021 earning distribution	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		First transfer of guaranteed corporate bonds(Hotron 1) to new stocks by the company.	All of three independent directors agreed without objection. Adopted

Meeting date of Board of Directors	Session	Subject	all independent directors' opinions and the company's response hereto
		(325,457 common stocks transferred)	by all present directors without objection.
		2022 earning reserve of the company for the 3 rd region 100% company investee Mainland Chinese subsidiary Hotron Precision Electronic Industrial (Suzhou) Co.,Ltd.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Capital increase of the 3rd region 100% company investee Mainland Chinese subsidiary Hotron Precision Electronic Industrial (Suzhou) Co.,Ltd. for Hotron Precision Electronic Industrial(Hubei) Co.,Ltd. by the company.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Amendment to acquisition or disposition procedure of assets.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
10 May 2022	19th meeting by 9th Board of Directors	2022 Q1 Consolidated Financial Statement	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Review of overdue payable on its fund lending nature if applicable.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Endorsement guarantee for 100% substantially owned second-tier company Hotron Precision Electronic Industrial(Vietnam) Co.,Ltd. by the company.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Endorsement guarantee for 100% investee Fortuna International Holdings Ltd. by the company.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
13 July 2022	20th meeting by 9th Board of Directors	First transfer of guaranteed corporate bonds(Hotron 1) to new stocks by the company. (199,471 common stocks transferred)	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Foundation of direct investee (SmartGreen solution Co., Ltd., capital at approximately 50 million NTD)	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Acquisition of user rights over asset of 100% company owned SmartGreen solution Co., Ltd.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Endorsement guarantee for 100%-company investee subsidiary Fortuna International Holdings Ltd..	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Endorsement guarantee for 100% substantially company owned second-tier company Hotlink Company Limited	All of three independent directors agreed without objection. Adopted by all present directors without objection.
10 Aug. 2022	21 st meeting by 9th Board of Directors	2022 Q2 Consolidated Financial Statement	All of three independent directors agreed without objection. Adopted by all present directors without objection.

Meeting date of Board of Directors	Session	Subject	all independent directors' opinions and the company's response hereto
		Endorsement guarantee for 100%-company investee subsidiary Fortuna International Holdings Ltd..	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Endorsement guarantee for the 3rd region 100% company investee Mainland Chinese subsidiary Hotron Precision Electronic Industrial(Suzhou) Co.,Ltd.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
13 Oct. 2022	22 nd meeting by 9th Board of Directors	First transfer of guaranteed corporate bonds(Hotron 1) to new stocks by the company. (377,951 common stocks transferred)	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Endorsement guarantee for the 3rd region 100% company investee Mainland Chinese subsidiary Hotron Precision Electronic Industrial(Suzhou) Co.,Ltd.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Change of internal audit supervisor by the company.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
09 Nov. 2022	23 rd meeting by 9th Board of Directors	2022 Q3 Consolidated Financial Statement.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Review of overdue payable on its fund lending nature if applicable.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Amendment to internal major information procedure by the company	All of three independent directors agreed without objection. Adopted by all present directors without objection.
14 Dec. 2022	24 th meeting by 9th Board of Directors	Remuneration of annual bonus for executive directors and managers of the company for 2022.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Cash increase for new stocks and second domestic un-guaranteed transfer of corporate bonds in 2022 intended for loan repayment.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Amendment to internal control system by the company.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Endorsement guarantee for the 3rd region 100% company investee Mainland Chinese subsidiary Hotron Precision Electronic Industrial(Suzhou) Co.,Ltd.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
24 Feb. 2023	25 th meeting by 9th Board of Directors	Remuneration of annual bonus for executive directors and managers of the company for 2022.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		CPA commission and evaluation of independence and competence of CPA auditors. (2023 commissioned auditor Wu Hanchao and auditor Lin Yahuei)	All of three independent directors agreed without objection. Adopted by all present directors without objection.

Meeting date of Board of Directors	Session	Subject	all independent directors' opinions and the company's response hereto
		Intended approval of non-assurance services provided to the company and subsidiaries by CPA commissioner and affiliates	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		2022 Business Report, Individual Financial Statement and Consolidated Financial Statement.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		2022 earning distribution.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		2023 earning reserve of the 3rd region 100% company investee Mainland Chinese subsidiary Hotron Precision Electronic Industrial(Suzhou) Co.,Ltd.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Endorsement guarantee for the 3rd region 100% company investee Mainland Chinese subsidiary Hotron Precision Electronic Industrial(Suzhou) Co.,Ltd.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Endorsement guarantee for 100% substantially owned second-tier company Hotron Precision Electronic Industrial(Vietnam) Co.,Ltd. by the company.	All of three independent directors agreed without objection. Adopted by all present directors without objection.
		Letter of intent for land purchase intended for foundation of subsidiary in the US by the company.	All of three independent directors agreed without objection. Adopted by all present directors without objection.

(2) Resolutions of the remuneration committee objected to by independent directors or expressed reservations and recorded or declared in writing besides aforesaid issues.

No expression of objection or reservation by independent directors on resolutions from Board of Directors meeting convened in recent year by the company.

2. Implementation of conflict of interest shall state directors, subject, reason for conflict, and voting result.

Meeting date of Board of Directors	Director	Subject	Reason of avoidance for conflict of interest	Voting result
13 July 2022	CHANG, LI-JUNG	Release of non-compete clause of the company.	Director is a litigant.	Director skipped discussion and voting for avoidance of conflict of interest.
10 August 2022	CHANG, LI-JUNG LU, I-HSUAN	2022 pay rise for operation execution by directors and managers in 2022 of the company.	The two directors are litigants.	Both directors skipped discussion and voting for avoidance of conflict of interest.

3. Listed companies shall disclose self-evaluation frequency, term, evaluation scope, approach, and evaluation details etc. Fill out evaluation implementation of Board of Directors in the following:

Evaluation of Board of Directors:

Evaluation frequency (*1)	Evaluation term (*2)	Evaluation scope (*3)	Evaluation scope (*4)	Evaluation scope (*5)
Annual	1 Jan. 2022~31 Dec. 2022	Board of Directors	Self-evaluation by Board of Directors	A. Participation in business operation B. Improvement of decision making quality for Board of Directors C. Composition and structure of Board of Directors D. Election and continual training of Directors E. Internal control F. Other items
Annual	1 Jan. 2022~31 Dec. 2022	Respective director	Self-evaluation by Board of Directors	A. Understanding of company goal and targets B. Understanding of director responsibility C. Participation in business operation D. development of internal relation and communication E. Profession and continual development of directors F. Internal control G. Other items
Annual	1 Jan. 2022~31 Dec. 2022	Remuneration Committee	Self-evaluation by Remuneration Committee	A. Participation in business operation B. Understanding of functional committee duties C. Improvement of decision making quality of functional committee D. Composition and member election of functional committee E. Internal control F. Other items

*1: Specify implementation frequency of evaluation of Board of Directors, e.g. annually.

*2: Term of evaluation of Board of Directors, e.g. performance evaluation of Board of Directors from 1 Jan. 2022~31 Dec. 2022.

*3: Evaluation applies to performance of Board of Directors, respective member of Board of Directors and functional committee.

*4: Evaluation includes self-evaluation of Board of Directors, self-evaluation of Board of Directors, peer-evaluation, commission to external professional parties, specialists, or other proper approaches on performance.

*5: Evaluation shall include following items:

- (1) Performance evaluation of Board of Directors: participation in business operation, decision making of Board of Directors, composition and structure of Board of Directors, election and continual development, internal control of Board of Directors, etc.
- (2) Performance evaluation for respective member of Board of Directors: it shall at least include understanding of company goal and targets, understanding of directors' duties, participation in company operation, governance and communication of internal relations, profession and continual development of directors, internal control, etc.
- (3) Performance evaluation of functional committee: participation of company operation, understanding of functional committee, decision making quality of functional committee, composition and election of functional committee, internal control, etc.

4. Improvement in competency of current and most recent Board of Directors (i.e. Establishment of Audit Committee, improvement in transparency of information etc.) and evaluation of implementation:

1. Improvement of information transparency: The company has promulgated Rules of Procedure for Board of Directors Meetings pursuant to Regulations Governing Procedure for Board of Directors Meetings of Public Companies and inputted Board of Directors details on MOPS and disclosed material adoption by Board of Directors on company's official website.

2. Establishment of Remuneration Committee: The company elected members for the first

Remuneration Committee on 27 December 2011 and re-elected second and third and fourth Remuneration Committee members respectively on 18 July 2014 and 21 July 2017 and 10 July 2020. Members consisted of two independent directors and one commissioned specialist, three in total. Articles of incorporate for Remuneration Committee was promulgated. Committee is convened at least two times per year and will be convened at any time if required. The members of the Remuneration Committee are professional and independent. The advice, evaluate and supervise overall remuneration policy and manager remuneration standards, employee bonus programs and other employee incentives, etc. from their profession and objectivity. The service term of the remuneration committee is the same as the elected Board of Directors. Each service term is three years. The company convenes Board of Directors for the election of the new Remuneration Committee members after the director election by Board of Shareholders.

3. Establishment of Audit Committee: the company established first Audit Committee after Board of Shareholders meeting on 5 June 2020. The Committee consists of three independent directors, one of whom is a convenor, and one of whom is an accounting or finance talent. Board of Directors promulgated articles of incorporate of Audit Committee. Members of committee shall conduct good management and implement duties solely stipulated by the articles of incorporate and be responsible for Board of Directors and pass the proposals for adoption of Board of Directors. The committee is convened at least per quarter and will be convened at any time if required. The service term of remuneration committee is same as elected Board of Directors. Each service term is three years. The company convenes Board of Directors for the election of the new Remuneration Committee members after the director election by Board of Shareholders. Operation of the committee focuses on the following supervision items:

1. Properly addressed financial statement by the company
2. Election (discharge), independence and performance of CPA auditors.
3. Effective implementation of internal control by the company.
4. Legal compliance and rules of the company
5. Control of existing or potential risks for the company.

4. Implementation evaluation

(1) In order to improve efficiency of operation of Board of Directors, the company promulgated performance evaluation of Board of Directors on 29 August 2002. Recent amendment was conducted by Board of Directors on 10 July 2020 pursuant to announcement 1090009468 Taiwan Stock Exchange Corporation Co., Ltd. and certain provisions from performance evaluation of Board of Directors, evaluation indicators of Board of Directors, and self-evaluation of functional committee, etc. were amended in order to improve the operation of the Board of Directors.

(2) Evaluation indicators of Board of Directors is reviewed regularly and advised by Remuneration Committee. The company takes account of company conditions and promulgated performance evaluation items, which at least include following five categories:

1. Participation in company operation.
2. Improvement in quality of decision making of Board of Directors.
3. Composition and structure of Board of Directors.
4. Election and continual development of directors.
5. Internal control.

Performance evaluation indicator of Board of Directors (self or peer). Evaluation items shall at least include following six categories:

1. Understanding of company goal and targets
2. Understanding of director responsibility
3. Participation in business operation
4. development of internal relation and communication
5. Profession and continual development of directors
6. Internal control

Evaluation item for functional committee shall at least include following five categories:

1. Participation in company operation.
2. Understanding of functional committee duties.
3. Improvement in quality of decision making of functional committee.
4. Composition and election of functional committee.
5. Internal control.

Company promulgated Performance Evaluation Guideline of Board of Directors is disclosed on MOPS and company's official website for access.

(3) Evaluation Performance of Board of Directors stipulates by end of fiscal year Q1, each implementation party will collect information on Board of Directors and functional committee activities and distribute self-evaluation questionnaires on performance of Board of Directors, directors, and functional committee, etc. They will be re-collected by operating party (department of finance by the company) and result report will be recorded based on evaluation indicators then submitted to present for review and rectification. 2022 implementation evaluation result was presented to Board of Directors on 24 Feb. 2023 and disclosed on company's official website.

(4) The company participated in 9th Company Governance Evaluation(2022). It ranked 51% ~65% among listed companies. The company will rectify the punches. The company will present rectification items and reinforcement on company governance evaluation, intending to present to Board of Directors in May 2023. Same information will be disclosed on company's official website.

(2) Operation of Audit Committee

Operation of Audit Committee

A total of 10 (A) meetings of the (1st) Audit Committee were held in recent year. The attendance of independent directors is as following:

1 Jan. 2022~ 1 April 2023

Title	Name	Actual Meetings Present (B)	Meetings Present by Proxy	Actual Meetings Present Ratio (%) (B/A)	Remarks
Independent director	HSIEH, I-TA	10	0	100.00 %	Remarks
Independent director	CHU, YANN-FANG	10	0	100.00 %	Remarks
Independent director	CHOU, CHE-YI	10	0	100.00 %	Remarks

* The company elected 3 independent directors on 5 June 2020, who made up Audit Committee by the company by law. Pursuant to Regulations Governing the Exercise of Powers by Audit Committees of Public Companies and articles of incorporate of Audit Committee, the term of independent directors of Audit Committee is three years. (5 June 2020~4 June 2023), same as current Board of Directors.

Other mentionable items:

1. If any of the following circumstances matters occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response shall be specified:

(1) Matters referred to in Article 14-5 of Securities Exchange Act:

Meeting date of Audit Committee	Session	Subject	Independent directors' objections, reservations or major proposals	Resolution results of the audit committee and the company's handling of the audit committee's opinions
20 Jan. 2022	14 th meeting by 1 st Audit Committee	CPA commission and assessment of independence and competence of CPA auditors.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
25 Feb. 2022	15 th meeting by 1 st Audit Committee	Internal control disclaimer was prepared pursuant to 2021 self-evaluation report of internal control system	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		2021 Business Report, Individual Financial Statement and Consolidated Financial Statement	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		2021 earning distribution	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Amendment to articles of incorporate	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
8 April 2022	16 th meeting by 1 st Audit Committee	2021 earning distribution	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		First domestic transfer of guaranteed corporate bonds(Hotron 1) to new stocks by the company.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		2022 earning reserve of the 3rd region 100% company investee Mainland Chinese subsidiary Hotron Precision Electronic Industrial (Suzhou) Co.,Ltd.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Capital increase of the 3rd region 100% company investee Mainland Chinese subsidiary Hotron Precision Electronic Industrial (Suzhou) Co.,Ltd. for Hotron Precision Electronic Industrial(Hubei) Co.,Ltd. by the company.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Amendment to Meeting Procedure of Board of Shareholders.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Amendment to acquisition or disposition procedure of assets.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
10 May 2022	17 th meeting by 1 st Audit Committee	2022 Q1 Consolidated Financial Statement	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Review of overdue payable on its fund lending nature if applicable.	n/a.	All members of Audit Committee agreed without objection.

Meeting date of Audit Committee	Session	Subject	Independent directors' objections, reservations or major proposals	Resolution results of the audit committee and the company's handling of the audit committee's opinions
				Accordingly adopted by all present members without objection.
		Endorsement guarantee for 100% substantially owned second-tier company Hotron Precision Electronic Industrial(Vietnam) Co.,Ltd. by the company.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Endorsement guarantee for the 100% company investee subsidiary Fortuna International Holdings Ltd.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
13 July 2022	18th meeting by 1st Audit Committee	First domestic transfer of guaranteed corporate bonds(Hotron 1) to new stocks by the company.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Direct investment for establishment of subsidiary by the company	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Acquisition of user rights over asset of 100% company owned SmartGreen Solution Co., LTD.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Endorsement guarantee for the 100% company investee subsidiary Fortuna International Holdings Ltd.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Endorsement guarantee for 100% substantially owned second-tier company Hotlink Company Limited by the company.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
10 Aug. 2022	19th meeting by 1st Audit Committee	2022 Q2 Consolidated Financial Statement	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Endorsement guarantee for the 100% company investee subsidiary Fortuna International Holdings Ltd.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Endorsement guarantee for the 3rd region 100% company investee Mainland Chinese subsidiary Hotron Precision Electronic Industrial(Suzhou) Co.,Ltd.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
13 October. 2022	20th meeting by 1st Audit Committee	First domestic transfer of guaranteed corporate bonds(Hotron 1) to new stocks by the company.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Endorsement guarantee for the 3rd region 100% company investee Mainland Chinese subsidiary Hotron Precision Electronic Industrial(Suzhou) Co.,Ltd.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Change of internal audit supervisor by the company	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
09 Nov. 2022	21st meeting by 1st	2022 Q3 Consolidated Financial Statement	n/a.	All members of Audit Committee agreed without objection.

Meeting date of Audit Committee	Session	Subject	Independent directors' objections, reservations or major proposals	Resolution results of the audit committee and the company's handling of the audit committee's opinions
	Audit Committee			Accordingly adopted by all present members without objection.
		Review of overdue payable on its fund lending nature if applicable.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
14 Dec. 2022	22nd meeting by 1st Audit Committee	Cash increase for new stocks and second domestic un-guaranteed transfer of corporate bonds in 2022 intended for loan repayment.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Promulgation of 2023 annual audit plan	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Amendment to internal system control by the company	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Endorsement guarantee for the 3rd region 100% company investee Mainland Chinese subsidiary Hotron Precision Electronic Industrial(Suzhou) Co.,Ltd.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
24 Feb. 2023	23rd meeting by 1st Audit Committee	CPA commission and assessment of independence and competence of CPA auditors.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Internal control system disclaimer is established for the company pursuant to 2022 internal control system self-evaluation report.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		2022 Business Report, Individual Financial Statement and Consolidated Financial Statement	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		2022 earning distribution	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		2023 earning reserve for the 3rd region 100% company investee Mainland Chinese subsidiary Hotron Precision Electronic Industrial(Suzhou) Co.,Ltd.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Endorsement guarantee for the 3rd region 100% company investee Mainland Chinese subsidiary Hotron Precision Electronic Industrial(Suzhou) Co.,Ltd.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.
		Endorsement guarantee for 100% substantially owned second-tier company Hotron Precision Electronic Industrial(Vietnam) Co.,Ltd. by the company.	n/a.	All members of Audit Committee agreed without objection. Accordingly adopted by all present members without objection.

(2) Rest items not approved by Audit Committee and approved by over two-thirds Directors except aforesaid items: n/a.

2. Avoidance of conflicts of interest by independent directors: please specify independent directors, subject, reason for avoidance and participation in voting: n/a.
3. Communication between independent directors and internal audit manager and accountants (supposedly including finance, business conditions of company, major items, approaches, results, etc.)
- (a) The company established Audit Committee after Board of Shareholders meeting on 5 June 2020. Members of committee shall conduct good management and implement duties solely stipulated by the articles of incorporate and communicate with auditors and independent directors then prepare a report after preliminary audit of financial statements per quarter.
- (b) Audit manager shall prepare an audit report per month and submit for reference by independent directors.
- (c) Audit manager shall immediately contact independent directors and address material financial, business items and report the cause of incident and company's response.
- (d) Auditors and directors, independent directors, internal audit supervisor and financial supervisor shall convene a meeting by regular presentation of quarterly financial statements, present audit items of financial statements for the current quarter, discuss rectification or communication items and impact of new issuance or law to the company.

Communication summary among auditors and independent directors, audit supervisors from 2022 until 24 Feb. 2023:

Date of meeting	Communication Bullet point	Company's response	Advice and proposal of independent directors
25 Feb. 2022	<ol style="list-style-type: none"> 2021 Consolidated Financial Statements and Individual Financial Report were audited and presented and discussed with internal control details. Auditors presented audit report on 25 Feb. 2022. The presented audit report was commented non-reservation (including other items). Recent securities provision update for discussion, advice, and communication. 	Ractified or implemented pursuant to communication bullet points	None of the three independent directors expressed objection.
10 May 2022	<ol style="list-style-type: none"> Presentation of audit report and discussion of 2022 Q1 Consolidated Financial Statements. Recent press release by Bureau of Taxation, Ministry of Finance for promotion. 	Ractified or implemented pursuant to communication bullet points	None of the three independent directors expressed objection.
10 Aug. 2022	<ol style="list-style-type: none"> Presentation of audit report and discussion of 2022 Q2 Consolidated Financial Statements. Communication and promotion of implementation of 2023 corporate governance. 	Ractified or implemented pursuant to communication bullet points	None of the three independent directors expressed objection.
9 Nov. 2022	<ol style="list-style-type: none"> Presentation of audit report and discussion of 2022 Q3 Consolidated Financial Statements. Communication and promotion of implementation of 2023 corporate governance. Discussion of CFC of Hotron Group. Recent taxation provision updates in Vietnam and response. 	Ractified or implemented pursuant to communication bullet points	None of the three independent directors expressed objection.
24 Feb. 2023	<ol style="list-style-type: none"> 2022 Consolidated Financial Statements and Individual Financial Report were audited and presented and discussed with internal control details. Auditors presented audit report on 25 Feb. 2022. The presented audit report was commented non-reservation (including other items). Recent taxation provision promotion. 	Ractified or implemented pursuant to communication bullet points	None of the three independent directors expressed objection.

5. Review internal audit implementation and internal control regularly. Internal audit supervisor shall meet regularly with independent directors, accountants and document.

Communication summary among internal audit supervisor, independent directors, auditors from 2022 until 24 Feb. 2023:

Date of meeting	Bullet point	Company's response	Advice and proposal of auditors and independent directors
25 Feb 2022	<ol style="list-style-type: none"> 1. Rectification of previous internal control punches and irregularities (incl. subsidiary) 2. Unrectified internal control punches and irregularities by 31 Jan. 2022. 3. Declaration of regular internal audit. 	Correct measures applied or rectified by plan	No expression of objection by auditors or independent directors
10 May 2022	<ol style="list-style-type: none"> 1. Rectification of previous internal control punches and irregularities (incl. subsidiary) 2. Unrectified internal control punches and irregularities by 30 April 2022. 	Correct measures applied or rectified by plan	No expression of objection by auditors or independent directors
10 Aug. 2022	<ol style="list-style-type: none"> 1. Rectification of previous internal control punches and irregularities (incl. subsidiary) 2. Unrectified internal control punches and irregularities by 31 July 2022. 	Correct measures applied or rectified by plan	No expression of objection by auditors or independent directors
9 Nov. 2022	<ol style="list-style-type: none"> 1. Rectification of previous internal control punches and irregularities (incl. subsidiary) 2. Unrectified internal control punches and irregularities by 31 Oct. 2022. 	Correct measures applied or rectified by plan	No expression of objection by auditors or independent directors
14 Feb. 2022	<ol style="list-style-type: none"> 1. Rectification of previous internal control punches and irregularities (incl. subsidiary) 2. Unrectified internal control punches and irregularities by 31 Oct. 2022. 3. Audit plan of the group for 2023 was promulgated and intended to be presented and discussed on 14 Dec. 2022. 4. Pursuant to amendment to articles, internal control system by the company was intended to be discussed on Board of Directors meeting on 14 Dec. 2022 for amendment. 5. Addition of internal control system for subsidiary SmartGreen Solution Co., Ltd. and third-tier companies Hotron Property Developer(Tianmen) Co., Ltd., Hotlink Company Limited by the company. 	Correct measures applied or rectified by plan	No expression of objection by auditors or independent directors
24 Feb. 2023	<ol style="list-style-type: none"> 1. Rectification of previous internal control punches and irregularities (incl. subsidiary) 2. Unrectified internal control punches and irregularities by 31 Jan. 2022. 3. Declaration of regular internal audit. 	Correct measures applied or rectified by plan	No expression of objection by auditors or independent directors

(3) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reason:

Assessment Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has established “Corporate Governance Best-Practice Principles” under regulations and disclosed it on the Company’s website and MOPS.	No Deviations
2. Shareholding Structure and Shareholders’ Rights	✓		(1) To ensure shareholders' rights and interests, the Company has established several internal process procedures, and "Rules of Procedure for Shareholders Meetings," "Rules Governing the Exercise of Rights and Participation in Resolutions by Juristic Person Shareholders with Controlling Power," "Procedures for Handling Material Inside Information," and spokesman and acting spokesman to handle shareholders' suggestions, questions and disputes adequately.	No Deviations
(1) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputed and litigation matters. If yes, have these procedures been implemented accordingly?	✓		(2) The Company reports changes in Equity based on the shareholders' roster and monthly director manager provided by the stock affair agency and keeps close contact with major shareholders to have ultimate control over changes in Equity anytime.	No Deviations
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	✓		(3) The Company and its subsidiaries operate independently in finance and business and are under the Company's management and audits. The Company established "Rules Governing Related Parties Trading" and "Managing and Supervising procedure over subsidiaries" to implement risk management mechanisms in each subsidiary.	No Deviations
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	✓		(4) The Company has established "Rules Governing the Prevention of Insider Trading" to prevent the Company's insider conduct insider trading in capital markets and established "Codes of Ethical Conduct" to regulate the Company's Directors, Supervisors, and Managers to fair trading and prevent from conflict of interest and self-interest chances. For other established business conducting regulations under Article 15, Codes of Ethical	No Deviations
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	✓			No Deviations

Assessment Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>Conduct, the Company's personnel shall comply with the Securities and Exchange Act that one should not engage in insider trading using learned undisclosed information and leakage to others to prevent others from engaging in insider trading via the undisclosed information.</p> <p>The Company disseminates "Rules Governing the Prevention of Insider Trading" and relevant laws to incumbent Directors, Managers, and Employees at least once per year and arranges education and dissemination to new Directors and Supervisors after taking office and for new Managers and Employees, the education and dissemination are in pre-employment training. In the most recent fiscal year, new Directors, Independent Directors, and Managers have gone through relevant education and dissemination on December 14, 2022. The course includes guidelines for reporting changes in insider's equity, examples of insider trading, types of common violations, and Secrecy conduct of material information, and the briefings on the course are sent for provision.</p>	
<p>3. Composition and responsibilities of the board of directors</p> <p>(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?</p>	✓		<p>(1) The Company’s diversity policy is as follows: In the Company's article 20, the Corporate Governance Best-Practice Principles, abilities the Board of Directors shall possess as a whole have specified that the composition of the Board of Directors shall consider diversity and establish appropriate diversity principles based on operation, business model, and development needs. The Board of Directors shall generally possess the required knowledge, skills, and literacy to engage in the position. The abilities the Board of Directors shall possess as a whole are as follows:</p> <ol style="list-style-type: none"> 1. Operation determination. 2. Accounting and financial analysis 3. Operation management. 4. Crisis management. 5. Industry knowledge 6. View of international markets 	No Deviations

Assessment Items	Implementation Status (Note 1)		Summary	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>7. Leadership 8. Decision-Making</p> <p>Among the seven seats of the Company’s Board of Directors,</p> <ol style="list-style-type: none"> 1. All seven members are male with zero female members, including three independent Directors. 2. The Directors’ average age is sixty two and nationality is all R.O.C. 3. General Director member shall possess experience in business, legal, finance, accounting, or industry needed for the Company’s business. For the abilities the Board of Directors shall possess as a whole, please refer to attachment 1 on page 19 of this annual report. 4. All members of independent Directors have professional backgrounds. Director HSIEH, I-TA is a practicing lawyer, Director CHOU, CHE-YI is an accountant, Director CHU, YANN-FANG is a Ph.D. in Business Administration, National Taiwan University, and has an American international Project Management Professional (PMP) certification. The Company's composition of members of the Board of Directors includes all types of professional backgrounds, providing the Company with suggestions on diverse operating principles timely. <p>For the Directors' and Independent Directors' academic and industry backgrounds, please refer to the Information on the Directors on pages 13-15 of this annual report; the disclosure of the Board of Directors establishment of diversity principle policy based on the member composition is on the Company's website and MOPS.</p> <p>The Directors are highly self-disciplined. To resolutions listed in the Directors' meetings, when stakeholding exists, the Director will explain the material content of the stakeholding in the Directors' meetings and recuse from discussion and voting, and not execute the voting right of other Directors by proxy. The</p>	

Assessment Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>matters the Directors should recuse from are specified in the Rules Governing the Directors' Meetings.</p> <p>The Board of Directors shall be responsible for the Shareholders' meetings. The Board of Directors' specific management objectives are under the arrangements and procedures of Corporate Governance Best-Principles to ensure the Board of Directors executes its authorities per laws, the Article of Incorporation, and the resolution of Shareholders' meetings.</p> <p>The Company's Board of Directors to implement corporate governance, perfect supervising and management functions, and based on corporate social responsibilities and the ideal of sustainable operation, establish the Audit Committee and Remuneration Committee, stipulate each organization's regulation of each committee, and is approved by the Board of Directors' resolution. The content of organization regulations includes the number of people in committees, terms of office, matters of authority, rules of resolution, and the resource the Company shall provide when executing authorities, to implement each committee's functional division and execute authorities independently and sufficiently.</p>	
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?	✓		(2) The Company hasn't established other functional committees besides Remuneration Committee and Audit Committee under the law. The Company will establish other functional committees based on corporate governance spirit and development needs in the future.	There has not plan to establish other functional committees. No Deviations
(3) 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 reference in determining	✓		(3) The Company has established "Regulations assessing the Board of Directors' Performance," and under "Regulations of assessing the Board of Directors' Performance," the Company Board of Directors shall make an internal performance assessment based on each assessment index and adjust the proportion of each index under practicing needs. By the end of the first quarter of the next fiscal year, each executing unit is distributed and fill in the "self-assessment	

Assessment Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
salary/compensation for individual directors and their nomination and additional office terms?			<p>questionnaire of the Board of Directors' performance examination," "members of the Board of Directors (self or peers) examination self-assessment questionnaire" and other relevant self-assessment questionnaires focused on the assessment of members of the Board of Directors, Remuneration Committee, Audit Committee, and the Board of Directors performance to assess the operating status of the Board of Directors as a whole.</p> <p>The assessment items on the Board of Directors' performance include:</p> <ol style="list-style-type: none"> 1. The degree of participation in the Company's operation. 2. The improvements made to the Board of Directors' decision-making. 3. The composition and structure of the Board of Directors 4 The election and additional study of Directors. 5. Internal Control. <p>The assessment items on the members of Directors include:</p> <ol style="list-style-type: none"> 1. Mastery of the Company's objectives and missions. 2. Cognition on Director's responsibilities. 3. The degrees of participation in the Company's operation. 4. Internal relationship management and communication. 5. Proficiency of Directors and additional study. 6. Internal Control. <p>Evaluation items of the Functional Committee's (Remuneration Committee) performance assessment include the following five dimensions:</p> <ol style="list-style-type: none"> 1. The degrees of participation in the Company's operation. 2. Cognition on functional committee's responsibilities. 3. The improvement made to the functional committee's decision-making. 4. The composition and member election of functional committees. 5. Internal Control. 	

Assessment Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(4) Does the Company regularly evaluate its external auditors’ independence?	✓		<p>The Company established "Regulations assessing the Board of Directors' Performance" is disclosed on the MOPS and the Company's website for search.</p> <p>Lastly, after the coordinating unit (financial department) retrieves the self-assessment questionnaires unitarily, it documents the assessment results report and is briefed on the Directors’ meetings.</p> <p>The most recent (2022) result of the assessment of the Board of Directors' performance is reported on the Directors' meetings on February 24, 2023, and disclosed in sync on the Company's website for search.</p> <p>(4) The Company regularly assesses appointed accounts' independence and competency annually. Focusing on audit years that an accounting firm continuously provides, the characteristics and content of non-audit services it offers, audit fees, whether or not being disciplined by the Certified Public Accountant Act, the interaction between managers and internal audit officers, and other indexes for assessment.</p> <p>The assessment results of accountants in the most recent two years are approved and appointed in the Directors' Meetings on January 20, 2022, and February 24, 2023, individually.</p> <p>The Company's assessment results reported on the Directors' Meetings on February 24, 2023, are as follows:</p> <ol style="list-style-type: none"> 1. No circumstances of appointing same accountant continuously in seven years. 2. After reviewing the roster of Disciplinary actions against CPAs published by the Securities and Futures Bureau, Financial Supervisory Commission in the most recent five years, or roster of Sanctions made by the FSC according to paragraph 3, Article 37 of the Securities and Exchange Act, the Company's appointed accountant has no circumstances of being disciplined or receiving sanctions. 3. Considering Audit Quality Indicators (AQIs) assessing CPAs' independence and 	No Deviations

Assessment Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>competency, CPA WU, HAN-CHI, and CPA LIN, YA-HUI for PwC Taiwan both conform to the Company's assessment criteria of independence and competency and are proposed to be appointed as the Company's CPA in 2023.</p> <p>4. For the 2023 assessment chart of the CPAs' competency and independence, please refer to (Note 1) attachment.</p>	
<p>4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)</p>	✓		<p>The Company established a corporate governance officer held concurrently by the Company's CFO with the approval of the Directors' meetings on December 14, 2022. The corporate governance officer meets the qualification of serving as a financial, stock affair, or corporate governance-related business officer in a TWSE/TPEX listed company for three years and above.</p> <p>For the Company's corporate governance group, each department takes charge of and promotes responsible job descriptions. The main job descriptions are as follows:</p> <ol style="list-style-type: none"> 1. The management department plan and program appropriate company system and organizational framework to promote the company's transparency, compliance with laws, and implementation of internal audit and control, and is responsible for the assessment of adequate "Directors' and Managers' liability insurance." 2. The financial department is responsible for all related matters to the Board of Directors and the Shareholders' meetings. <ol style="list-style-type: none"> (1) Assist Directors and independent Directors in complying with laws and engaging in additional study courses for at least six academic credits. (2) Convene communication meetings for internal audit officers, independent Directors, and accounts regularly to implement internal audit and control system. For the summary of communication meetings, please refer to pages 38-39 of this annual report. (3) Consult each Director's opinion before the Directors' meetings to schedule and plan the agenda, and inform all Directors to attend at least seven days prior and provide them with sufficient 	No Deviations

Assessment Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			<p>agenda information for the Directors to understand the content of related motions; If the circumstances of contents relating to stakeholders exist, the notices will be handed to the objectives beforehand, and make the records of the Directors' meetings.</p> <p>(4) To implement corporate governance, the financial department assesses each Director's performance individually, besides making internal performance assessments on the Remuneration Committee and the Board of Directors operation as a whole, and plans for an appointment of an external performance assessment executed by an external professional individual institution, expert, or scholar as least once per three years.</p> <p>(5) Register the date of Shareholders' meetings under laws every year, make and report meeting notices, agenda handbook, and records before the deadline, and register changes after article amendment or Directors' reelection.</p> <p>The Company's corporate governance officer has engaged in the related matters based on the aforementioned job descriptions and will finish 18 hours of additional study by the end of June 2023.</p>	
5. 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?	✓		The Company has established contacts and e-mails on the Company's website and MOPS for stakeholders to contact anytime.	No Deviations
6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	✓		The Company has appointed professional shareholder service agency institution CTBC transfer agency to conduct the Company’s matters related to shareholders meetings.	No Deviations
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business, and	✓		The Company has established information on financial business and corporate governance sufficiently on the Company’s website and MOPS.	No Deviations

Assessment Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
<p>corporate governance status?</p> <p>(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?</p> <p>(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?</p>	✓		<p>The Company has established the Company website in Chinese, English, Japanese, and Korean to implement information transparency, disclose the Company's information timely, and publish financial and investor conference-related information on the Company's website. The Company has also established a spokesman and acting spokesman, releasing material information adequately and convening an investor conference when necessary to explain the Company's material operation status.</p> <p>The Company strives to publish and report the annual financial report two months after the end of the year. For now, the first, second, and third-quarter financial reports and monthly operation statuses have been published and reported before the prescribed date. The Company reports the monthly operation status on the 9th of the next month regularly and will report in advance if encountering holidays.</p>	<p>No Deviations</p> <p>No Deviations</p>
<p>8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?</p>	✓		<p>Please refer to (Note 2) attachment for details.</p>	<p>No Deviations</p>
<p>9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement:</p>	✓		<p>The Company participated in the 9th (2022) Corporate Governance Evaluation and is ranked in the 51%~65% range table of listed companies. The Company will actively improve on unscored items. The status of improvements and strengthened matters based on corporate governance evaluation is estimated to be reported at the Directors' meeting in May 2023 and will be disclosed on the Company's website in sync for search.</p>	<p>No Deviations</p>

Note 1:

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
ASSESSMENT ON CPAs COMPETENCY AND INDEPENDENCE

1. Assessment explanation: Following the regulations in Article 29, the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, TWSE/TPEX listed companies shall appoint professional, responsible, and independent CPAs and assess appointed CPAs' independence and competency regularly (at least once per year).
2. Assessment objects: PwC Taiwan CPA WU, HAN-CHI, CPA LIN, YA-HUI.
3. Assessment content: Considering The Norm of Professional Ethics for Certified Public Accountant 10th bulletin establishments.

Assessment index	Assessment items	Assessment result	Independence
1. Financial interest matters	1.1 Whether the CPAs have direct or material indirect financial interest relationship with the Company.	No	Yes
	1.2 Whether the CPA has a "material financial interest" relationship with subsidiaries that the Company has control over.	No	Yes
2. Financing and insurance	2.1 Whether the CPAs engaged in financing or insurance behavior with the Company or the Company's Director.	No	Yes
3. Close business relationship	3.1 Whether the CPAs have a close business relationship matter or a potential employment relationship between the Company, the Company's Director, Supervisor or Manager.	No	Yes
4. Appointed to or employed by audit customers.	4.1 CPAs terms of office are not over seven years.	Yes	Yes
	4.2 Whether the CPAs and the members of the audit committee currently or in the most recent two years served as the Company's Director, Supervisor, Manager, occupation with a material impact on audit, or Employee.	No	Yes
	4.3 Whether the signing accountant has served as a director or supervisor of any subsidiaries under the control of the company in the current period or within the past two years.	No	Yes
	4.4 Whether the CPAs have a kinship with the Company's Directors, Managers, or personnel served as an occupation with a material impact on audits.	No	Yes
5. Non-Audit business matters	5.1 Whether the CPAs offered non-audit service that may directly impact audit to the Company.	No	Yes
6. Other matters	6.1 Whether the CPAs intermediate the Company's issued shares or other securities.	No	Yes
	6.2 Whether the CPAs served as the Company's defender or resolve conflicts between a third party and the Company as a representative of the Company.	No	Yes
	6.3 Whether the CPAs receive gifts of great value or special discounts from the Company, the Company's Directors, Managers, or major shareholders.	Yes	Yes
	6.4 Whether the CPAs or the members of the audit service are in the custody of the Company's money.	Yes	Yes

Assessment result:

After the assessment, CPAs the Company proposed to appoint had no circumstances mentioned in the independence assessment items and can confirm that the CPAs are under the independence and the reliability of the issued financial reports is insured.

Assessment Unit: Financial Department
Assessment Date: February 2, 2023

Note 2: Other material information assisted in understanding the Company's Implementation status of corporate governance:

Assessment Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
1. Employees’ rights and interests				
(1) Provide employees with sufficient education and training	✓		(1) The Company's employees can apply external education and training courses for working needs. For employee on-the-job training, each department arranges adequate internal education and training courses depending on requirements. The human resource unit also provides new employees with appropriate internal training courses, offering complete professional skill development and self-growth maturation. Please refer to (Note 3) attachments.	No Deviations
(2) Provide employees with rights and interests of feedbacks sufficiently	✓		(2) Regarding the employees' feedback in annual examinations, besides responding to the direct manager adequately, related feedback is also discussed in senior management meetings and is replied to individually. The Company convenes labor and management meetings, the employees can entrust the labor representative to communicate in the meetings.	No Deviations
(3) Others (Regulations of job safety and health management, system-wise certification by OHSAS 18001 and relevant institutions, and providing employees with reasonable welfare and remuneration).	✓		(3) Each plant is certified by the job safety and health management system ISO45001; the Group provides employees with reasonable welfare and remuneration. Please refer to "5. Relationships between labor and management" of "V. Operation Status" in the annual report.	No Deviations
2. Employees care				
(1) Ensure the safety of working environment	✓		1. Appoint buildings safety management to security companies. 2. Collaborate with buildings public safety inspection companies to conduct fire safety inspection to ensure the safety of working environment. 3. The buildings arranges fire safety lectures annually. 4. The buildings are insured against the public liability insurance to guarantee the safety of employees and personnel in the building. 5. To implement a fire safety prevention program and other fire safety management matters and ensure public safety, the Company has appointed personnel to additional study at Taipei Building Community Service Association, acquiring a fire prevention manager lecture and training certification, and retraining once per three years.	No Deviations
(2) Establish documentary labor health and safety related policy	✓		The Company has established labor safety management unit and established “Safety and Health Working Principles.”	No Deviations
(3) Others (attention to labor physical and mental development and family livings)	✓		Encourage employees to participate in healthy leisure activities and holds employee (family dependents included) traveling regularly by employee welfare committee to relax body and mind.	No Deviations
3. Relationship with investors				
(1) Improve operation transparency	✓		The Company's financial statements and material financial and business information are all published on MOPS per regulations, and the Company provides investors with sufficient information disclosure on the "Investor related" designated space, which is established on the Company's website.	No Deviations
(2) Emphasize corporate governance	✓		Solicits seniors in the industry, accountants, and lawyers as the Company's directors to provide suggestions to operation management and establish corporate governing related regulations to strengthen the goal for corporate governance.	No Deviations
(3) Others	✓		Uses sustainable operations as a philosophy, sharing the	No Deviations

Assessment Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			maximum interests with employees, shareholders, customers, and suppliers. The company voluntarily adopted electronic voting for the shareholders' meetings in both 2022 and 2023, allowing shareholders to exercise their voting rights through electronic means.	
4. Relationship with suppliers				
(1) Emphasize the reasonability of purchase prices	✓		Pay attention to market price, and inspect the product cost structure and gross margin achieving status to ensure the reasonability of purchase prices.	No Deviations
(2) Legal and fair trades	✓		Conduct audits and counseling to the suppliers regularly, emphasizing legality and fairness in trades.	No Deviations
(3) Others	✓		Qualified suppliers must sign an environmental protection commitment and an ethical conduct commitment to ensure suppliers' commitment to the environment and products. The products have to be approved by a third-party lab examination report to ensure product quality.	No Deviations
5. Interests and rights of stakeholders				
(1) Respect intellectual property	✓		The Company implements under laws and regulations established by the Government and applies patents for the Company's results in research and development and technologies to ensure intellectual property. To defend the Company's intellectual property and avoid offending others' intellectual property, the Company not only established a law office but signed permanent legal counseling agreements with external law offices that can assist in consultation about intellectual property to maintain the Company's rights and interests. As of today, the Company has no circumstances of conflicts over intellectual property.	No Deviations
(2) Emphasize relationship with customers (Protecting consumers' rights and interests, paying attention to product quality, safety, and novelty, emphasizing and handling customer complaints immediately, and providing complete information about products).	✓		Pay attention to customers' needs, deal with customers' complaints timely, and provide complete product information to maintain the best customer relationships. Care for customer dynamics anytime, ensuring the development progress of new product models, and coordinate with customers' product development project collaboration to smooth mass production, with a view of taking delivery date and quality into account after mass production.	No Deviations
(3) Comply with laws and regulations	✓		The Company establishes regulations and procedures to follow under laws and regulations stipulated by the Government	No Deviations
(4) Others (disclose the implementation status of social responsibilities policy on the Company's website).	✓		The Company's website has established a "Sustainable development" designated space, sufficiently disclosing the implementation status of corporate social responsibilities and codes of ethical conduct, and a designated space for stakeholders offered to investors as a communication channel and contact for all concerning issues.	No Deviations
6. Status of Directors' and Supervisors' additional study	✓		The Company's Directors and independent Directors have all engaged in additional study per stipulations. For Directors' additional study in the most recent year, please refer to (Note 4) attachment, which is published on "MOPS."	No Deviations
7. Implementation of risk management policy and risk evaluation criteria	✓		To strengthen corporate governance and implement the company risk management mechanism effectively, the Company has established "Risk Management Policies and Procedures" per approval of the Directors' meeting on December 14, 2022, as the prime principle of risk management for following. The Company's implementation of risk management is divided into three management levels, each risk management unit adjusts control and management mechanisms regularly based on changes in the internal and external	No Deviations

Assessment Items	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			operating environment and keeps an eye on international and domestic risk management development status to recognize upcoming risks, and the general manager is responsible for reviewing the competency of relevant mechanisms of the Company's risk management, coordinate and supervise the status of risk management of each unit, and report the implementation status of risk management to the Board of Directors regularly (at least once per year).	
8. Implementation status of customer policy	✓		The Company strictly abides by agreements with customers to ensure customers' rights and interests. To customers, the Company signs environmental protection agreements or attach environmental protection clauses to quality agreements, committing that the Company will comply with environmental protection laws and policies during production.	No Deviations
9. Status of the Company's insuring Directors and Supervisors against liability insurance	✓		The Company has insured "Directors and Managers liability insurance" from CATHAY CENTURY INSURANCE CO., LTD. Insured objects are the Company's Directors and Managers, the insured amount is three million USD, and the insurance period is from June 6, 2022, to June 6, 2023. After expiration, the Company will continue to insure to guarantee shareholders' rights and interests.	No Deviations
10. Status of the Company's establishment of information security risk management	✓		To establish a secure information security environment and strengthen the internal information security management system of the Group, the Company has established "Regulations Governing Information Securities," to defend the confidentiality, integrity, and accessibility of the Company's information, and guarantee the privacy of users information. Conduct information security education and training, promote employee information security awareness, and enhance the cognition of related responsibilities. Implement an information security risk evaluation mechanism, improve the effectiveness and immediacy of the information security management, and implement an information security internal audit system to ensure the implementation of the information security management. Considering that information security insurance is still rising insurance, involving Information Security Level Examination Institutions, Claims Identification Agencies, no claim conditions, and related matching, thus, the Company is still evaluating for now.	No Deviations

Note 3: 1. The implementation status of the Company's each additional training provided to employees in 2022 is as follows

Items	Addition study and training items	Courses	Number of trainees	Course hours	Training expenditure (NTD)
A	New employees training	35	35	70	0
B	Professional skill training	111	111	208	26,800
C	Officer skill training	12	12	24	14,500
D	Other training	10	10	60	48,476

A. New employees training: Provide new employees with pre-occupation training, safety and health education and training, and general education training.

B. Professional skill training: Referring to the system operating training on sales, manufacture, and finance that the Company provides internally and the external professional training course.

C. Officer skill training: Referring to the officer skill training (financial officer, audit officer) that unit officers have to attend to externally under the stipulations of the authorities

D. Other training: The Seminars over Dos and Don'ts of insider equity declaration and

additional study courses of Directors and Supervisors.

2. The Company's personnel related to financial information transparency, the status of acquiring related certificates specified by authorities and addition study in 2022 is as follows:

Title	Name	Institution	Course name	Hours
CFO	HSU, KUO-HUANG	ACCOUNTING RESEARCH AND DEVELOPMENT FOUNDATION	Additional study course for principal accounting officers of issuers, securities firms, and securities exchanges.	12
Deputy to principal Accounting Officer	WU,HUI-MIN	TAIWAN CORPORATE GOVERNANCE ASSOCIATION	Legal responsibilities and examples discussion on insider trading.	3
		TAIWAN CORPORATE GOVERNANCE ASSOCIATION	Discussion on sustainable governance and financial disclosure over Zhong Dao	3
		ACCOUNTING RESEARCH AND DEVELOPMENT FOUNDATION	Common mistakes and when "Reviewing Financial Reports" and material internal control regulations practice analysis	6
Accounting personnel preparing financial report	LIN,SSU-YU	TAIWAN CORPORATE GOVERNANCE ASSOCIATION	Legal responsibilities and examples discussion on insider trading.	3
		TAIWAN CORPORATE GOVERNANCE ASSOCIATION	Discussion on sustainable governance and financial disclosure over "the middle way"	3

3. Status of additional study of the audit officer:

Title	Name	Institution	Course name	Hours
Chief Internal Auditor	CHIANG, MING-TE	The Institute of Internal Auditors-Chinese Taiwan	Pre-occupation study course for first term of company internal personnel	18

4. Status of managers participating in additional study and training related to corporate governance:

Title	Name	Institution	Course name	Hours
Chairman	CHAN G, LI-JUNG	Zhong Dao Association of Leadership & Culture	Legal responsibilities and examples discussion on insider trading.	3
		Zhong Dao Association of Leadership & Culture	Discussion on sustainable governance and financial disclosure over Zhong Dao	3
General Manager	LU, I-HSUAN	Zhong Dao Association of Leadership & Culture	Legal responsibilities and examples discussion on insider trading.	3
		Zhong Dao Association of Leadership & Culture	Discussion on sustainable governance and financial disclosure over Zhong Dao	3

Note 4: Status of Directors' additional study in the most recent year:

Title	Name	Date	Institution	Course name	Hours	Comply with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies"
Chairman	CHANG, LI-JUNG	23.03.2022	Zhong Dao Association of Leadership & Culture	Legal responsibilities and examples discussion on insider trading.	3	Yes
		23.03.2022	Zhong Dao Association of Leadership & Culture	Discussion on sustainable governance and financial disclosure over Zhong Dao	3	Yes
Director	LU, I-HSUAN	23.03.2022	Zhong Dao Association of Leadership & Culture	Legal responsibilities and examples discussion on insider trading.	3	Yes
		23.03.2022	Zhong Dao Association of Leadership & Culture	Discussion on sustainable governance and financial disclosure over Zhong Dao	3	Yes
Director	HSU, TING-JUNG	23.03.2022	Zhong Dao Association of Leadership & Culture	Legal responsibilities and examples discussion on insider trading.	3	Yes
		23.03.2022	Zhong Dao Association of Leadership & Culture	Discussion on sustainable governance and financial disclosure over Zhong Dao	3	Yes
Director	CHEN, TAI-CHUNG	23.03.2022	Zhong Dao Association of Leadership & Culture	Legal responsibilities and examples discussion on insider trading.	3	Yes
		23.03.2022	Zhong Dao Association of Leadership & Culture	Discussion on sustainable governance and financial disclosure over Zhong Dao	3	Yes
Independent Director	HSIEH, I-TA	23.03.2022	Zhong Dao Association of Leadership & Culture	Legal responsibilities and examples discussion on insider trading.	3	Yes
		23.03.2022	Zhong Dao Association of Leadership & Culture	Discussion on sustainable governance and financial disclosure over Zhong Dao	3	Yes
		26.10.2022	Zhong Dao Association of Leadership & Culture	Insider equity trading under law compliance disseminate seminar	3	Yes
Independent Director	CHU, YANN-FANG	23.03.2022	Zhong Dao Association of Leadership & Culture	Legal responsibilities and examples discussion on insider trading.	3	Yes
		23.03.2022	Zhong Dao Association of Leadership & Culture	Discussion on sustainable governance and financial disclosure over Zhong Dao	3	Yes
		26.10.2022	Zhong Dao Association of Leadership & Culture	Insider equity trading under law compliance disseminate seminar	3	Yes
Independent Director	CHOU, CHE-YI	23.03.2022	Zhong Dao Association of Leadership & Culture	Legal responsibilities and examples discussion on insider trading.	3	Yes
		23.03.2022	Zhong Dao Association of Leadership & Culture	Discussion on sustainable governance and financial disclosure over Zhong Dao	3	Yes

(4) If the Company establishes a remuneration committee or nominee committee, shall disclose its composition and operation status:

1. The Composition of the remuneration committee:

The Company has established a remuneration committee, and the Directors' meeting on July 10, 2020, has approved the appointment of the members of the 4th remuneration committee, which composed of three independent Directors. The members' professional qualifications and independence of this committee is all elected under paragraph 5 & 6, Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee.

Members of the Remuneration Committee

April 1, 2023

Title (Note 1)	Qualification Name	Professionalism and experience (Note 2)	Independence (Note 3)	No. of Concurrently serving as members of remuneration committee in other public listed companies
Independent Director, Convener of the Remuneration Committee	HSIEH, I-TA	<ol style="list-style-type: none"> 1. Serves as the convener of the 4th remuneration committee. 2. Served in the 1st~3rd remuneration committee. 3. Has a lawyer's license. 4. Possesses the required work experience in business, legal affair, operation management, and Company business. Please refer to page 14 of the annual report for related content on the Directors information. 5. Has no circumstances of Article 30, The Company Act. 	<ol style="list-style-type: none"> 1. Comply with independence. 2. In two years before being elected and during terms of office, has no circumstances mentioned in paragraph 1, article 6, Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange. 	0

Title (Note 1)	Qualification Name	Professionalism and experience (Note 2)	Independence (Note 3)	No. of Concurrently serving as members of remuneration committee in other public listed companies
Independent Director	CHU, YANN-FANG	<ol style="list-style-type: none"> 1. Serves as a member of the 4th remuneration committee (first election). 2. Has the American International Project Management Professional (PMP) certificate. 3. Having served as a lecturer in Business, Finance, and Accounting at public and private universities for over five years. 4. Possesses the required work experience in business, legal affair, operation management, and Company business. Please refer to page 14 of the annual report for related content on the Directors information. 5. Has no circumstances of Article 30, The Company Act. 	<ol style="list-style-type: none"> 1. Comply with independence. 2. In two years before being elected and during terms of office, has no circumstances mentioned in paragraph 1, article 6, Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange. 	0
Independent Director	CHOU, CHE-YI	<ol style="list-style-type: none"> 1. Serves as a member of the 4th remuneration committee (first election). 2. Has an accountant's license. 3. Possesses the required work experience in business, legal affair, operation management, and Company business. Please refer to page 14 of the annual report for related content on the Directors information. 4. Has no circumstances of Article 30, The Company Act. 	<ol style="list-style-type: none"> 1. Comply with independence. 2. In two years before being elected and during terms of office, has no circumstances mentioned in paragraph 1, article 6, Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange. 	1

Note 1: Has specified the relevant working years, professionalism and experience, and Independence of each member of the remuneration committee. Members of this session are all independent Director.

Note 2: Professionalism and experience: Specify the professionalism and experience of individual member of the remuneration committee. For related experience, please refer to attachment 1 Directors' information(1), page 14 of this annual report

Note 3: Independence: Has specify the independence of individual member of the remuneration committee, included but not limited to oneself, spouse, relatives within second degree serves as the Director, Supervisor, or Employees in the Company or other affiliates or not; Oneself, spouse, relatives within second degree (or by proxy) holding of the Company's shares amount and proportions; Serves as Director, Supervisor or Employees in the companies that have a specific relationship with the Company (referring to Subparagraph 5~8, Paragraph 1, Article 6, "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange"); The remuneration amount acquired by offering the Company or its affiliates business, financial, and accounting services in the most recent two years.

2. The responsibility and scope of the remuneration committee:

The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors. However, recommendations in connection with remuneration for supervisors may be submitted for deliberation by the board of directors only to the extent that the board of directors is authorized expressly by the company's articles of incorporation or by a resolution of the shareholders meeting to handle supervisor remuneration:

1. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.
2. Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

When performing the official powers of the preceding paragraph, the remuneration committee shall follow the principles listed below:

1. With respect to the performance assessment and remuneration of directors, supervisors and managerial personnel of the company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the company's business performance, and future risk exposure.
2. It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the company may tolerate.
3. It shall take into consideration the characteristics of the industry and the nature of the company's business when determining the ratio of bonus payout based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.

3. Operation status of the Remuneration Committee

Information of the Remuneration Committee Operation Status

- (1) The Company's remuneration committee has a total amount of 3 members.
- (2) The committees' terms of office this session is from July 10, 2010, to June 4, 2023. Five meetings(A) were held by the remuneration committee in the most recent year(the fourth session). Committee's qualification and attendance are as follows:

January 1, 2022, to April 1, 2023

Title	Name	Attend in person (B)	Attend by proxy	attendance rate% (B/A) (Note)	Remarks
Convener (Independent Director)	HSIEH, I-TA	5	0	100%	None
Committee (Independent Director)	CHU, YANN-FANG	5	0	100%	None
Committee (Independent Director)	CHOU, CHE-YI	5	0	100%	None

Other remarks:

1. If the board of directors will decline to adopt, or will modify, a recommendation of the remuneration committee, the date, session, content of motion, result of the board of directors' resolution, and the Company's follow up to the remuneration committee's recommendation shall be specified (If the board of directors approved a remuneration amount better than the recommendation of the remuneration committee, the difference and reason shall be specified): None
2. To the remuneration committee's resolution, if members hold an objection or reserved opinion and is recorded or a written statement, the date, session, content of motion, all opinions of members and follow up to the opinions shall be specified: None

3. The motion discussed and results of resolution of the remuneration committee in the most recent year (the fourth session), and the Company's follow up to the remuneration committee's opinions:

Date of Meeting	Session	Content of Motion	Resolution	The company's handling of the opinions of the salary and compensation committee
22.01.2022	5 th meeting, the 4 th session	The Company's year-end bonuses distribution to professional practitioner director and managers of 2021.	All attended committee approved with no objections.	Implemented per resolution
25.02.2022	6 th meeting, the 4 th session	The Company's employee's and director's remuneration distribution and professional practitioner directors' remuneration of 2021.	All attended committee approved with no objections.	Implemented per resolution
10.08.2022	7 th meeting, the 4 th session	Approved the Company's salary adjustment on professional practitioner director and managers of 2021.	All attended committee approved with no objections.	Implemented per resolution
14.12.2022	8 th meeting, the 4 th session	Implemented remuneration of corporate governance officer, financial accounting officer, internal audit officer, information security officer under the "Salary Table"	All attended committee approved with no objections.	Implemented per resolution
		The Company's year-end bonuses distribution to professional practitioner director and managers of 2022.		
24.02.2023	9 th meeting, the 4 th session	The Company's employee's and director's remuneration distribution and professional practitioner directors' remuneration of 2022.	All attended committee approved with no objections.	Implemented per resolution
		Manager capital increase subscription		

4. Information and operation status of the nominee committee: N/A

(5) Implementation status of promoting sustainable development and the deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and the Reasons:

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Summary	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	✓		To implement sustainable development and promote progression in the economy, environment, and society to accomplish the goal of sustainable development, the Company established "Sustainable Development Best-Practice Principles" to manage the risks in the economy, environment, and society and their impact. The Company's implementation of sustainable development specific defined into four major principles: Implement Corporate Governance, Develop Sustainable Environment, Maintain Public Welfare, Reinforce Corporate Sustainable Development Information Disclosure. The Company’s dedicated (concurrent) unit to promoting sustainable development is the management department, with the general manger serves as chairman, to convene and host the meetings of sustainable development group and is responsible for supervising and promoting matters related to resolutions, and reports the progress, implementation result of sustainable development, and future plans to the board of directors regularly per year.	No Deviations
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note) The materiality principle is referring to the matters related to the environmental, social, and corporate governance issues that have a material impact on the Company’s investor and other stakeholders.	✓		The Company has established “Risk Management Policy and Procedure” under the approval of the directors’ meeting on December 14, 2022. According to the materiality principle, the Company engages in risk evaluation on the environment, society, and corporate governance issues that are relevant to the Company’s operation as a risk management and implementation. In the environmental aspect, HOTRON fulfils the responsibilities of Corporate Citizen, actively promotes reduction in carbon emissions and waste, and examine the results of reduction by acquiring the ISO 14001:2015 Environment Management System Certificate yearly. In the society aspect, HOTRON pays attention to employees balance development, strive for providing employees with a safe and healthy working environment, identify all possible risk by daily operation activities of all department. Through a continuous improving operation management, fire safety drill, and other prevention mechanism, and implement crisis identification, risk evaluation, and education and training regularly to operation procedures. In the product aspect, HONTRON devotes itself to developing and producing product complying with the environmental protection laws in each country, and establish a product material management regulation via a co-discussion among research & development, quality assurance, purchase, production management, and other departments, engages in supply chain management regularly, asking suppliers to issue “Supplier Environmental Protection Production Commitment,” and co-comply with “Code of Conduct – Responsible Business Alliance.” In the corporate	No Deviations

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Summary	
			governance aspect, the Company has established corporate governance officer, who is responsible for related affairs to corporate governance, assist the directors in obeying the laws and regulations, and conduct matters about directors’ meetings and shareholders’ meetings under the laws.	
3. Environmental issues (1) Has the Company set an environmental management system designed to industry characteristics?	✓		<p>(1) The Company’s group headquarters is located in Neihu District, Taipei City, which is not an ecological reserve or habitat, has no plants, no impact on all natural ecology environment, and no violation to environmental protection laws and related regulations to air pollution. The Company establishes each management system to offer a well and suitable working environment.</p> <p>The Company’s plants are located Suzhou Gaoxin District (Gaoxin technology park), Jiangsu Province, China, HONTRON technology and industry park, Tianmen City, Hubei Province, China, and Dong van 4 industrial park, Ha Nam Province, Vietnam, which all comply with local environmental protection laws and regulations, approved ISO 14001 environment management system and acquired ISO14064-1 greenhouse gas emission inventory certificate report, and has included power preserving and carbon emission reduction, greenhouse gas reduction, and water and waste reduction into the Company’s policy.</p> <p>1. The plants’ acquiring of environment management system certificate are as follows: Plant in Suzhou acquired ISO 14001: 2015 for the first time in March 19,2012. (The most recent certificate starting date: March 10, 2021; expiring date: March 18, 2024) Plant in Hubei acquired ISO 14001: 2015 for the first time in July 26, 2022 (The most recent certificate starting date: July 26, 2022; expiring date: July25, 2025) Plant in Vietnam acquired Iso 14001: 2015 for the first time in January 20, 2022 (The most recent certificate starting date: January 20, 2022; expiring date: January 20, 2025)</p> <p>2. The Plants’ acquiring of greenhouse gas inventory certificate are as follows: Plant in Suzhou engaged in ISO14064-1: 2018 inventory certificate in 2019 for the first time (The most recent certificate starting date: November 24, 2022)</p>	No Deviations
(2) Does the Company endeavor to use energy	✓		(2) Due to the operation characteristics, the Company doesn't have much electricity and water	No Deviations

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Summary	
more efficiently and to use renewable materials with low environmental impact?			usage, so the major pollution source in the Company's operation is daily wastewater emissions and litter. The Company strives to improve the usage efficiency of all resources, including reusing recycled papers, preserving power and reducing carbon emissions, limiting air conditioning, and turning off lights to lower the impact on the environment load and to use the resources on the Earth sustainably. The Company's plant in Suzhou has passed the ISO 50001 power management system third-party certificate and can lower power costs by improving power efficiency and with effective management to fulfill customers' requirements and comply with domestic and international laws and regulations. The plants acquiring of power management system certificate are as follows: Plant in Suzhou acquired GB/T23331-2020/ISO 50001:2018 in February 16, 2019 for the first time (The most recent certificate starting date: February 21, 2022; expiring date: February 15, 2025)	
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	✓		(3) The Company strives to lower power usage during production, reduce the impact on the environment during the production phase, and evaluate climate change and responding measures to related issues. Evaluations include laws and regulations, carbon management-related risks, and the content of potential chances in physical and other dimensions. Please refer to "Evaluation item: 7. Other material information that assists in understanding the implementation status of promoting sustainable development."	No Deviations
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	✓		(4) The Company has made a statistic on the greenhouse gas emissions, water usage, and the total weight of litter for the past two years. Please refer to the Company's website and MOPS for disclosure. The Company's plant in Suzhou, starting in 2019, engaged in greenhouse gas inventory, passed 100% in ISO 14064-1: 2018 greenhouse gas inventory certificate annually, and signed the Carbon Neutral Action Declaration in 2022, committed to implementing and improving the contributing force in reducing carbon emissions, adopting more powerful policies and measures, working for achieving the peak of CO2 emissions before 2030 and dedicated to accomplishing carbon neutrality by 2050. Emissions reduction objectives (the norm year is 2021) are to reduce 2% of CO2 emissions per year from 2022 to 2025. For now, the Company continuously improves the production line power efficiency through	No Deviations

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Summary	
			<p>regular inspection, power saving results tracking, and improvement operation importation. The Company has participated in the Government's Service for Passing & Exchanging Electronic Documents to make document operations more convenient and preserve the time of document exchange, cost of paperwork and postage, and massive paper usage. The measures the Company promotes in the offices are as follows:</p> <ol style="list-style-type: none"> 1. The temperature of air conditioning is set at 27-28 Celsius. 2. Office and all areas in the building prohibit smoking to reduce air pollution. 3. Turning off the lights, including all the office during lunch break. 4. Promotes bringing own tableware to reduce using disposables. 5. After working hours, colleague on duty will check for lights and computers that are not turned off. Electronic devices in Pantries will be unplugged except for refrigerators. 6. Besides implementing recycling at working places, the Company encourages colleagues to use reusable cups, chopsticks, and bags and will not provide paper cups at meetings to reduce garbage production. 7. Promotes using double sides on papers to reduce paper usage, encourages reusing envelopes internally, and actively promotes environmental protection measures in the office to reduce garbage amount. 8. Promotes reducing the number of garbage cans to reduce the garbage amount. 	
<p>4. Social issues</p> <p>(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	✓		<p>(1) The Company complies with relevant laws, regulations, and international human rights conventions, establishing workings rules, attendance management regulations, sexual harassment prevention measures, complaint and punishment management regulations, and related management policies and procedures. Ensures employees' legal rights and interests, respect standard labor rights principles, and has no circumstances of damaging standard labor rights. The Company uses the management department and labor and management meetings as a complaint channel for employees, and when encountering employee complaint matters, the Company will handle them fairly.</p> <p>The Company holds labor and management meetings per quarter for each labor representative to communicate in, offering a channel for sufficient communication. For the Company's establishment of human rights policies and related management policies, please refer to the Company's website.</p>	No Deviations

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Summary	
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation	✓		<p>(2) The Company has established "Remuneration Approval management regulations" to offer equal pay for equal work and an adequate remuneration regulation. With the premise of complying with related labor laws and regulations, remuneration policies for the whole have been established to encourage, reward, and retain excellent personnel, and "Business Performance Bonuses Management Regulations" and "Employee's Remuneration Distribution Regulations" have been established to encourage employees to improve the Company's operating performance for the Company to share its operation results with the employees. "Performance Assessment Management Regulations" has been established to assess the employee's performance every half a year and specify effective reward and punishment content. Through "Working Rules," regulating the employees to comply with the Company's stipulation or ethical principles and propagate the corporate social responsibilities and laws and regulations that should be followed when conducting operating activities to employees.</p> <p>The Company obeys the related labor regulations stipulated in human resource regulations and systems that employee's vacation is based on Labor Standard Act, and paid leaves and annual leaves are given by seniority.</p> <p>The Company's annual employee remuneration distribution is based on Article 20, Articles of Incorporation, specifying that if the current year is profitable, shall appropriate not less than 1% to employees' remuneration. The employees' welfare measures are implemented based on the related welfare regulations stipulated by the Government and coordinated by the employee welfare committee. Please refer to page 132 " 5. Labor and management relationship" of this annual report.</p> <p>Information on the disclosure of employee's welfare policies and measures defending rights and interests, average employee's remuneration adjustment status, and non-officer full-time employees remuneration, the Company publishes on MOPS and the Company's website per stipulation.</p> <p>The proportion of Managing Officers served by a female is 26% in 2022.</p>	No Deviations
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	✓		<p>(3) The Company emphasizes and provides employees with a safe and healthy working environment, establishing employees regulations, and stipulating that employees shall comply with the Company's regulations and ethical principles, implementing assessment control in the office, setting securities personnel patrolling on the ground floor of the</p>	No Deviations

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Summary	
(4) Has the Company established effective career development training programs for employees?	✓		<p>buildings 24 hours, and installing finger prints settings on all levels to ensure the safety. Arranges health examination and safety and health education and training for employees regularly, insure employees against group accident insurance, and business trip safety insurance applicate to expatriates.</p> <p>The total number of employee work accidents in the Group is 8 in 2022 and is 0.53% of the total number of employees. All plants have been ISO 45001 certified. The plant in Suzhou appoints health and environment technology examination companies to examine all harmful factors (including workplace dust determination, toxic substances determination, focusing on workplaces, lightning survey, radiation survey, daily drinking water inspection, wastewater, the waste air, and noise), and all examines passed the criteria.</p> <p>The plants acquiring the job safety and health management system certificate are as follows: The plant in Suzhou was certified by ISO 45001:2018 for the first time in October 8, 2007. (The most recent starting date: March 21, 2022: expiring date: April 11,2025) The plant in Hubei was certified by ISO 45001:2018 for the first time in July 26, 2022. (The most recent starting date: July 26, 2022: expiring date: July 25, 2025) The plant in Vietnam was certified by ISO 45001:2018 for the first time in January 20, 2022. (The most recent starting date: January 20, 2022: expiring date: January 20, 2025)</p> <p>(4) The Company provides necessary internal and external education and training depending on employees' needs and adjusts their job due to their characteristics and abilities to develop their career development potential. The Company's employees can apply for external education and training courses for work purposes. For employee on-the-job training, each department then arranges adequate internal education and training courses depending on needs and provides suitable internal training courses for new employees, offering a complete development of professional skills and self-growth for employees.</p> <p>Training projects includes new employees training, professional additional study, officers training and etc. For the Company’s implementation status of each additional study and education provided for employees, please refer to page 132 “5. Labor and management relationship” of this annual report.</p>	No Deviations
(5) Does the company comply with the	✓		(5) The Company complies with related laws and regulations and international principles when	No Deviations

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Summary	
relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?			<p>it comes to the health and safety, privacy, sales, and markings of products and customers, and signs an environmental protection agreement or attaches an environmental protection subparagraph to quality agreements to commit itself to follow environmental protection laws and policies during production procedures and guarantee the customer's and consumer's rights and interests. The Company's production is not a polluting industry and has no circumstances of a material violation.</p> <p>Products produced by the plant in Suzhou were certified by the RoHS management mechanism during 2004~2005 under the demand of the European Union. Holds the systematic certified standard of "Non-harmful substance" and develops environmentally friendly Halogen-free products as a commitment to protecting the environment, and is certified by IECQ QC 080000: 2017 IEC Quality Assessment System for Electronic Components, protects consumers from infringements of toxic substances, improves the control of harmful substances in the products, and establishing standards of material management, supplier management, production and maintenance procedures management, and other related quality-assured processes, which offers a specific management demands. The plants acquiring certificates are as follows: The plant in Suzhou was certified by IECQ QC 080000: 2017 for the first time on July 16, 2008. (The most recent starting date: March 26, 2020: expiring date: March 26, 2023) The plant in Hubei was certified by IECQ QC 080000: 2017 on July 28, 2022. (The most recent starting date: July 28, 2022: expiring date: July 27, 2025) The Company's website has established a designated area for stakeholders, focusing on employees, customers, purchases and suppliers, and investors, offering a contact and complaint channel, and has its dedicated personnel. For all complaints, the Company provides a transparent and timely response procedure to ensure stakeholders' rights and interests are guaranteed reasonably.</p>	
(6) 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	✓		<p>(6) The Company has established "Suppliers management operation procedures," suppliers have to follow the Company's and the Company's customers' required CSR regulations and ask suppliers to sign a "Guarantee of not using conflicts minerals," "Metal source investigation and not using conflicts metal declaration," and "Ethical conduct commitment." The Company's subsidiaries engaged in production in China have established a "Suppliers</p>	No Deviations

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Summary	
rights, and what is the status of their implementation?			<p>Management Operation Procedures" in the aspect of safety and health and ask the suppliers to sign a "Suppliers Environmental Protection Safety Production Commitment" and ask suppliers to follow related regulations in issues of environmental protection, job safety and health, and labor rights, and the implementation is well and solid.</p> <p>Before engaging with suppliers, the Company will conduct supplier evaluation operations under RBA principles, which includes evaluations on whether circumstances of environmental pollution or violation of laws exist in materials sources and production procedures, to ensure collaborating suppliers are all legally certified manufacturers, and their products are under international regulations.</p> <p>Each supplier shall sign a supply quality protocol, an environmental protection commitment, and attach an environmental protection subparagraph to quality contracts, promising compliance with laws and policies during the production process as a commitment to environmental protection, and demand no material circumstances of pollution should happen during the production process. In the job safety and health aspect, suppliers must follow related safety and health regulations. The Company asks the suppliers to sign RBA(Responsible Business Alliance) declaration to ensure electronics related industry or industries that use electronics as a primary component are provided with a safe workspace and laborers are treated with respect and dignity by the supply chain, and the corporate is responsible for environmental protection and obeys ethical regulations, which includes chapters such as labor, health and safety, and environment. The Company’s contacting suppliers currently has no involvement with violating their corporate social responsibilities policies. If circumstances having a material impact on the environment and society exist, the Company will terminate and rescind the contract at any time to defend the Company’s credit and product quality. Please refer to the Company’s website for supplier management-related regulations.</p>	
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		✓	The Company has not established a report on sustainable development, but the Company has established the Company's "Sustainable Development Best-Practice Principles" considering "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies," and execute related policies, strategies, and measures under principles and regulations. The Company will implement and operate accurately in the future to fulfill corporate social responsibilities, implement corporate governance, and report the implementation status of the current year to the Board of Directors at the end of each year, and disclose on the Company's website.	No Deviations

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Summary	
6. 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: The Company executes operations under the regulations of "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and has no deviations from the established "Sustainable Development Best-Practice Principles." After considering the relevance between the trend of domestic and international sustainable issues and corporate core business, and the Company's impact of operating activities as a whole on stakeholders, the Company will plan the sustainable development policy, system, and relevant specific promotion program, and report on shareholders' meeting after the Board of Director's approval. If shareholders propose issues involved in sustainable development, the Company's Board of Directors will deliberate on listing them as motions at shareholders' meetings.				
7. Other important information to facilitate better understanding of the company’s promotion of sustainable development: (1) Environmental protection policy report To Respond to the Global environmental protection policies, the Company imports the EASYFLOW enterprise management electronic signature system to achieve power saving, carbon emissions reduction, and paper-free digitalization and implement storage system management at Factories storage systems via QR code scanning on smartphones and invested and import electronic management in attendance, vehicles, suppliers of information system, enable the Company to provide electronic services at anytime and anywhere to coordinate production line intellectualization, technology, and environmental protection progress simultaneously to accomplish the Global village and the vision of being responsible for the environmental protection. (2) The Company's implementation status of promoting sustainable development: 1. Job safety and health: Finished three kinds of waste environmental inspection in October 2022, engaged in inspection on job crisis in the workplace and health examination to personnel that served as the positions exposed to hazards in December 2022, and rain inspection. ISO45001 systemic inspection is done after being reviewed and supervised in March 2023 with zero deficiency. 2. Defend employee rights and interests: Finished lighting prevention inspection in May 2022; Acquired current safety evaluation report and production safety accident emergency plan in November 2022; Passed the first review of the second level of corporate safety production standardization. 3. Transform the institutions in factory areas: Finished transforming organic volatility emissions in the factory areas in October 2022; Finished the annual maintenance of seven sets of environmental protection institutions in December 2022. 4. Environmental protection project: Acquired new official reply of environment evaluation in May 2022, and finished publicizing environmental protection acceptance on December 19, 2022. 5. Transform fire safety institutions: Finished fire safety pipeline (covered pipes to open pipes) transformation, invested in about 900,000 RMB; Finished prevention test inspection on power distribution room and transformation of fire safety pipe net and inspection on electronics fire safety in October 2022; Finished buildings fire safety institution inspection in November 2022; Expected to gone through the formalities of acquiring water emission certificate by the end of May 2023. 6. Environment management: ISO14001 system inspection is finished under supervision and review in March 2023 with zero deficiency 7. Power management: Acquired the ISO50001-2018 power management system certificate. (The most recent certified starting date: February 21, 2021;expiring date: February 15, 2025) 8. Greenhouse gas emissions management: Acquired the ISO14064-1:2018 greenhouse gas system certificate. The certified date is November 24,2022.				

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Summary	

(3) To environment issues, the Company’s responding measures to issues related to the evaluation on climate change. The evaluation include carbon management related risk and potential chances in legal, physical, and other dimensions are as follows:

	Risk items	Explanation on risks/chances	Future strategies/actions
In legal dimension	<ol style="list-style-type: none"> The Environmental Protection Administration, Executive Yuan, R.O.C. (Taiwan) has release related laws to “reducing greenhouse gas emissions Qualifications and certified items in green product of each country. 	<ol style="list-style-type: none"> Risk: Specific objects shall engage in reporting greenhouse gas emissions and might cause risks that enterprises cannot handle. Risk: Material/component costs and design/verify costs increased will lead to additional production costs. Chance: In the future, demands in the reusable energy market will expand responding to the establishment of energy tax/carbon tax in each country, offering enterprises a chance of develop or invest in reusable energy. 	<p>The Company and its consolidated subsidiaries will finish the schedule of the greenhouse gas examination and verification per "Roadmap of Sustainable Development for TWSE/TPEX Listed Companies." The Company will actively gather information and promote each power-saving project in offices. The Company has included power saving and carbon emissions reduction, greenhouse gas emissions-reducing, and water source and waste reduction management into the Company's policy, and will continue to execute greenhouse gas examination at factories to implement and accomplish goals for reducing carbon emissions.</p>
In physical dimension	<ol style="list-style-type: none"> Direct impact of abnormal climates, such as flood, drought, or wind disaster. Indirect impact of abnormal climates, such as the increase in costs of all resources and rapid spread of vectors. 	<ol style="list-style-type: none"> Risk: Supply chains break off, production capacity decrease or stop, loss of life and property, and costs of reconstruction. Chance: Changes in rain patterns lead to enterprises’ realization on the importance of water resource management. 	<p>Actively look for other component supplying manufacturers to prevent from affecting the shipping the products. Factories implement resource management, propaganda on water resource management, and improve cognition in risk management.</p>
Others	Environmental friendly products becoming the market trend.	<ol style="list-style-type: none"> Risk: Low carbon emissions and environmental protection certified product becoming the market’s mainstream and choosing materials and supply chains for a design with lower carbon emissions will increase the total costs. Chance: A good carbon emissions management can help enterprises in improving corporate image. 	<p>Actively respond to stakeholders about the Company’s strategies and actions implemented in the aspect on carbon emissions management to fulfill the responsibilities of corporate citizen.</p>

Promoting Items	Implementation Status			Deviations from “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Summary	

(4) Reports on social public welfare activities: To take from the community and give back to society and fulfill social responsibilities, the Company participates in social public welfare activities, donates and sponsors charity groups, and initiates employees taking part in charity sales to support the inheritance of folk culture, assist in community care and support, and devotes to social public welfare activities long-lasting in the view of bringing the power of change to society. The Company's details for donations or sponsors to educational and cultural public welfare charity organizations or groups as of the date of the publication of this annual report in the most recent year:

January 1, 2022 to March 31, 2023

Fields	Donated objects	Purpose	Sponsored amount
Folk culture	An Shi Temple, Fu An Temple, An Hai Temple, and other temples	To support inheritance of folk culture and calm the people’s heart via religion.	NTD 2,300,000
Community care	1. Syin-Lu Social Welfare Foundation	To support the intellectual disabled and development disabled people to have a beautiful hope, rich life, and live with dignity.	NTD 120,000
	2. TAIWAN CATHOLIC FOUNDATION OF ALZHEIMER’S DISEASE AND RELATED DEMENTIA	To build a world of love for elders with Alzheimer’s disease and related dementia and live with more quality and dignity.	NTD 120,000
	3. Genesis Social Welfare Foundation	To have zero nursed vegetable.	NTD 150,000
	4. EDEN SOCIAL WELFARE FOUNDATION	To serve the handicapped	NTD 150,000
	5. Taiwan Fund for Children and Families	To protect children and teenagers.	NTD 150,000
	6. Hung Hua Tung Hsin-coffin donation	To know, and care for life.	NTD 120,000
	7. FORMOSA CHARITY GROUP	To hold the philosophy of “Irrigates Taiwan with Love,” build and fix houses for disadvantaged group in the view of “everyone has his/her own house.”	NTD 120,000
	8. Huashan Social Welfare Foundation	To serve the local elders with disability, dementia, and detached.	NTD 30,000
	9. The Garden of Hope Foundation	To prevent and eliminate women from sexual assault, sexual exploitation and domestic violence.	NTD 30,000
	10. HOPE FOUNDATION FOR CANCER CARE	To serve cancer patient families.	NTD 30,000
	11. Citizen of the Earth, Taiwan	To promote environmental protection and establish sustainable environment.	NTD 30,000

(6) Implementation status of ethical corporate management and the deviations from “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”:

Assessment Items	Implementation Status			Deviations from “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Establishment of ethical corporate management policies and programs				
(1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	✓		(1) The Company has established "Codes of Ethical Conduct" and " Ethical Corporate Management Best-Practice Principles," and the general manager is responsible for reporting the implementation status to the Board of Directors every year. The Company will implement accurately in internal control or external business activities via a fair, just, and public method. To promote and propagate ethical conduct, the Company continue to implement education and training for all employees and place related regulation on the Company's internal internet for colleagues to review anytime.	No Deviations
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		(2) The Company engages in business activities on the principles based on fairness, honesty, trustworthiness, and transparency for the implementation of ethical corporate management policies and actively prevents non-ethical actions. The Company establishes " Guidelines and Operation Procedures for Ethical Corporate Management " per "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies," which stipulates the matters that the Company's employees shall pay attention to specifically. To avoid offering or acquiring unreasonable interests, besides implementing " Ethical Corporate Management Best-Practice Principles," the Company establishes an effective internal control system for the internal audit personnel to review the compliance status of the system aforementioned. The Company manages relationships with suppliers per "Codes of Ethical Conduct" and " Ethical Corporate Management Best-Practice Principles " and audits the implementation status regularly. When the Company signs	No Deviations

Assessment Items	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"
	Yes	No	Summary	
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	✓		<p>a contract with suppliers, the contract shall specify a subparagraph that if unethical actions happen, the Company can terminate and rescind the contract at any time.</p> <p>(3) To prevent any unethical actions, the Company asks the employees to issue an explanation to the Company spontaneously when encountering ethical doubt and conflicts in interests per related regulations. The Company has established employee E-mail, provides the employees and related personnel with a channel to report any inappropriate practicing actions, and the Company will appoint management to handle this in person. The Company has established "Ethical Corporate Management Best-Practice Principles" to prevent unethical actions from happening and has specified "Guidelines and Operation Procedures for Ethical Corporate Management," punishment of violations, and a complaint system, which are reviewed at the end of every year regularly. The implementation status of ethical corporate management is reported to the Board of Directors and disclosed on the Company's website.</p>	No Deviations
2. Fulfill operations integrity policy				
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) Before trading with manufacturers, the coordinator will review the past trading record and search for the enterprise's information on the internet to ensure whether the manufacturers have records of unethical conduct, and specify in the contract that if unethical conduct happens, the contract can be terminated and rescinded at any time.	No Deviations
(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct	✓		(2) The Company implements ethical corporate management through each department's business scope. The management department is the dedicated unit that is responsible for promoting ethical corporate management, reviewing the compliance status of the aforementioned	No Deviations

Assessment Items	Implementation Status			Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies"
	Yes	No	Summary	
regularly (at least once a year) to the Board of Directors while overseeing such operations?			system regularly, and reporting the implementation and operation status of the promotion of ethical corporate management to the Board of Directors at the end of every year, and disclose it on the Company's website.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) To prevent any unethical actions, the Company asks the employees to issue an explanation to the Company spontaneously when encountering ethical doubt and conflicts in interests	No Deviations
(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	✓		(4) The Company has established an effective accounting system and internal control system to ensure ethical corporate management is implemented, and stipulated "Ethical Corporate Management Best-Practice Principles" and "Guidelines and Operation Procedures for Ethical Corporate Management" to be followed, preventing unethical conduct from happening, and established an effective accounting system and internal control system for the Company's internal audit personnel to review on the compliance status of each system and issue an audit report to the Board of Directors.	No Deviations
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5) The Company's internal and external education and training both include courses related to ethical corporate management. The Company propagates the material matters for the attention of "Ethical Corporate Management Best-Practice Principles," "Codes of Ethical Conduct," and "Guidelines and Operation Procedures for Ethical Corporate Management" to the Directors and Managers. For new employees, the Company also provides pre-job training courses, focuses on legal compliance, prohibits unethical conduct, engages in business activities ethically, prohibits handing out or receiving bribes, prohibits receiving unreasonable gifts, hospitality, and inappropriate interests, prevents product and service from	No Deviations

Assessment Items	Implementation Status			Deviations from “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			damaging stakeholders, and reporting and punishments, offering a complete philosophy of ethical corporate management. The Company's Directors and Managers participate in training courses related to corporate governance per regulations every year and other propaganda lectures held by the Taiwan Stock Exchange and Securities & Futures Institute.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) The Company has established a specific report and reward system. Besides reporting to direct officers, employees can contact designated units through employee e-mail, which handles the complaint per the procedure of working regulation. The Company has included ethical corporate management in employees' performance assessment and human resource policies and has established an effective reward and punishment and complaint system. The Company's website has designated areas for stakeholders, offering a contact and complaint dedicated line with specialized personnel in charge. For employees, customers, purchase suppliers, and investors' complaints, the Company provides a transparent and timely handling procedure to ensure a reasonable guarantee of stakeholders' rights and interests.	No Deviations
(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	✓		(2) The Company has established a standard investigation operation procedure for receiving reporting matters. When receiving a report, an investigation group is formed based on the content of the report, the group then engages in an investigation and secrecy mechanism. If the reported circumstances are investigated to be true, the Company's related unit will review the related internal control systems and operation procedures to issue improvement measures to prevent the same action from happening. The	No Deviations

Assessment Items	Implementation Status			Deviations from “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(3) Does the company provide proper whistleblower protection?	✓		designated unit will report the reported circumstances, the response, and the review and improvement measures to the Board of Directors. (3) The Company keeps the identification of the reporter and the content of the report confidential. The Company promise to protect the reporter from receiving inappropriate actions.	No Deviations
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	✓		The Company published “Ethical Corporate Management Best-Practice Principles” on MOPS, and established designated are to disclose “Ethical Corporate Management Best-Practice Principles,” “Guidelines and Operation Procedures for Ethical Corporate Management,” the Company’s implementation status of ethical corporate management , and results of promotion for investor to consider.	No Deviations
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: Is in accordance with “Ethical Corporate management Best-Practice Principles for TWSE/TPEX Listed Companies”. Implementation and established principles have no deviations and are conducted normally.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies): None.				

(7) If the Company has established corporate governance principles and related regulations , the searching method shall be disclosed:
On the Company website “Investor related” has “Corporate Governance Area” which is offered for search and download the Company’s regulations related to corporate governance, composition and operation of the Board of Directors, Material resolutions on Directors’ meetings, and other contents, and are all disclosed on MOPS simultaneously.

(8) Other material information sufficient for improving the understanding to the Company’s status of operation of corporate governance: None.

(9) Implementation status of the internal control system:

1. Internal Control Statement

Hotron Precision Electronic Industrial Co., Ltd
Internal Control Statement

Date: February 24, 2023

Regarding to the Company's self-evaluation on the Internal Control System in the year 2022, The Company states the following:

1. The Company firmly believes that establishing, implementing, and maintaining the Internal Control System is the Company's Board of Directors and Managers' responsibility, and the Company has established such a system. The purpose is to provide reasonable assurance for accomplishing the goal of effectiveness and efficiency of operations, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
2. The Internal Control System has its innate limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the three objectives above. And due to the change in the environment and situations, the effectiveness of the Internal Control System may change too. Only the Company's Internal Control System has self-supervising mechanics. Once recognizing errors, the Company immediately adopts corrective conduct.
3. The Company makes assessments based on "Regulations Governing Establishment of Internal Control Systems by Public Companies" (From now on referred to as Governing Regulations) regulated evaluating items of Internal Control Systems on whether the Company's design and implementation is effective. The "Governing Regulations" adopting evaluation items of Internal Control Systems are, according to the process of management and control, divided Internal Control Systems into five core elements: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications, and 5. Monitoring activities. Each core element contains several items. For the items aforementioned, please refer to regulations of "Governing Regulations."
4. The Company has adopted the Internal Control System assessment items mentioned above to evaluate the effectiveness of the designs and implementations of the Company's Internal Control System.
5. The Company, based on the evaluation results mentioned above, recognizes the design and implementation of the Company's Internal Control System (including the supervising and management of subsidiaries) on 31st December 2022, including understanding the accomplishing degree of effectiveness and efficiency of operations, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws is effective and can reasonably assure the achievement of objectives above.
6. This Statement will be the primary content of the Company's annual report and public manual and is open to the public. If the published content mentioned above is under illegal circumstances of misrepresentations or nondisclosures, Legal liability in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act is involved.
7. The Company's Board of Directors approved this Statement on February 24, 2023. Among the seven seats of attended Directors, none holds an opposing opinion, and the rest all agreed on the content of this Statement and hereby declare.

Hotron Precision Electronic Industrial Co., Ltd

Chairman: CHANG, LI-JUNG

General Manager: LU, I-HSUAN

2. Disclosure of appointed auditors' audits report on the internal control system: None.

(10) Circumstances of the Company and its internal personnel punished by law, The Company's punishment for its internal personnel violated the internal control system regulations, and the result may have a significant impact on Shareholders' rights and interests, or securities' price shall specify its content of punishment, major error and status of improvements as of the Date of Publication of the Annual Report in the latest fiscal year: None

(11) Material resolutions of Shareholders' meetings and Directors meetings in the latest fiscal year as of the Date of Publication of the Annual Report:

1. Material resolutions of Shareholders' meetings and implementation status are as follows:

Items	Material resolution	Implementation status
1	To Acknowledge the business report and financial statement of 2021.	Approved
2	To Acknowledge of earnings distribution of 2021.	Approved. The shareholders' share dividends are not distributed this year.
3	To approve the amendment to "Articles of Incorporation."	Approved and implemented per regulations after amendment.
4	To approve the amendment to "Rules of Shareholders' Meetings."	Approved and implemented per regulations after amendment.
5	To approve the amendment to "Regulations Governing the Acquisition and Disposal of Assets."	Approved and implemented per regulations after amendment.

2. Material resolutions of Directors' meetings

The Company's material resolution from 2022 to the date of publication of the annual report in 2023 are as follows:

Date	No.	Material Resolutions
January 20, 2022 Approved by the Directors' meetings	1	Resolution of the Company's year-end bonus distribution of practicing directors and managers of 2021
	2	Resolution of the appointment of CPAs and the evaluation of independence and competency of CPAs (Appointed CPA WU, HAN-CHI and CPA LIN, YA-HUI in 2022)
February 25, 2022 Approved by the Directors' meetings	1	Resolution of the employees' and directors' remuneration distribution and directors' business practice remuneration of 2021.
	2	Resolution of the establishment of the Company's "Internal Control Statement" per "2021 Internal Control System Self-Assessment Report."
	3	Resolution of the operation report, individual financial statement, and consolidated financial statement of 2021.
	4	Resolution of the earnings distribution of 2021.
	5	Resolution of the amendment to "Articles of Incorporation"
	6	Resolution of the amendment to "Corporate Social Responsibilities Best-Practice Principles" "
	7	Resolution of the amendment to "Corporate Governance Best-Practice Principles"
	8	Resolution of the amendment to "Directors for the Implementation of Continuing Education for Directors and Supervisors"
April 08, 2022 Approved by the Directors' meetings	9	Resolution of the Company's sub-subsidiary "Hotlink Company Limited", which the Company holds 100% indirectly, removes the non-compete limitation of managers.
	10	Resolution of establishing the Company's 2022 shareholders' regular meeting's convening date, time, place, content of motion, and related matters, and is able to execute voting rights through electronics
	1	Resolution of earnings distribution of 2021. (resolved no to distribute shareholders' share dividends)
	2	Resolution of the Company's first domestic secured convertible bonds (30921) into new share (Transferred into 325,457 stocks of common stock)
	3	Resolution of the earnings retain of the subsidiary "Hotron Precision Electronic Industrial (Suzhou) Co., Ltd", which the Company has 100% reinvestment through third region business
	4	Resolution of the capital increase (100,000,000 RMB) of the subsidiary "Hotron

Date	No.	Material Resolutions
		Precision Electronic Industrial (Suzhou) Co., Ltd” ,which the Company has 100% reinvestment through third region business to “Hotron Precision Electronic Industrial (Hubei) Co., Ltd.
	5	Resolution of the amendment to “Rules of Procedure for Shareholders’ Meetings.”
	6	Resolution of the amendment to “Regulations Governing the Acquisition and Disposal of Assets.”
	7	Resolution of listing the Company’s 2022 shareholders’ regular meeting .(convene a physical shareholders’ meeting)
	8	Resolution of applying for line of credit from banks.
May 10, 2022 Approved by the Directors’ meetings	1	Resolution of the consolidated financial statement of first quarter of 2022
	2	Resolution of inspecting whether overdue receivables belongs to the nature of loaning of funds.
	3	Resolution of endorsement and guarantee for the subsidiary “Hotron Precision Electronic Industrial (Vietnam) Co., Ltd”, which the Company holds 100% indirectly.
	4	Resolution of endorsement and guarantee for the sub-subsidiary “FORTUNA International holding LTD.”, which the Company invested 100% in.
	5	Resolution of the Company’s schedule for greenhouse gas examination and investigation.
	6	Resolution of applying for line of credit from banks.
July 13, 2022 Approved by the Directors’ meetings	1	Resolution of the Company’s first domestic secured convertible bonds (30921) into new share (Transferred into 199,471 stocks of common stock)
	2	Resolution of the Company’s establishment of sub-subsidiary through direct investment. (SmartGreen Solution Co., Ltd with Capital 50,000,000 NTD)
	3	Resolution of the sub-subsidiary “SmartGreen Solution Co., Ltd”, which the Company holds 100%, acquiring Right-of-use asset.
	4	Resolution of endorsement and guarantee for the sub-subsidiary “FORTUNA International holding LTD.” the Company’s 100% invested in.
	5	Resolution of endorsement and guarantee for the sub-subsidiary “Hotlink Company Limited” the Company holds 100% indirectly.
	6	Resolution of applying for line of credit from banks.
	7	Resolution of the Company’s sub-subsidiary “Hotlink Company Limited”, which the Company holds 100% indirectly removing the non-compete limitation of managers.
	8	Resolution of the Company’s Director removes the non-compete limitation.(Chairman CHANG, LI-JUNG served as Director in SmartGreen Solution Co., Ltd)
August 10, 2022 Approved by the Directors’ meetings	1	Resolution of the consolidated financial statement of the second quarter of 2022
	2	Resolution of endorsement and guarantee for the sub-subsidiary “FORTUNA International holding LTD.”, which the Company invested 100% in.
	3	Resolution of endorsement and guarantee to the subsidiary “Hotron Precision Electronic Industrial (Suzhou) Co., Ltd”, which the Company has 100% reinvestment through third region business
	4	Resolution of applying for line of credit from banks.
	5	Resolution of remuneration adjustment of practicing director and managers of 2022.
October 13, 2022 Approved by the Directors’ meetings	1	Resolution of the Company’s first domestic secured convertible bonds (30921) into new share (Transferred into 377,951 stocks of common stock)
	2	Resolution of endorsement and guarantee to the subsidiary “Hotron Precision Electronic Industrial (Suzhou) Co., Ltd”, which the Company has 100% reinvestment through third region business
	3	Resolution of changing the Company’s internal audit officer. (Appointed CHIANG,MING-TE as the Company’s internal audit officer)
	4	Resolution of removing the non-compete limitation of the Company’s manager.
	5	Resolution of the amendment of the Company’s “Rules of Procedure for Board of Directors’ Meetings.”
November 09, 2022 Approved by the Directors’ meetings	1	Resolution of the consolidated financial statement of the third quarter of 2022.
	2	Resolution of inspecting whether overdue receivables belongs to the nature of loaning of funds. (Newly recognized amount of loaning of funds of this quarter is 2,403,987.71 RMB, convert to 10,594,374 NTD)
	3	Resolution of the amendment of the Company’s “Internal Material Information Process Operation Procedure.”

Date	No.	Material Resolutions
December 14, 2022 Approved by the Directors' meetings	1	Resolution of the Company's year-end bonus distribution to practicing directors and managers of 2022.
	2	Resolution of the Company proposed to filing for capital increase and second domestic unsecured convertible bonds in 2022 to repay load from banks.
	3	Resolution of establishing the 2023 annual audit program. With a total of 85 paragraphs.
	4	Resolution of reamendment of the Company's "Internal Control System"
	5	Resolution of endorsement and guarantee to the subsidiary "Hotron Precision Electronic Industrial (Suzhou) Co., Ltd", which the Company has 100% reinvestment through third region business
	6	Resolution of establishing the Company's "Risk Management Policy and Procedure.
	7	Resolution of establishing the 2023 annual operation plan and budgets.
	8	Resolution of applying for line of credit from banks.
	9	Resolution of establishing corporate governance officers.
February 24, 2023 Approved by the Directors' meetings	1	Resolution of the employees' and directors' remuneration distribution and directors' business practice remuneration of 2022.
	2	Resolution of the appointment of CPAs and the evaluation of independence and competency of CPAs (Appointed CPA WU, HAN-CHI and CPA LIN, YA-HUI in 2022)
	3	Resolution of proposed to approve CPA firm and affiliates to offer non-assurance services to the Company and subsidiaries.
	4	Resolution of the establishment of the Company's "Internal Control Statement" per "2022 Internal Control System Self-Assessment Report."
	5	Resolution of the operation report, individual financial statement, and consolidated financial statement of 2022.
	6	Resolution of the earnings distribution of 2022.
	7	Resolution of the earnings retain of the subsidiary "Hotron Precision Electronic Industrial (Suzhou) Co., Ltd", which the Company has 100% reinvestment through third region business of 2023.
	8	Resolution of endorsement and guarantee to the subsidiary "Hotron Precision Electronic Industrial (Suzhou) Co., Ltd", which the Company has 100% reinvestment through third region business
	9	Resolution of endorsement and guarantee for the subsidiary "Hotron Precision Electronic Industrial (Vietnam) Co., Ltd", which the Company holds 100% indirectly.
	10	Resolution of the Company's proposal of buying land in America in advance for establishing subsidiaries. (The total amount of land purchase is 2,506,320 USD)
	11	Resolution of establishing the Company's 2023 shareholders' regular meeting's convening date, time, place, content of motion, and related matters, and is able to execute voting rights through electronics
	12	Resolution of electing the 10 th session Directors. (Independent Directors included) (elected seven directors (including 3 independent directors)
	13	Resolution of the proposal of asking the shareholders' regular meetings' approval to remove the non-compete limitation against new directors and their representatives.
	14	Resolution of establishing the period, place, and other necessary matters of the Company's acceptance of Directors (including independent directors) nominees.
	15	Resolution of the amendment to "Corporate Governance Best-Practice Principles."
	16	Resolution of the amendment to "Self-Regulatory Rules on Disclosure of Merger and Acquisition Information."
	17	Resolution of the amendment to "Corporate Sustainable Development Bes-Practice Principles"
	18	Resolution of the amendment to "Directions for the Implementation of Continuing Education for Directors."
	19	Resolution of the establishment of "Rules Governing Financial and Business matters Between this Corporation and its Affiliated Enterprises."
	20	Resolution of applying for line of credit from banks.

(12)As of the Date of Publication of the Annual Report in the latest fiscal year, Directors with different opinions on the Board of Directors' resolution, and have recordings or written declarations: None

(13)As of the Date of Publication of the Annual Report in the latest fiscal year, the summary of the Company's Chairman, General Manager, Accounting Officer, Financial Officer, Internal Audit Officer, Corporate Governance Officer, and research and development officer resignations and dismissals status:

Summary of Resignations and Dismissals of Related Personnel of the Company

Title	Name	Date of office	Date of dismissal	Reason for resignation and dismissal
Chief Internal Audit	CHEN, YUEH-CHIN	March 11, 2021	September 15, 2022	Job transfer

Note: The Company's resolution of directors' meeting on October 13, 2022 has approved that CHIANG,MING-TE will take office as the Company's internal audit officer.

5. Information of CPA Professional Fees

Cash Unit: NTD thousand

Accounting Firm name	CPA name	Audit period	Audit fee	Non-audit fee (Note 1)	Total	Remarks (Note 2)
PwC Taiwan	WU, HAN-CHI	2022.01.01~ 2022.12.31	3,960	1,103	5,063	-
	LIN, YA-HUI					

Note 1: Service content of non-audit fee:

1. The Company transfer pricing fee is 200 NTD thousand in 2022
2. The groups sub-subsidiary-Hotlink Company transfer pricing fee is 200 NTD thousand in 2022
3. The groups sub-subsidiary-Hotlink Company transfer pricing examination fee is 703 NTD thousand in 2019.

Note 2: The Company did not change CPAs or accounting firms, for service content of non-audit service, please refer to Note 1.

6. Information on Replacement of CPAs: None

7. Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

8. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

(1) Status of change in equity interests by a director, managerial officer, and major shareholders:

Unit: Share

Title	Name	2022		2023 as of April 1	
		Hold of shares Increase (decrease) amount	Pledge of shares Increase (decrease) amount	Hold of shares Increase (decrease) amount	Pledge of shares Increase (decrease) amount
Chairman and shareholder holding more than 10%	CHANG, LI-JUNG	432,000	0	1,206,249	0
Director	CHEN, TAI-CHUNG	0	0	0	0
Director and General Manager	LU, I-HSUAN	0	0	5,274	0
Director	HSU, TING-JUNG	0	0	0	0
Independent Director	HSIEH, I-TA	0	0	0	0
Independent Director	CHOU, CHE-YI	0	0	0	0
Independent Director	CHU, YANN-FANG	0	0	0	0
CFO and chief corporate governance officer	HSU, KUO-HUANG (date of office as the corporate governance officer: December 14, 2022)	0	0	0	0
Vice president of business department of connecting wires by Hotlink Company Limited	KAO, I-HONG	0	0	0	0
Information Department Lead of Hotlink Company Limited	LIN, CHAO-YIN (date of office: January 1, 2022)	0	0	63,000	0
Vice president of Hotron (Vietnam)	YU, TUNG-HUA (date of office: July 11, 2022)	0	0	21,000	0
Senior assistant at Director's Office	CHEN, YUEH-CHIN (date of office: September 15, 2022)	0	0	3,222	0
Executive Vice President	WU, CHIEN-HUEI (date of office: February 1, 2023)	0	0	0	0

(2) Information of any transfer of equity interests by a director, managerial officer, or shareholder with a stake of more than 10 percent: None

(3) Information of any pledge of equity interests by a director, managerial officer, or shareholder with a stake of more than 10 percent: None

9. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another.

Relationship information among the company's 10 largest shareholders

April 1, 2023/Unit: Share

No.	Name (Note1)	Shareholding in person		Shareholding of spouse and minor children		Shareholding by proxy		Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another, their name and relationships(Note 3)		Remarks
		Share amount	Shareholding ratio	Share amount	Shareholding ratio	Share amount	Shareholding ratio	Name	Relationship	
1	CHANG, LI-JUNG	9,512,228	9.22%	1,268,389	1.23%	16,695,194	16.17%	Gao Peng Investment Co., Ltd	Chairman	None
								Chuan Hung Investment Co., Ltd	Chairman	None
								Hung Ming Development Co., Ltd	Chairman	None
								Hung Rung Investment Co., Ltd	Chairman	None
2	Gao Peng Investment Co., Ltd.	8,494,978	8.23%	0	0	0	0	CHANG, LI-JUNG	Chairman	Note 4
	Representative: CHANG, LI-JUNG	9,512,228	9.22%	1,268,389	1.23%	16,695,194	16.17%	CHANG, LI-JUNG	In person	None
3	LIN, CING-BIAO	4,097,334	3.97%	0	0	0	0	None	None	None
4	Hung Ming Development Co., Ltd.	3,479,061	3.37%	0	0	0	0	CHANG, LI-JUNG	Chairman	Note5
	Representative: CHANG, LI-JUNG	9,512,228	9.22%	1,268,389	1.23%	16,695,194	16.17%	CHANG, LI-JUNG	In person	None
5	Hung Rung Investment Co., Ltd.	3,479,061	3.37%	0	0	0	0	CHANG, LI-JUNG	Chairman	Note6
	Representative: CHANG, LU-JUNG	9,512,228	9.22%	1,268,389	1.23%	16,695,194	16.17%	CHANG, LI-JUNG	In person	None
6	CHANG, MEI-LI	1,333,662	1.29%	0	0	0	0	CHANG, LI-JUNG	Relative within second degree	None
7	Chuan Hung Investment Co., Ltd	1,242,094	1.20%	0	0	0	0	CHANG, LI-JUNG	Chairman	Note7
	Representative: CHANG, LU-JUNG	9,512,228	9.22%	1,268,389	1.23%	16,695,194	16.17%	CHANG, LI-JUNG	In person	None
8	LI, WEN-CHING	1,188,000	1.15%	0	0	0	0	None	None	None
9	CHANG, YU-SSU	1,154,758	1.12%	0	0	0	0	CHANG, LI-JUNG	Father and son	None
9	CHANG, YU-WEI	1,154,758	1.12%	0	0	0	0	CHANG, LI-JUNG	Father and son	None

Note1: Has listed all top ten shareholders, as juridical person shareholders shall be listed individually by juridical person shareholder name and representative name.

Note2: The calculation of shareholding ratio refers to calculating the shareholding ratio individually by the person, spouse, minor children, or by proxy.

Note3: The shareholders listed above, including juridical person and natural person, the relationships between shall be disclosed per Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Note: Juridical person shareholders that are major shareholders

April 1, 2023

Note	Name of Juridical person shareholders	Juridical person shareholders that are major shareholders		Remarks
		Shareholder	Shareholding ratio	
Note4	Gao Peng Investment Co., Ltd	Hung Ming Development Co., Ltd	50.00%	Note 5
		Hung Rung Investment Co., Ltd	50.00%	Note6
Note5	Hung Ming Development Co., Ltd	CHANG, LI-JUNG	99.99 %	None
Note6	Hung Rung Investment Co., Ltd	CHANG, LI-JUNG	99.99 %	None
Note7	Chuan Hung Investment Co., Ltd	CHANG, LI-JUNG	44.00 %	None

10. The total number of shares and total equity stake held in any single enterprise by the company, its directors, managerial officers, and any companies controlled either directly or indirectly by the company and total shareholding:

Consolidated shareholding ratio

April 1, 2023/Unit: thousand share: %

Reinvestment Business (Note1)	The Company's investment		Investing Business that the Directors and Managers having a direct or indirect control		Consolidated investment	
	Share amount	Shareholding ratio	Share amount	Shareholding ratio	Share amount	Shareholding ratio
FORTUNA International Holding s Ltd.	12,467	100%	-	-	12,467	100%
Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	-	-	Note 2	100%	Note 1	100%
Hotron Electron & Telecommunication(Fuqing) Co.,Ltd.	-	-	Note 2	100%	Note 1	100%
Hotlink Company limited	-	-	Note 2	100%	Note 1	100%
Hotron Precision Electronic Industrial (Hubei) Co., Ltd	-	-	Note 2	100%	Note 1	100%
Hotron Real Estate Development(Tianmen) Co., Ltd.			Note 2	100%	Note 1	100%
Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	-	-	Note 2	100%	Note 1	100%
SmartGreen Solution Co., Ltd.	5,000	100%	-	-	5,000	100%

Note1: Is the Company long-term equity investments accounted for using equity method.

Note2: Is not a Co., Ltd, thus no shares.

IV. Capital Overview

I. Capital and Shares

(1) Source of Share Capital

1. Formation of Share Capital

Month/year	Issued price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of capital	Capital paid in by assets other than cash	Other
1991.12	0	0	0	0	5,000,000	Company Establishment	None	Incorporation of a Limited Company
1994.08	0	0	15,000,000	0	15,000,000	Capital increase	None	-
1997.08	10	7,000,000	700,00,000	7,000,000	70,000,000	Capital increase	None	1997.8.22(86) Change of registration from a sole proprietorship to a limited liability company under the Business Registration Act, Article 221191.
1998.02	10	15,000,000	150,000,000	15,000,000	150,000,000	Capital increase	None	1998.02.10(87) Commercial Registration No. 101079
1998.11	12	50,000,000	500,000,000	30,000,000	300,000,000	Capital increase	None	1998.07.16(87) Taiwan Financial Certificate (1) No. 59023
2000.11	10	50,000,000	500,000,000	31,500,000	315,000,000	Capital Increase through Retained Earnings	None	2000.07.14(89) Taiwan Financial Certificate (1) No. 60470
2007.09	10	50,000,000	500,000,000	36,225,000	362,250,000	Capital Increase through Retained Earnings	None	2007.07.16 Financial Supervisory Commission Letter No. 0960036623
2007.11	40	50,000,000	500,000,000	44,225,000	442,250,000	Capital increase	None	2007.10.03 Financial Supervisory Commission Letter No. 0960054429
2008.10	10	50,000,000	500,000,000	48,647,500	486,475,000	Capital Increase through Retained Earnings	None	2008.07.30 Financial Supervisory Commission Letter No. 0970038447
2009.09	10	80,000,000	800,000,000	51,079,875	510,798,750	Capital Increase through Retained Earnings	None	2009.07.20 Financial Supervisory Commission Letter No. 0980036141
2010.05	23	80,000,000	800,000,000	57,890,875	578,908,750	Capital increase	None	2010.04.15 Financial Supervisory Commission Letter No. 0990016132
2010.07	10	80,000,000	800,000,000	60,785,419	607,854,190	Capital Increase through Retained Earnings	None	2010.06.10 Financial Supervisory Commission Letter No. 0990030095
2011.08	10	80,000,000	800,000,000	63,824,690	638,246,900	Capital Increase through Retained Earnings	None	2011.06.28 Financial Supervisory Commission Letter No. 1000029811

Month/year	Issued price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of capital	Capital paid in by assets other than cash	Other
2015.10	10	80,000,000	800,000,000	63,471,690	634,716,900	Cancellation of Treasury Shares	None	2015.10.01 Ministry of Economic Affairs Letter No. 10401206180
2017.08	10	80,000,000	800,000,000	69,800,759	698,007,590	Capital Increase through Retained Earnings	None	2017.08.28 Ministry of Economic Affairs Letter No. 10601121840
2018.08	10	80,000,000	800,000,000	71,193,155	711,931,550	Capital Increase through Retained Earnings	None	2018.08.09 Ministry of Economic Affairs Letter No. 10701100260
2018.11	10	80,000,000	800,000,000	71,012,155	710,121,550	Cancellation of Treasury Shares	None	2018.11.26 Ministry of Economic Affairs Letter No. 10701144820
2019.09	10	120,000,000	1,200,000,000	74,562,763	745,627,630	Capital Increase through Retained Earnings	None	2019.09.02 Ministry of Economic Affairs Letter No. 10801119830
2020.09	10	120,000,000	1,200,000,000	80,527,784	805,277,840	Capital Increase through Retained Earnings	None	2020.09.16 Ministry of Economic Affairs Letter No. 10901177180
2021.01	10	120,000,000	1,200,000,000	83,280,976	832,809,760	Conversion of Corporate Bond	None	2021.01.27 Ministry of Economic Affairs Letter No. 11001011270
2021.04	10	120,000,000	1,200,000,000	89,908,135	899,081,350	Conversion of Corporate Bond	None	2021.04.20 Ministry of Economic Affairs Letter No. 11001064300
2021.07	10	120,000,000	1,200,000,000	90,756,460	907,564,600	Conversion of Corporate Bond	None	2021.07.23 Ministry of Economic Affairs Letter No. 11001124080
2021.10	10	120,000,000	1,200,000,000	92,318,112	923,181,120	Conversion of Corporate Bond	None	2021.10.21 Ministry of Economic Affairs Letter No. 11001193200
2022.04	10	120,000,000	1,200,000,000	92,643,569	926,435,690	Conversion of Corporate Bond	None	2022.04.20 Ministry of Economic Affairs Letter No. 11101065290
2022.06	10	200,000,000	2,000,000,000	92,643,569	926,435,690	-	None	2022.06.14 Ministry of Economic Affairs Letter No. 11101097710
2022.07	10	200,000,000	2,000,000,000	92,843,040	928,430,400	Conversion of Corporate Bond	None	2022.07.28 Ministry of Economic Affairs Letter No. 11101139490
2022.11	10	200,000,000	2,000,000,000	93,220,991	932,209,910	Conversion of Corporate Bond	None	2022.11.08 Ministry of Economic Affairs Letter No. 11101201160
2023.04	10	200,000,000	2,000,000,000	103,220,991	1,032,209,910	Capital increase	None	2023.04.07 Ministry of Economic Affairs Letter No. 11230052700

2. Type of stock

2023.04.01/Unit: Shares

Type of stock	Authorized Capital			Remarks
	Outstanding shares (Note)	Unissued shares	Total	
Common stock	103,220,991	96,779,009	200,000,000	Stock of listed companies

Note: These are shares of a listed company with a par value of 10 New Taiwan Dollars per share.

3. General reporting system related information: None.

(2) Status of Shareholders

2023.04.01/ Unit: Shares

Shareholder composition Quantity	Government agencies	Financial institutions	Other legal entities	Foreign institutions and foreign individuals	Individuals	Treasury stock	Total
No. of shareholders	0	0	118	37	19,340	0	19,495
No. of shares held	0	0	17,693,723	892,316	84,634,952	0	103,220,991
Shareholding ratio	0.00%	0.00%	17.14%	0.86%	82.00%	0.00%	100.00%

(3) Shareholding Distribution Status

1. Common shares:

2023.04.01/ value of 10 NTD per share

Range of no. of shares held	No. of shareholders	Shareholding(shares)	Shareholding (%)
1-999	8,705	630,644	0.61%
1,000-5,000	8,453	16,034,678	15.53%
5,001-10,000	1,156	8,452,296	8.19%
10,001-15,000	411	4,991,031	4.84%
15,001-20,000	201	3,570,626	3.46%
20,001-30,000	218	5,458,824	5.29%
30,001-40,000	107	3,704,870	3.59%
40,001-50,000	58	2,620,212	2.54%
50,001-100,000	103	6,937,933	6.72%
100,001-200,000	43	5,789,709	5.61%
200,001-400,000	23	5,992,289	5.81%
400,001-600,000	4	1,757,028	1.70%
600,001-800,000	3	2,144,917	2.08%
800,001-1,000,000	0	0	0.00%
Above 1,000,001	10	35,135,934	34.03%
Total	19,495	103,220,991	100.00%

2. Preferred shares: The Company has not issued any preferred share.

(4) List of Major Shareholders

2023.04.01/ Unit: Shares

Names of major shareholders	Shares	Shareholding (shares)	Shareholding (%)
CHANG, LI-JUNG		9,512,228	9.22%
Gaopeng Investment Co., Ltd.		8,494,978	8.23%
LIN, CING-BIAO		4,097,334	3.97%
Hung Ming Development Co., Ltd.		3,479,061	3.37%
Hung Rung Investment Co., Ltd.		3,479,061	3.37%
CHANG, MEI-LI		1,333,662	1.29%
Chuan Hung Investment Co., Ltd.		1,242,094	1.20%
LI, WEN-CHING		1,188,000	1.15%
CHANG, YU-SSU		1,154,758	1.12%
CHANG, YU-WEI		1,154,758	1.12%

(5) The Share's Market Price, Net Worth, Earnings and related information for the Past Two Years

Unit: NTD / thousand shares

Item		Fiscal year	Year 2021	Year 2022	Current year to 2023.04.01 (Note 8)
Market price per share (Note 1)	Highest		81.5	71.9	39.80
	Lowest		51.4	31.5	33.70
	Average		65.14	47.66	36.59
Net worth per share (Note 2)	Before distribution		20.91	22.13	N/A
	After distribution		20.91	N/A	N/A
Earnings per share	Weighted average shares		89,120	92,760	1,032,210
	Earnings per share (Note 3)	Retrospectively	0.25	0.71	N/A
		Prospectively	0.25	0.71	N/A
Dividends per share	Cash dividends		0	0.5	N/A
	Stock dividends	Dividends from retained earnings	0	0.3	N/A
		Dividends from capital reserve	0	0	N/A
	Accumulated undistributed dividends (Note 4)		None	None	None
Return on investment analysis	Price/earnings ratio (Note 5)		260.56	67.13	N/A
	Price/dividend ratio (Note 6)		0	95.32	N/A
	Cash dividend yield (Note 7)		0	1.05%	N/A
<p>* 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.</p> <p>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.</p> <p>Note 2: Please fill in the distribution based on the number of shares issued at the year-end and in accordance with the resolutions of the Board of Directors or the subsequent shareholders' meeting. The profit distribution plan for the fiscal year 2022 of the company has not yet been approved by the shareholders' meeting.</p> <p>Note 3: If retrospective adjustments are required because of issuance of stock dividends, the earnings per</p>					

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 dividend yield = cash dividend 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 at 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.

(6) Company Dividend Policy and Implementation Status:

1. Company's dividend policy as stipulated in the Articles of Incorporation

In the event of annual profit, the company shall allocate funds for employee remuneration and director remuneration. However, in the case of accumulated losses, an amount shall be reserved in advance for offsetting.

After deducting the distribution of employee and director remuneration from the annual pre-tax profit, the company shall allocate the remaining balance as follows: (1) Director remuneration shall not exceed 3 percent. (2) Employee remuneration shall not be less than 1 percent.

Employee remuneration mentioned above may be in the form of stocks or cash, and it shall be determined by the board of directors with the consent of two-thirds or more of the attending directors and the majority of the attending directors. The decision shall be reported to the shareholders' meeting. The recipients of such remuneration include employees of affiliated or subsidiary companies who meet certain conditions, which are authorized by the board of directors to determine.

If the company has profits in its annual financial statements, it shall first allocate funds for tax payment and offset accumulated losses. Next, it shall set aside ten percent as legal reserve, unless the legal reserve has reached the amount of paid-in capital, in which case this requirement does not apply. Additionally, it shall allocate or reverse the special reserve in accordance with laws or regulations stipulated by the competent authority. If there are still remaining profits, they shall be added to the undistributed profits from previous periods. The board of directors shall exercise discretion to retain an appropriate amount of profits for operational needs. A distribution proposal shall be prepared, and in the case of distributing through the issuance of new shares, it shall be approved by the shareholders' meeting prior to the distribution.

The company's dividend distribution policy shall take into account factors such as the current and future operational conditions, capital requirements, and shall also consider the interests of shareholders and the company's long-term financial planning. Dividends may be distributed in the form of cash dividends or stock dividends, with cash dividends not being less than ten percent of the total dividends.

According to Article 240, Paragraph 5 of the Company Act, the Board of Directors is authorized to distribute dividends and bonuses, or all or a portion of the statutory retained earnings and capital surplus as specified in Article 241, Paragraph 1 of the Company Act, through cash payment, with the approval of two-thirds or more of the directors in attendance and the majority of the attending directors. The distribution shall be reported to the shareholders' meeting.

2. In order to align with the company's financial and operational plans for sustainable growth, the following dividend distribution policy is proposed:

(1) Conditions and Timing of Dividend Distribution:

The company in order to support the continued growth of the company in the future, the dividend policy is annually assessed by the Board of Directors, taking into consideration the actual profitability, future capital budget planning, operational requirements, and sound financial structure. The policy also considers the impact of bonus issues on diluted earnings per share and the impact of distributing cash

dividends and bonus issues on shareholders' equity. A certain percentage of the distributable earnings for the year is allocated for dividend distribution to shareholders, with cash dividends not being less than 10% of the total dividends. If future earnings and funds are more abundant, the distribution ratio will be increased. The distribution of dividends is subject to approval by the shareholders' meeting and regulatory authorities, in addition to compliance with relevant laws and the company's articles of incorporation.

(2) Appropriation of Special Surplus Reserves:

The Company in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act, may allocate special retained earnings reserves when necessary.

(3) The ratio of cash dividends to stock dividends for distribution:

The company's dividend distribution policy involves a combination of distributing stock dividends through retained earnings and capital surplus, as well as cash dividends. This approach takes into consideration factors such as the current and future business conditions, capital requirements, and balancing the interests of shareholders with the company's long-term financial planning. Dividends can be distributed either in the form of cash dividends or stock dividends, with the cash dividends not being less than 10% of the total dividends.

3. The company's dividend policy is expected to remain largely unchanged, except as otherwise mandated by relevant laws and regulations.

4. Dividend Distribution Execution for the Year 2022: (Distribution of 2021 Earnings)

(1) According to the resolution of the shareholders' meeting held on May 26, 2022, the Company's 2021 earnings distribution proposal does not include the distribution of shareholder dividends.

(2) The percentage of cash dividend amount distributed to shareholders is 0% of the total dividend amount.

5. The proposed dividend distribution for the 2023 shareholders' meeting:

(1) The company's allocation of earnings for the fiscal year 2022, as deliberated by the Board of Directors on April 17, 2023, includes a provision of NT\$51,610,496 for cash dividends, with a distribution of NT\$0.5 per share, and a provision of NT\$30,966,300 for stock dividends, with a complimentary issuance of 30 shares per one thousand shares held. It is anticipated that a total of 3,096,630 new shares will be issued, with a par value of NT\$10 per share.

(2) The cash dividend amount accounts for 62.50% of the total shareholder dividends. The Board of Directors has authorized the Chairman to determine the ex-dividend date, cash dividend payment date, and other dividend-related matters. In the event that changes in share capital affect the number of outstanding shares, resulting in a variation in the dividend amount per share, the Chairman is authorized to adjust the distribution proportionately based on the number of outstanding shares on the ex-dividend date.

(7) The proposed bonus share issuance discussed at the shareholders' meeting and its impact on the company's business performance and earnings per share:

As the company has not provided financial forecasts for the year 2023, it is not applicable.

(8) Employee and director remuneration:

1. Percentage or range of employee and director remuneration as stipulated in the company's bylaws:

As stated in Article 20 of the company's bylaws, the company shall allocate remuneration for employees and directors in accordance with the following provisions. However, if the company has accumulated losses, an amount shall be reserved for offsetting such losses. Based on the annual pre-tax profits after deducting the remuneration for employees and directors, the remaining balance shall be allocated as follows: 1. Director remuneration shall not exceed 3%. 2. Employee remuneration shall not be less than 1%.

- Employee remuneration as mentioned in the preceding paragraph may be provided in the form of stocks or cash. The decision regarding the conditions for eligible recipients, including employees of affiliated or subsidiary companies who meet certain criteria, shall be determined by the board of directors with the approval of at least two-thirds of the attending directors, with a majority vote, and shall be reported to the shareholders' meeting.
2. The basis for estimating the amount of employee and director remuneration for the current period, the basis for calculating the number of shares for stock-based employee remuneration, and the accounting treatment for any differences between the estimated and actual distribution amounts.
 - (1) Based on the provisions of Article 20 of the company's articles of incorporation, the estimated amount is determined by allocating a portion of the pre-tax profits for the current year, after deducting the distribution of remuneration to employees and directors, to offset any accumulated losses. The estimated allocation (1) Director remuneration shall not exceed 3%. (2) Employee remuneration shall not be less than 1%.
 - (2) Basis for calculating the number of shares for stock-based employee remuneration: Not applicable.
 - (3) Accounting treatment for differences between the actual distribution amount and the estimated amount: The differences will be recognized as an accounting estimate change and recorded as an expense in the subsequent year.
 3. Approval of Remuneration Distribution by the Board of Directors:
 - (1) The information on the amount of employee compensation and director remuneration for the fiscal year 2022, as approved by the Board of Directors on February 24, 2023, is as follows:
 - Proposed distribution of employee cash compensation: NT\$2,606,713.
 - Proposed distribution of director's remuneration: NT\$2,606,713.The remuneration will be distributed in cash, with no difference from the estimated amount recorded for the year 2022.
 - (2) The amount of employee remuneration distributed in the form of stock and the proportion of such amount to the current period's individual or separate financial report's after-tax net income and total employee remuneration: Not applicable.
 4. Shareholders' Meeting Report on the Distribution of Remuneration and its Results:

The company will report during the shareholders' meeting on May 30, 2023, the following: In accordance with the provisions of the company's articles of incorporation and the resolution adopted by the Board of Directors on February 24, 2023, an allocation of approximately 3% of the total, amounting to NT\$2,606,713, will be made for employee remuneration, and approximately 3% of the total, amounting to NT\$2,606,713, will be allocated for director remuneration. Both amounts will be distributed in cash. These allocations are consistent with the recognition of expenses in the financial report for the fiscal year 2022.
 5. The actual distribution of employee, director, and supervisor remuneration for the previous fiscal year (including the number of shares distributed, amounts, and stock prices), any differences between the actual distribution and the recognition of employee, director, and supervisor remuneration should be disclosed, along with the reasons for the differences and their handling: (Distribution of 2021 employee and director remuneration in 2022)

The actual distribution of employee and director remuneration for the fiscal year 2021, as resolved by the shareholders' meeting, is as follows:

 - 1 Employee remuneration distributed in cash: TWD 738,575.
 - 2 Director remuneration distributed in cash: TWD 738,575.

The actual distribution amounts mentioned above are consistent with the recognized employee and director remuneration for the year 2021.

(9) Buyback of Treasury Stock:

The company has not repurchased any of its own shares during the most recent fiscal year and up until the date of printing of the annual report, therefore it is not applicable.

II . Issuance of Corporate Bonds:

(1) Issuance of Corporate Bonds:

Type of corporate bonds(Note 1)	The first domestically of secured convertible corporate bonds	
Issue (transaction) date	2020.09.21	
Face value	NTD 100,000	
Place of issue and trading (Note 2)	N/A	
Issue price	Issued at 102% of the face value	
Issue amount	NTD 500,000 thousand dollars	
Coupon rate	0% coupon rate	
Term	Three-year term Maturity date: September 21, 2023	
Guarantor	HUA NAN COMMERCIAL BANK LTD.	
Trustee	CTBC Bank Co., Ltd	
Underwriter	First Securities Incorporation	
Attesting lawyer	lawyer Chiu, Ya-Wen	
Attesting CPA	PricewaterhouseCoopers Taiwan Accountants WU, HAN-CHI、 Accountants LIN, YA-HUI	
Redemption method	Except for the holders of this convertible corporate bond who convert it into common shares of the Company pursuant to Article 10 of these regulations, or the Company redeems it in advance pursuant to Article 18 of these regulations, or the holders exercise the put option pursuant to Article 19 of these regulations, or the Company repurchases and cancels it through securities firms, the Company shall repay the principal of this convertible corporate bond in cash upon its maturity at the face value of the bond.	
Unredeemed balance	NTD 8,200 thousand dollars	
Conditions for redemption or early redemption	Please refer to the Prospectus of the Convertible Bonds for further details	
Restrictive covenants (Note 3)	None	
Name of rating agency, date and result of rating	N/A	
Other rights	The monetary amount of common shares, global depositary receipts, or other securities already converted, exchanged, or subscribed up to the annual report publication date	0
	The issuance and conversion, exchange, or subscription rules	Please refer to the Prospectus of the Convertible Bonds for further details
The possible dilution of shareholding and influence on shareholder equity caused by the issuance and conversion, exchange, or subscription rules and the terms of issuance.	The total issuance amount of the convertible bonds in this offering is NTD500,000 thousand dollars. Due to the three-year tenure of our company's bonds and the varying conversion timing requested by bondholders, the impact on earnings per share will be delayed and is not expected to have a significant effect on existing shareholders' equity. The coupon rate of our company's bonds is 0% and they are issued at a premium, thereby not exerting any negative impact on shareholders' equity.	
Name of the custodian institution of the exchangeable underlyings.	N/A	

Note 1: The status of company bonds, including ongoing public and private bond issuances, shall be provided.

Note 2: Fill in this item if the bonds are overseas corporate bonds.

Note 3: E.g., restrictions on the payment of cash dividends, investment abroad, or requirement to maintain a certain asset ratio, etc.

Note 4: The information regarding convertible bonds, exchangeable bonds, overall declared bond issuances, and bonds with attached warrants shall be disclosed in the prescribed format according to their respective nature. The following table (Table 2) provides the data for convertible bonds.

(2) Information about the convertible corporate bond:

Type of corporate bonds (Note 1)		The first domestically of secured convertible corporate bonds		
Fiscal year		Year 2021	Year 2022	As of 2023.04.01 in the current fiscal year (Note 2)
Market price of convertible corporate bonds	Maximum	209.00	189	None
	Minimum	150.00	119	None
	Average	178.65	156.16	None
Conversion price		38.90	38.10	37.00
Issue (transaction) date and conversion price at issuance		Issue Date: September 21, 2020 Conversion Price at the time of issuance: NT\$38.90 Effective from July 11, 2021, the Conversion Price adjusted to NT\$38.10 Effective from March 20, 2023, the Conversion Price further adjusted to NT\$37.00		
Method for performance of conversion obligations		Issuance of New Shares	Issuance of New Shares	Issuance of New Shares

Note 1: Delivery of issued shares or issuance of new shares.

Note 2: The information for the current year should be that as of the date of publication of the annual report.

III. Preferred Shares: None.

IV. Global Depository Receipts: None.

V. Employee Share Subscription Warrants: None.

VI. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.

VII. Capital Allocation Plans:

As of the date of the previous quarter's financial report, there were completed plans that had been fully funded but not yet fully executed: None.

V. Overview of Business Operations

1. Business Activities

(1) Business Scope

1. Primary Business Activities or Core Business Operations of the Company

The main business of the company includes manufacturing, sales, and services of various signal cables, connector cables, power cables, wire and cable products, copper products, and electric vehicle charging guns in the information technology, communication, precision machinery, and consumer electronics industries. The product range of the company's operations includes:

- ◆ Industrial Plastic Product Manufacturing
- ◆ Copper Smelting
- ◆ Copper Rolling, Drawing, and Extrusion
- ◆ Wire and Cable Manufacturing
- ◆ Electronic Component Manufacturing
- ◆ Mold Manufacturing and Wholesale
- ◆ Computer and Office Equipment Wholesale
- ◆ Computer and Peripheral Equipment Manufacturing
- ◆ Chemical Raw Materials Wholesale
- ◆ International Trade
- ◆ General Investment
- ◆ Automobile and Parts Manufacturing
- ◆ Cable Installation Engineering
- ◆ Electronic Materials Wholesale and Retail
- ◆ Energy Technology Services
- ◆ Chemical Raw Materials Wholesale

2. Business Composition of the Group's Consolidated Operations

Major Product Categories	Revenue Composition for the Year 2022
Various signal and power transmission cables	100 %
Total	100 %

3. The current product lineup of the company

The current main product lineup of the company includes various 3C product signal cables, connection cables, consumer-grade high-frequency cables, automotive cables, and electric vehicle charging cables.

4. Planned developments and enhancements for new products

(1) Development of premium products:

In the field of connectivity cables, in response to the high-speed and high-resolution trends in the 3C industry, our company has successfully developed premium signal cables that support 8K and VR displays. We will continue to focus on increasing the value and sales of high-end products.

(2) Expanding into new customer markets:

The application scope of our connectivity products is extensive. In addition to the existing computer signal cables, the shipment quantity of our high-end connectivity products for 3C devices has been growing steadily. In the future, we will actively explore new customer markets, including high-end applications such as mobile phones, automotive, security cables, set-top boxes, fiber optics, solar cell

modules, and energy storage devices. This expansion aims to increase revenue and profit sources.

(3) Continuously developing automation production technologies:

In response to the gradual increase in labor costs in mainland China, our company is actively developing process automation equipment (such as automated wire stripping and soldering machines, automated assembly and riveting machines for metal casings, and automated production line equipment for signal cable front-end processing) to reduce production costs and ensure product quality. These efforts aim to enhance product manufacturing efficiency.

(4) Proactively transforming the company, entered the electric vehicle industry:

Electric vehicles have become an inevitable global trend for the future, and our company has utilized our expertise and experience in cables to develop electric vehicle charging guns. Since the end of 2021, we have started shipping them, officially entering the electric vehicle market. We will continue to expand the application range of electric vehicle cables in tandem with the development of electric vehicles.

(2) Overview of the Industry

1. Current Situation and Development of the Industry

(1) Connector industry

Electronic connectors (cables) refer to all the connecting components and their associated accessories used in electronic signals and power. Their main function is to provide a separable interface for connecting two subsystems within an electronic system, enabling the smooth transmission of signals or power. As electronic connectors (cables) are considered bridges for all signals, used for interconnecting components, the quality of their products significantly affects the reliability of signal transmission and thus the operation of the entire electronic device.

The downstream market applications of electronic connectors (cables) are actually quite extensive. They are used in various areas including chip and component interconnection, PCB (Printed Circuit Board) to PCB interconnection, host and I/O (Input/Output) connection, external power and signal connection, and more. Currently, they are mainly used in fields such as personal computers (PC) and peripherals, network communications, automotive electronics (AE), green energy, consumer electronics, and other industries.

With the launch of new platforms by Intel and AMD driving the demand for cloud server supercycles, along with the increasing demand for electric vehicles and infrastructure expansion, as well as the need for high-speed transmission and high power requirements, connector and cable manufacturers are expected to see profit growth in 2022-23. The connector market is experiencing stable growth, with cloud servers and electric vehicles being the main highlights. According to IEK, the global connector market was estimated to be around \$58 billion in 2020, while Bishop & Associates estimated it to be \$62.7 billion. Both institutions projected a 2% contraction in the connector market in 2020 due to the pandemic. However, following a 32.5% year-on-year growth in the market size in 1H21, it is expected to continue growing in 2021-22. The global connector/cable market is projected to have a compound annual growth rate of approximately 8% from 2020 to 2027, driven primarily by the telecommunications/data communications, industrial, and automotive sectors, which together accounted for about 58-60% of the connector market in 2020. In terms of revenue size, TE Connectivity (Tyco), Amphenol, and Molex are the leading companies. It is expected that the growing demand for electric vehicles and data centers will drive the growth of the connector market in the coming

years, while the trends in green energy and automation will also provide momentum for industrial demand.

The main market drivers for the server, electric vehicle, and industrial sectors are high power and high-speed transmission requirements. The supercycle of servers, demand for new energy vehicles and infrastructure, and high-speed transmission needs will drive revenue growth for connector/cable manufacturers in 2021-2023. The server platforms, Eagle Stream by Intel in 1H22 and Genoa by AMD expected in 2H22, will both upgrade their DDR and PCIe specifications. These platform upgrades will stimulate server demand and increase the average selling prices of sockets and connectors. The server CPU socket pin counts for Sapphire Rapids (Eagle Stream platform) and Genoa (EPYC Zen4 platform) will increase to 4,677 and 6,096, respectively. DDR5 Long-DIMMs will adopt a surface mount technology (SMT) process, different from the DIP process used for DDR4, and the PCIe interface will be upgraded to the fifth generation, offering a speed increase to 128GB per second. These upgrades should contribute to the higher average selling prices of sockets and connectors. In addition, the continuous deployment of 5G networks will drive the demand for high-speed and high-power connectors/cables. High-speed networking solutions will support 5G networks, fast ultra-wideband, and low-latency signals, which will elevate the average selling prices of connectors. In terms of non-IT applications, electric vehicle sales are expected to increase significantly in the coming years. The estimated sales volumes for electric vehicles in 2021-2022 and 2025 are 5.8 million, 8.2 million, and 17.9 million units, respectively, surpassing the market share of internal combustion engine (ICE) vehicles. The demand for charging infrastructure (charging guns/stations) will also rise accordingly. When operating at the highest power transmission levels, electric vehicle motors require connectors that can support high output currents and significantly reduce resistance during power transmission. Additionally, the industrial market will benefit from the trends of automation and green energy. The expansion of these markets will drive revenue and profit growth for connector/cable companies, while also improving gross profit margins. Furthermore, the upgrades to USB 4 and Thunderbolt 4 on the host and equipment sides in 2022-2023 will help wire manufacturers increase their revenue and product prices.

According to a report by Market Research Future in September 2020, the global USB device market was valued at \$19 billion (approximately NT\$558.6 billion) in 2018 and is projected to grow at a CAGR of over 13.9% to reach \$46.08 billion (approximately NT\$1.3524 trillion) by 2025.

According to another market research firm, IndustryArc, the USB 3.0 market is projected to grow at a rate of 20% annually from 2020 to 2025, reaching a market size of \$6.7 billion (approximately NT\$196.9 billion) in 2025. The seamless connectivity demand among various devices is expected to be the main driving force for USB growth. With the increasing data size, such as videos taken on smartphones reaching up to 1 GB, electronic devices are unable to accommodate additional transmission interfaces while maintaining their slim and compact designs. USB remains as the preferred choice for connectivity. Current ultra-thin laptops and portable monitors in the market are designed with only USB interfaces, enabling easy connection with smartphones. The rapid decrease in prices of the latest USB transmission interfaces is crucial for the widespread adoption of this technology.

USB4, with its ability to achieve high transmission speeds, support high-quality video transfer, and provide faster charging capabilities that were not possible with the previous USB3.2 standard, has the potential to trigger another wave of significant

growth. With Taiwan's expertise in cost control, this new technology has a wide-ranging impact on the Taiwanese industry. From companies like MediaTek, which provides chip design IP, to chip designers such as Realtek, Parade Technologies, Weltrend, ASMedia, and VIA Labs, and even MediaTek, who designs fast charging devices for mobile and automotive applications and is a member of the USB Implementers Forum, the influence of USB4 spans across various sectors in Taiwan's industry.

With the introduction of USB4, there will be a wide variety of cable options available. While all cables will be USB4-compatible, they will differ in terms of their functionality. Some cables will solely transmit data, others will support data and video display, and some will be capable of performing all three functions. These cables will need to provide high-speed transmission over longer distances, and active cables with integrated chips may be required. In the future, USB cables may be sold based on their functionality, and cables capable of transmitting at speeds of 10G, 20G, or 40G will likely have different price points. Charging is a significant innovation of the USB interface, and the ability to charge external devices is a crucial requirement for new interfaces. With the EU policy aiming for the adoption of the USB interface, it is expected to become a trend for mobile device power supplies.

The business of adapters will also thrive because consumers cannot simply discard their existing devices due to the emergence of new specifications. The simplest solution is to purchase adapters or multi-functional docking stations. These areas are also the main playing field for connector manufacturers. When entering stores, one can find adapter products produced by Taiwanese manufacturers everywhere. The new transmission interfaces have become essential for lightweight laptops and smartphones. To complement smartphones, portable displays with only USB interfaces have already appeared on the market. Another group that will benefit from this trend is manufacturers involved in large-scale data transmission. As long as the demand for data continues to increase, the trend of high-speed transmission will not stop. In the future, not only will people need to view increasingly detailed images, but AI will also rely on more data to accomplish tasks. Wireless communication still lags behind wired communication in terms of security and speed. Most importantly, the PC ecosystem remains the main arena where Taiwan has been cultivating for many years.

The IT connector market is projected to have a compound annual growth rate of 6.3% during the forecast period. Factors expected to drive the development of the IT connector market during the research period include the demand for high-speed connectivity, expansion in the automotive industry, and significant investments in underwater cables and military systems. The market for IT connectors is flourishing due to global digital transformation. Reliable connectivity, high performance, and efficiency are key factors driving market growth. High-performance networks are critical for business, manufacturing, security, and media sectors. The demand for media and entertainment is constantly growing in emerging markets, along with an increasing internet penetration rate, leading to significant growth in TV and internet users, as well as smartphone and tablet users. These factors have created a tremendous demand for connectors and adapters.

The growing demand for connectivity and internet access is actively driving market growth. The increasing need for faster internet and improved connectivity requires robust and efficient cabling, ultimately realized through fiber optic technology. Connectors help protect fiber optics and contribute to market growth. By 2022, the International Telecommunication Union predicts that 5.3 billion people (66% of the global population) will be using the internet. This represents a 24% increase from

2019, with an estimated 1.1 billion new internet users in that year alone. The growing number of fixed broadband connections is fueling the growth of the studied market. According to the International Telecommunication Union, the number of fixed broadband subscribers has been growing at a rate of approximately 9% annually over the past five years. By 2021, it is projected that there will be 17 active fixed broadband subscriptions per 100 people globally. This increase in broadband connections will necessitate the installation of connectors, offering growth opportunities for the studied market.

Due to the outbreak of COVID-19, China announced lockdowns and implemented social distancing measures in the early months of 2020. As a result, manufacturing industries and production of various equipment and machinery came to a halt for several weeks. The IT connector industry was in a unique position in directly aiding the fight against COVID-19. Connector products are an essential part of electronic product manufacturing, such as computers, peripheral devices, and commercial equipment. In certain regions, electronics companies were deemed essential businesses. Under strict conditions, these companies undertook contract manufacturing of parts needed for the production of essential products for protecting and caring for COVID-19 patients, while also ensuring the safety of their employees.

A. IT and telecommunications are expected to occupy a significant share

- One of the main drivers of this business is the continuously increasing expenditure on deploying 5G networks, driven by consumers' evolving preferences for smartphone devices and next-generation technologies.
- Additionally, factors such as the increasing number of smartphone users, the growing demand for high-speed internet connectivity, and the rising demand for value-added managed services are also considered as drivers for business expansion. For instance, a \$401 million investment in July 2022, as announced by the U.S. Secretary of Agriculture, will provide high-speed broadband access to 31,000 rural residents and businesses in 11 states, improving rural infrastructure.
- It is expected that increased investments in telecommunications by major global players will contribute to market growth during the forecast period. In August 2022, China Mobile, the world's largest mobile operator by customer base, invested CNY 58.7 billion (approximately USD 8.5 billion) in the 5G market in the first half of 2022. Furthermore, China Mobile has stated that it is currently working on the deployment of 5G infrastructure using the 700MHz frequency band in collaboration with China Broadcasting Network (CBN).
- In April 2020, RF connectivity solution provider Cinch Connectivity Solutions announced the release of 2.92mm, 40GHz cable assemblies. These cable assemblies utilize two of Cinch's brands, Johnson connectors and Semflex low-loss PTFE cables. The latest 40GHz test cable assemblies feature Johnson's 2.92mm connectors and Semflex HP160S cables with a 76% V_p (velocity of propagation), delivering high performance in testing and measurement environments. These cable assemblies offer 40GHz operational performance and up to 1.25 VSWR, making them ideal for supporting the development of 5G/mm-wave products in the communication, telecommunications, testing, and measurement industries.

B. The Asia-Pacific region is expected to experience the fastest growth

- The continuous advancement of communication technology is a major factor driving the growth of the IT connector market, which aligns with the demand and production of consumer electronic products in the Asia-Pacific region. For example, in October 2021, Nokia revealed that its 5G Core now leverages

MOCN's 5G RAN access capability to support APT's real-time 5G Non-Standalone (NSA) and VoLTE services.

- Furthermore, the IT and communication support for automation processes in industrial applications has driven the adoption by manufacturers. Sensor components, high-speed networks, flexible interfaces with high reliability and secure layered access, as well as troubleshooting options, have improved productivity, maintained quality, and minimized manufacturing costs in the region.
- The government agencies in the region have implemented several initiatives and regulations to improve network infrastructure. As a result of these efforts, there is an expected increase in demand for high-speed data transmission cables and connectors. For instance, in September 2022, the IT Minister of India announced that the government would invest approximately \$30 billion in building robust digital networks in remote areas and providing 4G and 5G connectivity to the last mile in every village nationwide.
- It is expected that the growth in the industrial, commercial, and consumer electronics sectors will have a positive impact on the Asia-Pacific region. The government's efforts to strengthen existing telecommunications networks will further supplement connectivity installations across the country.

C. IT Connector Market Competitor Analysis

The global market for IT connectors is a fragmented market, as the demand continues to grow and the required capital investment is relatively low, allowing new players to enter the market quickly. Additionally, participants constantly announce and update their product portfolios. Key players in the market include A3M Company, Molex Inc. (Koch), TE Connectivity Limited, Amphenol Corporation, and Samtec Inc. In December 2021, industrial automation solution manufacturer Phoenix Contact announced several new PCB cable connectors for applications involving signal, data, and power coupling. In October 2021, CommScope announced the launch of Prodigy, a new protective connector designed for faster and better on-site deployment of future fiber networks. To be compatible with various fiber terminations and cable assemblies, the Prodigy system utilizes enhanced connectors in a universal, compact form factor. Its small footprint allows for compact, high-density terminal layouts, and self-aligning connections reduce the chances of misconnections.

(2) Electric Vehicle Industry

Over the past thirty years, although some manufacturers have been steadily developing electric vehicle (EV) technologies, the perception of EVs as money-losing products and the difficulty of recovering large R&D investments have hindered the widespread belief among the industry and consumers that electric vehicles would become a popular trend. The key lies in the transformation of the automotive industry towards electrification and digitalization, where EVs are considered mobile computers or data centers on wheels. All components need to be electronic, and electric vehicles fall within the realm of information technology. For traditional automakers, this represents a new learning curve and competition. Many established automakers carry the burden of a century-long history in the mechanical industry, and transitioning to the electronic and information technology field requires significant shifts in R&D, production, manufacturing, and management. Due to the reluctance to make drastic changes, the progress of electric vehicle adoption has been slow in the industry.

However, since Tesla's emergence in 2012, the company has made significant strides in the development of pure battery electric vehicles (BEVs), opening up a whole new

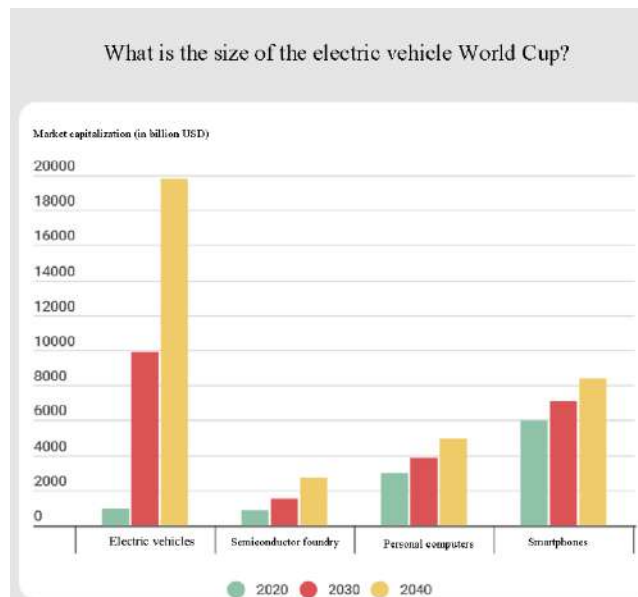
perspective for the industry. With the looming deadline of environmental regulations, major automakers have been forced to change their attitudes towards electric vehicles and join the race. They began investing in research and development of hybrid electric vehicles (HEVs). After the global momentum for electric vehicles surged in 2017, automakers had to accelerate their transformation efforts. By 2020, major automakers shifted from modifying internal combustion engine vehicles to developing hybrid electric powertrains and gradually introduced models based on pure electric platforms, actively embracing the transition towards electric vehicles.

- Mercedes-Benz, a frontrunner in the transition, began investing over 10 billion euros in electric vehicle research and development since 2016. Their goal is to introduce more than 10 different electric vehicle models to the market by 2022.
- In early 2021, the American automotive giant Ford boldly declared its ambition to become the second-largest global electric vehicle manufacturer within two years, by 2023. Their target is to produce nearly 600,000 electric vehicles annually. By 2025, Ford plans to invest a massive \$22 billion (approximately NT\$600 billion) in the development of electric vehicles and autonomous driving technology.
- Japanese automotive giant Toyota, which had previously focused on hybrid vehicles, finally entered the pure electric vehicle market by the end of 2021. They announced the launch of 16 new electric vehicle models and made a commitment to independently develop and introduce more intelligent in-car systems within three years.
- Swedish automotive manufacturer Volvo, a national treasure, launched its first electric vehicle in 2021. Their goal is for half of their new car models to be electric by 2025, and by 2030, they aim to transition into a fully electric vehicle brand, ceasing production of internal combustion engine vehicles.
- British luxury car brand Bentley is also making efforts to transition, announcing that they will no longer sell internal combustion engine vehicles starting in 2026. By 2030, they aim to become a fully electric vehicle brand.
- Japanese automaker Honda has announced its blueprint for electric vehicles, committing to invest 5 trillion Japanese yen (approximately 1.2 trillion New Taiwan dollars) in research and development costs. Their goal is to launch over 30 electric vehicle models globally by 2030. Furthermore, Honda has set a target to cease the sale of gasoline-powered vehicles by 2040.
- British luxury car manufacturer Rolls-Royce has also set a target for complete electrification by 2030 and will no longer produce or sell vehicles with internal combustion engines.
- South Korean automaker Hyundai, which has been investing in pure electric vehicle development since 1990, announced in 2021 that it will invest \$52 billion to introduce 44 new energy vehicle models. It aims to achieve annual sales of 1 million new energy vehicles by 2025 and complete electrification of its entire product lineup by 2040.
- In early April 2022, Chinese automaker BYD announced the discontinuation of production for internal combustion engine vehicles since March. Moving forward, the company will focus on the production and sales of pure electric vehicles and plug-in hybrid vehicles.

The above message reveals the fact that major global traditional automakers are competitively transforming, with their core goal set on achieving full-scale electrification by 2030 and ceasing production and sales of fuel-powered vehicles by 2030 or no later than 2040, embracing a complete "oil-to-electricity" shift. Taiwan has played a significant role in industries such as 3C and semiconductors in the past, with a renowned reputation in consumer products like computers, smartphones, and the semiconductor foundry industry, which have been the primary driving force of the

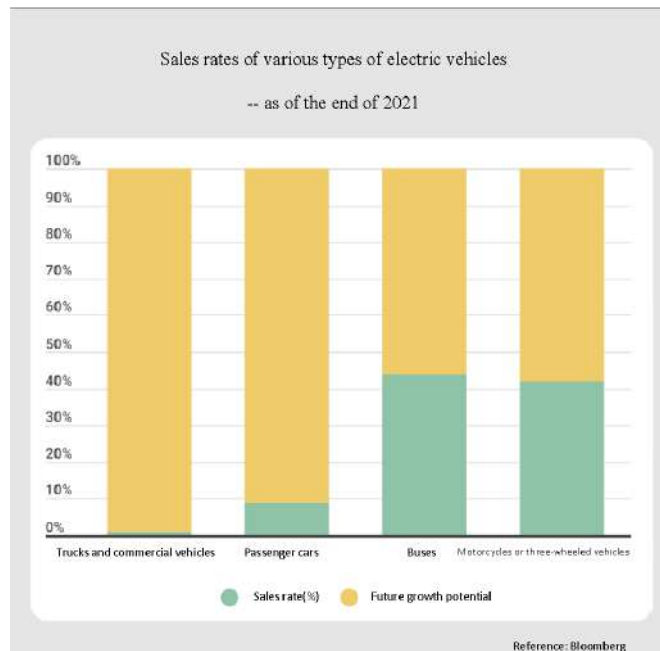
Taiwanese economy. According to 2020 data, the global market sales for personal computers amounted to \$300 billion, smartphones reached \$600 billion, and pure semiconductor foundry sales reached \$85 billion. In contrast, the market size of electric vehicles has already surpassed that of the global semiconductor industry. It is anticipated that within the next 10 years, the electric vehicle market will enter an explosive growth phase, with its scale expected to double within the next 20 years, providing significant support comparable to several "Guardian Mountains" for Taiwan.

According to estimates from the International Energy Agency, the average price of pure battery electric vehicles globally in 2020 was around \$40,000. Assuming that as the electric vehicle market expands, battery costs and upfront investment costs decrease, the average selling price of a vehicle is expected to decrease to \$30,000 in the future. Among various types of vehicles (excluding two or three-wheelers), 90% are passenger cars. Analyzing the market penetration of electric vehicles, the future market size of electric vehicles is beyond imagination. According to Bloomberg data, in 2020, 3.2 million units of electric passenger cars were sold, accounting for approximately 4.4% of total new car sales of 73 million units. If we calculate based on an average selling price of \$30,000 per electric vehicle, the sales revenue of electric passenger cars in 2020 reached \$96 billion, surpassing the pure semiconductor foundry industry. By estimating a 34.7% market penetration for electric vehicles by 2030, with annual sales of 33 million units, and using the same average selling price of \$30,000 per vehicle, the market size would reach a staggering \$990 billion. This surpasses the combined market size of computers and smartphones and is also ten times larger than the semiconductor foundry industry.



By 2040, with an estimated penetration rate of 68.7%, the electric vehicle market is projected to reach a massive \$1.98 trillion. This market size of nearly \$2 trillion is more than 20 times larger than the semiconductor foundry market of \$85 billion in 2020, and even double the combined market size of personal computers, smartphones, and semiconductor foundry industries in the same year. The semiconductor industry is expected to continue growing, with a projected Compound Annual Growth Rate (CAGR) of 6% for the semiconductor foundry sector until 2022, according to Digitimes Research. Assuming this growth rate, the sales estimates for semiconductor foundry industry by 2030 and 2040 are approximately \$152 billion and \$272 billion, respectively.

As for the personal computer and smartphone markets, they have reached a relatively mature stage and are approaching saturation, resulting in slower growth opportunities. According to the estimates from International Data Corporation (IDC), the Compound Annual Growth Rate (CAGR) for personal computers and smartphones is projected to be 2.5% and 1.7% respectively until 2025. Based on these projections, the sales figures for personal computers are estimated to reach \$384 billion and \$492 billion by 2030 and 2040 respectively, while smartphones are expected to reach \$710 billion and \$840 billion. When comparing these sales figures with the projected market size for 2040, which is \$2 trillion for electric vehicles, it is evident that the combined sales of semiconductor foundries, personal computers, and smartphones, totaling \$1.6 trillion, still fall short of the electric vehicle market. This gives us a glimpse of the magnitude of the future electric vehicle market. Furthermore, these estimates only consider passenger cars and exclude commercial vehicles such as trucks, buses, and other specialized vehicles. According to the data shown in the chart below, in 2021, electric passenger cars accounted for 9% of overall passenger car sales, electric trucks and commercial vehicles accounted for only 1% of total sales, and electric buses accounted for 44% of all bus sales. The sales proportions of electric passenger cars and buses have significantly increased compared to 2020 figures of 4% and 39% respectively.

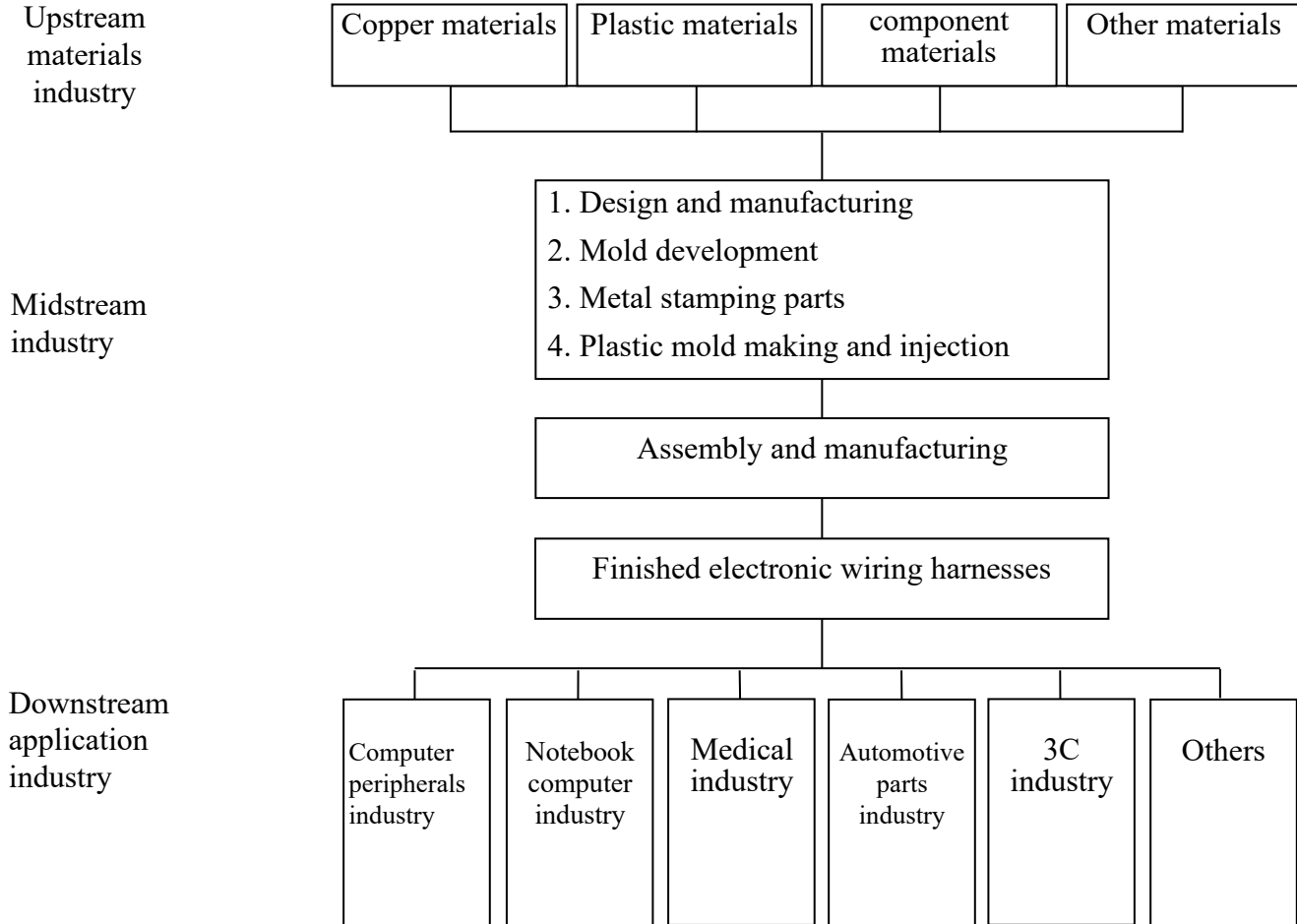


The passenger car segment dominates the vehicle market, accounting for nearly 90% of all vehicles (excluding motorcycles and three-wheeled vehicles). Trucks, commercial vehicles, and buses account for approximately 10% of the market. However, in terms of average selling price, trucks and commercial vehicles start at a minimum of \$30,000 to \$50,000, while buses typically have prices exceeding \$300,000. When considering the substantial contribution from the large quantity of electric motorcycles, the overall impact on the market is significantly greater than \$2 trillion. From a different perspective, the future growth potential is even more promising. Countries worldwide expect to achieve a transition to electric vehicles within 30 to 50 years. Even if gasoline-powered vehicles are not completely phased out, the electric vehicle sales share reaching 80% to 90% would unleash the boundless market size and growth momentum of the electric vehicle industry. In Taiwan's stock market capitalization, the semiconductor sector accounts for 40% to 45%. In comparison, the magnitude of the electric vehicle market is immense. If Taiwanese companies can seize the opportunity and become essential players in the industry chain, they will undoubtedly create a new economic miracle.

2. The interrelationships among the upstream, midstream, and downstream sectors in the industry:

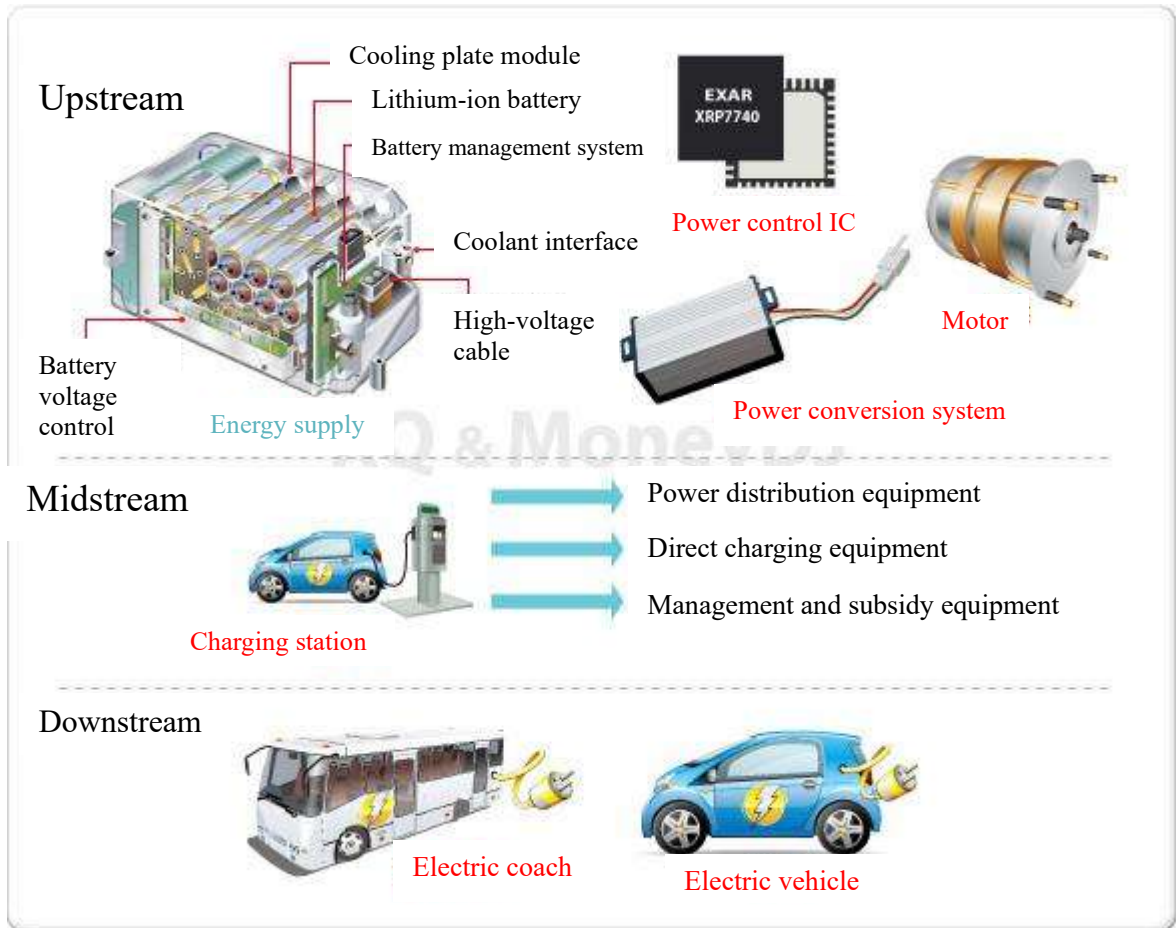
(1) Connection cables

The company is primarily engaged in the production of high-purity oxygen-free copper bars, copper wires, copper strands, wire products, connection cables, connectors, etc. The industry's upstream, midstream, and downstream structure is illustrated as follows:



(2) Electric vehicles

The global market for commercial electric vehicles (EVs) is expected to grow to \$252.97 billion by 2026, with a compound annual growth rate (CAGR) of 29.73%. Furthermore, the increasing adoption of commercial EVs is imminent, driven by government initiatives to develop EV infrastructure, the maturation of EV research and development technologies, and the formation of open platforms and integrated market models that facilitate resource integration. The diagram below illustrates the upstream, midstream, and downstream relationships in the electric vehicle industry.



3. Development trends and competitive landscape of the product

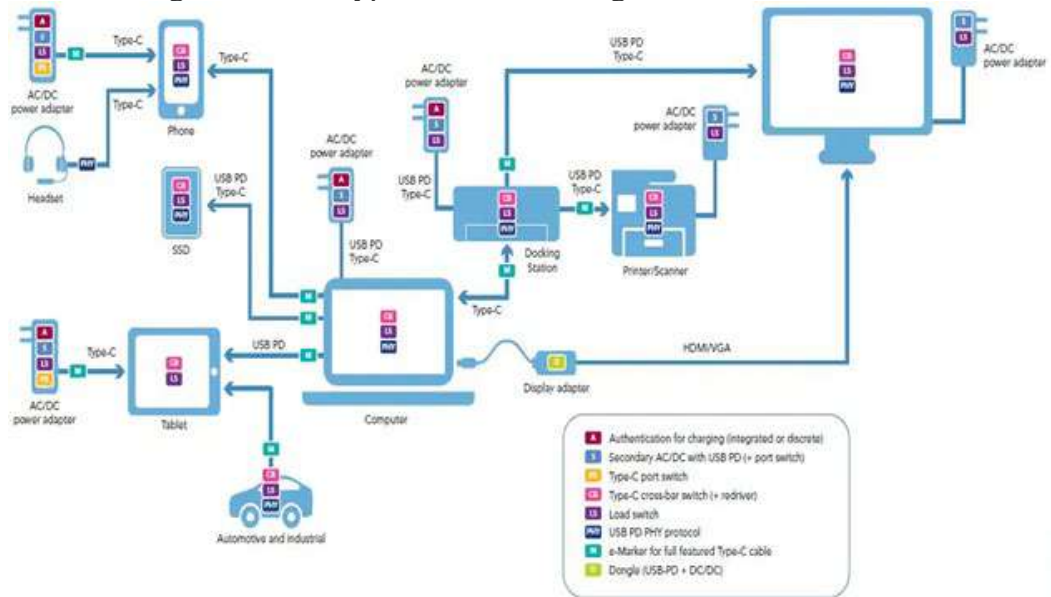
(1) Development trends of the product

A. Wiring industry

(a) The market trend for various 3C products is the adoption of USB Type-C

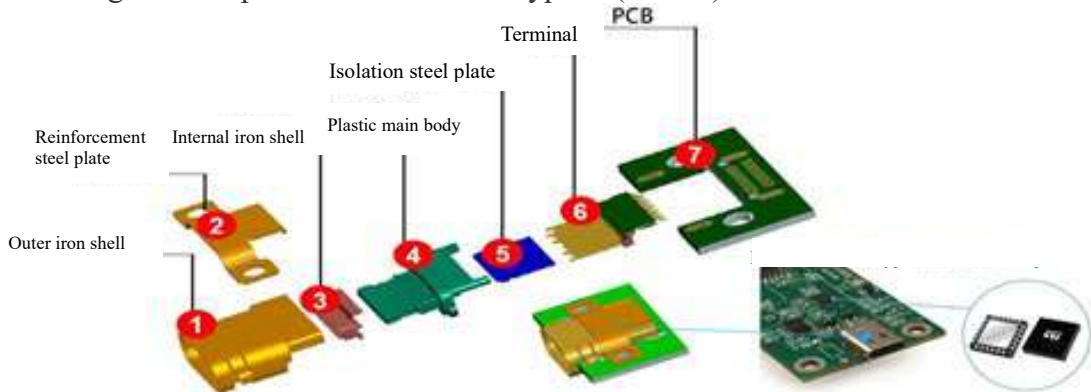
The USB Type-C interface is used in various devices, including smartphones, headphones, external solid-state drives, tablets, cars, computers, docking stations, printers/scanners, LCD monitors, and power supplies. In terms of external interfaces for laptops, early models utilized Mini DP for DP, TBT1, and TBT2. DP 1.4 introduced the use of the Type-C interface, while TBT3 and USB 3.1 also adopted the Type-C interface. In the early days, MacBook models used MagSafe for power interface, but starting from 2016, MacBook models switched to the Type-C interface. However, Apple reintroduced the MagSafe interface for MacBook models starting from 4Q21 while still retaining the USB Type-C (TBT3) interface.

Figure 1: USB Type-C Interface Usage Ports



Source: Compiled by NXP, South China Investment Advisory.

Figure 2: Exploded view of USB Type-C (female) connector



Source: Compiled by Zhihu column, Huana Investment Consulting

The USB Type-C (plug) connector on the device end is mainly composed of seven parts: outer metal shell (EMI shielding), reinforced steel plate, inner metal shell, plastic body, isolation steel plate (EMI shielding), terminals, and PCB.

- (b) While both are USB Type-C cables, they have different transmission rates
 USB 3.1 cables introduced grounding springs and required improved shielding effectiveness to reduce RF leakage and EMI issues. Traditional Micro USB cables only have 5 conductive wires, but USB 3.X cables have at least 9 conductive wires, and those compliant with USB PD specifications may have 12 to 18 conductive wires.

Table 1: Comparison of USB Type-C Raw Cables

USB Legacy Cable	Serial	O.D (mm)	Cross section	configuration	Current rate
USB2.0 (480Mbps)	STD-A 2.0 to Micro B	2.5		1P USB2.0 wire+2C Power wire	500mA
	STD-A 2.0 to Type C	3.5		1P USB2.0 wire+2C Power wire	3A/5A
USB3.1 Gen 1(5Gbps)	STD-A 3.0 to Micro B	4.0		4Pairs STP+1P USB2.0 wire +2C Power wire	900mA
	STD-A 3.0 to Type C	4.6		4Pairs STP+1P USB2.0 wire +2C Power wire	3A/5A
USB3.1 Gen 2(10Gbps)	STD-A 3.1 to Micro B	4.0		4C Coaxial+1P USB2.0 wire +2C Power wire	900mA
	STD-A 3.1 to C	4.6		4C Coaxial+1P USB2.0 wire +2C Power wire	3A/5A
	Type C to C	4.8		8C Coaxial+1P USB2.0 wire+2C Power wire+1C CC wire+2C SBU wire+1C Vconn	3A/5A

Source: FIT

Figure 3: USB Type-C cables with various transmission protocols



Source: iXBT

Figure 4: Thunderbolt 4 cable (outer diameter 5.24mm)



Source: ChargerLAB

An Apple original Thunderbolt 4 Pro cable is priced at NT\$3,990 (1.8m) / NT\$4,890 (3m). From the perspective of the cable material, it features a braided outer layer and is constructed with TPE (Thermoplastic Elastomer) and three-layer shielding including a foil layer for signal isolation and protection. The cable consists of a total of 19 wires for data transmission and charging, with the main requirement for Thunderbolt 4 being the use of coaxial cables. The manufacturing process involves 88 steps and requires a production line with over 100 personnel for assembly. Additionally, it needs to undergo Intel certification and testing, making it a highly complex and time-consuming process.

(c) The main differences between Thunderbolt 4 (TBT4) and USB4 lie in the minimum speed requirement and PCIe support

Many new laptops have eliminated USB-A and RJ45 Ethernet interfaces, instead providing USB-C as the sole interface for video, networking, data transfer, and charging. This has prompted other protocols, including TBT3, DisplayPort, MHL, and HDMI, to adopt USB-C as their standard connector.

Table 2: Differences between TBT3, TBT4, and USB4

Communication protocols	Thunderbolt 3	Thunderbolt 3	USB4
Release date	Year 2015	Year 2020	Year 2019
Port interface	USB Type-C	USB Type-C	USB Type-C
Minimum transfer rate	40Gbps	40Gbps	40Gbps
Maximum transfer rate	40Gbps	40Gbps	40Gbps
Minimum display output requirement	Support for two 4K displays or one 5K display	Support for two 4K displays or one 8K display	Support for one display
DP Tunneling	DisplayPort 1.2	DisplayPort 1.4	DisplayPort 1.4
DP ALT Mode	DisplayPort 2.0	DisplayPort 2.0	DisplayPort 2.0
Minimum transfer speed for supporting other communication protocols	PCIe-16Gbps USB3.2-10Gbps	PCIe-32Gbps USB3.2-10Gbps	USB3.2-10Gbps
PCIe bandwidth	PCIe Gen 3x2	PCIe Gen 3x4	Optional
Wake-up function support	Optional	Yes	Optional
Maximum power	15W	15W	7.5W
Maximum power supported with USB PD 3.1	240W	240W	240W
Intel VT-d DMA protection.	No	Yes	No
Thunderbolt 3 compatibility	Yes	Yes	Optional
USB4 support	No	Yes	Yes
USB3.X support	Yes	Yes	Yes
USB2.0 support	Yes	Yes	Yes

Source: Baijia Tai, compiled by South China Investment Consulting

Intel officially announced the new Thunderbolt 4 specification on July 8, 2020, in North America. Thunderbolt 4 offers the same 40Gbps as Thunderbolt 3 and utilizes the USB-C port. Any Thunderbolt 4 port is also a USB4 port, but the reverse is not true. The main differences lie in the support for PCIe controllers and the minimum data transfer speeds. In Thunderbolt 4, the minimum speed is 40Gbit/s, while in USB4, the data exchange speed ranges from 20 to 40Gbit/s, while maintaining backward compatibility. Additionally, Thunderbolt 4 supports two 4K displays or one 8K display and also includes support for Intel VT-D technology, which helps prevent DMA attacks.

Both Thunderbolt 3 and Thunderbolt 4 support the PCIe communication protocol, allowing for the connection of external devices such as graphics cards, NVMe SSDs, RAID cards, sound cards, network cards, and video capture cards. The USB-C Type 2.1 specification, released in October 2021, increases the power capacity of cables and connectors from 100W to 240W (when used with a USB

PD 3.1 charger), enabling power supply and charging for larger power-hungry devices such as 4K displays, electric bicycles, and gaming laptops.

- (d) The gradual integration, high-speed/high-frequency, and miniaturization of I/O connectors in the USB Type-C specification are among the key trends driving the global connector market

In terms of the main trends in the global connector market, first, as the diversified high-speed transmission interfaces gradually achieve technical integration, the USB Type-C interface is entering the stage of application deployment and increasing market penetration. Meanwhile, driven by the development of Big Data applications, the need for real-time delivery of multimedia content and power is increasing, which will significantly drive the demand for PD3.0/E-Marker charging interface standard technology and various peripheral devices incorporating the USB Type-C interface. This, coupled with the synchronous optimization of transmission speed and quality, will create new opportunities for high-end cable manufacturers for emerging specifications. Furthermore, apart from the USB-IF (USB Implementers Forum) publishing more stringent USB4 specifications for cables, connectors, and chip power supply standards, and collaborating with UL (Underwriters Laboratories) to create USB-compliant automotive environments, the European Union (EU) has also passed relevant agreements in 2020, requiring member states to regulate the adoption of unified charging standards by electronic companies. This is aimed at achieving the goals of "accelerating data and power interoperability within the region" and "reducing electronic waste." Through the formulation of standards and policies, it is expected to accelerate the application and industry adoption of USB4/Thunderbolt 4 and the implementation of the USB Type-C unified charging interface. In conclusion, with the continuous evolution and integration of various types of transmission interfaces, USB Type-C is expected to become the standard interface.

Furthermore, due to the significant increase in digital transformation, countries are rapidly deploying medium to large-scale data center servers, switches, and storage devices. To meet the future high-capacity and high-bandwidth demands of massive content transmission, there will be significant opportunities for high-speed, high-frequency, and small-sized connectors in server applications. Lastly, the platform transition of PC central processors (CPUs) such as Intel's Alder Lake and AMD's Ryzen, which support high-speed interfaces like USB4/Thunderbolt 4 and PCIe 4.0, will accelerate the upgrade and replacement process of high-speed I/O connectors. Taking all the above into consideration, the application of high-speed transmission I/O connectors with high-frequency and miniaturization features will become even more widespread.

B. Electric Vehicle Industry

The outbreak of the pandemic in 2020 led to rapid decline in the automotive market due to measures such as lockdowns and travel restrictions, making it inconvenient for consumers to go out. As a result, car purchasing demand was deferred until 2021 when it experienced a significant rebound. Optimistic expectations projected global car sales to reach 90 million units in 2021. However, unforeseen events such as natural disasters in Japan and the United States affecting chip manufacturing capacity, as well as lockdowns impacting chip testing facilities, resulted in a shortage of automotive chips and further expanded into a global shortage of materials and chips. Car manufacturers were forced to reduce production or even

halt production, causing many automotive brands to miss their annual sales targets. According to statistics from AutoForecast Solutions, the total global production cuts in 2021 exceeded 10 million units. The Asian region was most affected, with nearly 2 million units reduced in production in mainland China alone and a combined reduction of 1.74 million units in other Asian countries. North America followed with a reduction of 3.18 million units, and Europe experienced a production reduction of nearly 3 million units. Despite major chip manufacturers scaling up production, it remains challenging to restore chip supplies to balance in a short period of time. Therefore, the global automotive market still faces production cuts or shutdown pressures in 2022.

In 2021, the global automotive market experienced a rebound in demand, but factors such as the pandemic and chip shortage had an intersecting impact on the supply side. As a result, the overall market sales reached 81 million units, growing by 4.3% compared to 2020. This marked the end of a three-year decline in automotive market sales.

1. The traditional fuel vehicle market continued to decline, while the electric vehicle market continued to grow rapidly against the trend

A further observation of the performance in the segmented markets reveals starkly contrasting trends between the traditional fuel vehicle market and the electric vehicle market. The traditional fuel vehicle market has been significantly impacted by the chip shortage, resulting in a 1.7% decline in sales compared to 2020, marking the fourth consecutive year of decline. In contrast, the electric vehicle market experienced substantial growth of 45%, reaching a volume of 14.5 million units.

The significant disparity between the two can be attributed to two main factors. For car manufacturers that solely produce electric vehicles, they can maintain stable sales volumes by redesigning the software and hardware and adjusting product offerings. For example, Tesla has modified its vehicle software to adapt to the availability of chips or separated certain systems from the overall vehicle, allowing sales to continue unaffected. When the systems become available, owners can bring their vehicles in for installation. On the other hand, for car manufacturers that produce both fuel-based and electric vehicles, strict regulations in major countries regarding average vehicle fuel consumption or carbon emissions push them to prioritize electric vehicle production in the event of chip shortages. For instance, in China, under the Dual Credit System, producing electric vehicles earns higher New Energy Vehicle (NEV) positive credits and lowers Corporate Average Fuel Consumption (CAFC) credits. Conversely, manufacturing traditional fuel vehicles not only fails to earn NEV positive credits but also raises CAFC credits.

It is expected that the trend of electric vehicles surpassing traditional fuel-based vehicles will become more apparent after 2022. According to estimates from IHS Markit and PwC Global, electric vehicle sales accounted for 17.9% of the overall automotive market in 2021. In 2022, the electric vehicle market is projected to further grow to 20.9 million units, maintaining a high growth rate of 44.1% compared to 2021. The overall penetration rate of electric vehicles will increase to 25.2%, reaching sales of 51 million units by 2027. At that point, electric vehicle sales will officially surpass those of traditional fuel-based vehicles, leading to a gradual phasing out of traditional fuel-based vehicles from the automotive market.

Global Market Trends in Electrification

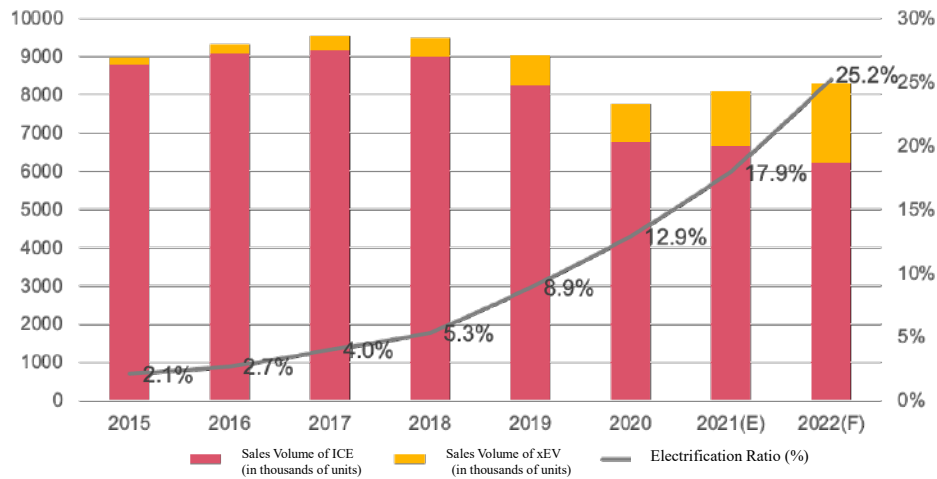


Figure 1: Global Market Trends in Electrification

- Hybrid Electric Vehicles (HEVs) continue to hold a significant share in the electric vehicle market, while pure Electric Vehicles (EVs) are experiencing the highest growth rate

During the early stages of the electric vehicle market development, although many people considered HEVs as transitional products and overlooked their market significance, traditional fuel vehicle brands, unlike emerging car manufacturers that primarily focus on BEVs, still consider HEVs to be a relatively important product in their transition towards energy efficiency and carbon reduction. Especially with the increasing electrification of automobiles, the traditional 12V power system no longer meets the requirements. Additionally, with governments worldwide imposing stricter emission and environmental regulations on automakers, the 48V MHEV system has become nearly a standard feature in European car brands such as Mercedes Benz, BMW, VW, and others.

Considering that HEVs and MHEVs accounted for 54.5% of the global electric vehicle market in 2021, even though their performance in terms of energy efficiency, carbon reduction, and fuel consumption is not as outstanding as that of BEVs, and many countries have excluded HEVs and MHEVs from policy subsidies, these types of vehicles offer significant advantages. They allow consumers to directly adopt them without the need to go through the learning process of charging, alleviate concerns about range anxiety during usage, achieve fuel efficiency, and provide a superior driving experience. Therefore, unless regulations explicitly prohibit their production, HEVs and MHEVs will continue to be important transitional products for traditional car manufacturers in their efforts to reduce fuel consumption and replace conventional gasoline-powered vehicles.

In 2021, the BEV market experienced the highest growth rate among all categories of electric vehicles, with a significant 121% increase in sales compared to 2020. This can be attributed to the widespread introduction of new pure electric vehicle models by electric vehicle brands, traditional automotive manufacturers, and emerging carmakers, driving sustained market growth. For instance, Tesla's affordable models, the Model 3 and Model Y, gained popularity and contributed to an 87.4% increase in Tesla's global sales volume, reaching a scale of 930,000 vehicles. In the Chinese market, the Wuling Hongguang, known as a "miracle car," achieved remarkable success with its microcar model, the MINIEV, which was priced at approximately 28,800 RMB (around 130,000 NTD). It sold nearly

400,000 units, surpassing Tesla and becoming the leading electric vehicle brand in mainland China. Moreover, Chinese brands such as BYD, Chery, Changan, GAC, and emerging carmakers like NIO, Xpeng, and Li Auto all demonstrated impressive sales performance in 2021, driven by the popularity of their new models. Additionally, traditional automotive brands like VW, Fiat, Ford, Hyundai, and others that entered the pure electric vehicle market also achieved sales of tens of thousands of units or more in the European and American markets.

Compared to HEV, PHEV can be seen as a more proactive path for traditional fuel vehicle manufacturers to transition towards electrification. Its development is based on the premise that the BEV market has not yet reached full maturity, allowing consumers to simultaneously benefit from the environmental and fuel-saving advantages of electric vehicles while having the option to choose between charging and refueling, thus avoiding limitations on driving range and charging anxiety associated with pure electric vehicles. For automakers, PHEV offers benefits such as government subsidies and a reduction in average fleet fuel consumption. However, due to its more complex product structure compared to BEV and the ongoing trend of affordable BEV prices driven by major global automakers, the future growth potential of the PHEV market is constrained. Therefore, while PHEV sales in 2021 showed a near doubling compared to 2020, its share in the overall electric vehicle market was only 12.5%. In regions with high BEV adoption rates, such as Europe, PHEV sales have even started to decline.

3. Europe has the highest level of electrification, while pure electric vehicle sales in mainland China account for 60% of the global market

Analyzed by region, Europe, the United States, and mainland China are the three major global markets for electric vehicles (EVs). However, these markets have different development backgrounds, promotion policies, and automotive manufacturers' strategies, resulting in significant variations in market development. Currently, Europe has the highest level of overall automotive electrification, reaching 42% of the market. The top five countries with the highest EV sales volume in Europe are Germany, the United Kingdom, France, Italy, and Spain. In 2021, Norway achieved an impressive automotive electrification level of 91.7%, while Sweden and the Netherlands surpassed the 50% EV market penetration rate. In terms of sales volume, Germany and the United Kingdom have already reached electrification levels of 42.4% and 45.5% respectively in 2021, with the expectation that the sales volume of EVs in these two countries will officially surpass that of traditional internal combustion engine vehicles in 2022.

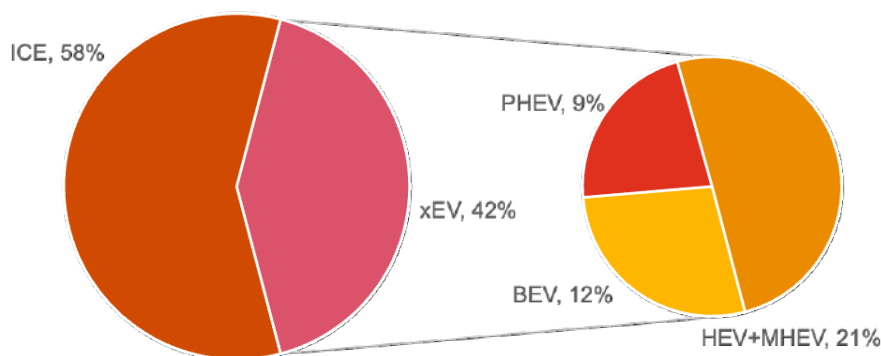


Figure 2: Analysis of the level of electrification in the European automotive market

Although the United States is the second largest single-country automotive market globally, following China, and the largest producer of BEVs with Tesla, an American company, the level of electrification in the United States still lags behind other countries worldwide. In 2021, the electrification level in the U.S. automotive market was only 9%, with HEVs and MHEVs dominating the market structure and BEVs and PHEVs combined accounting for only 4%. This is primarily due to the longer driving distances of American consumers and the limited availability of charging infrastructure, which decreases their willingness to purchase electric vehicles. However, despite these challenges, the U.S. electric vehicle market experienced significant growth of 82.4% in 2021 compared to 2020. Furthermore, it is expected that the U.S. will expand tax incentives for electric vehicles, allocate \$7.5 billion for the construction of electric vehicle charging networks, and commit to selling only zero-emission light-duty vehicles by 2035 in regions such as California and New York. These initiatives will accelerate the pace of electric vehicle adoption and indicate that the electrification efforts in the United States are expected to accelerate gradually.

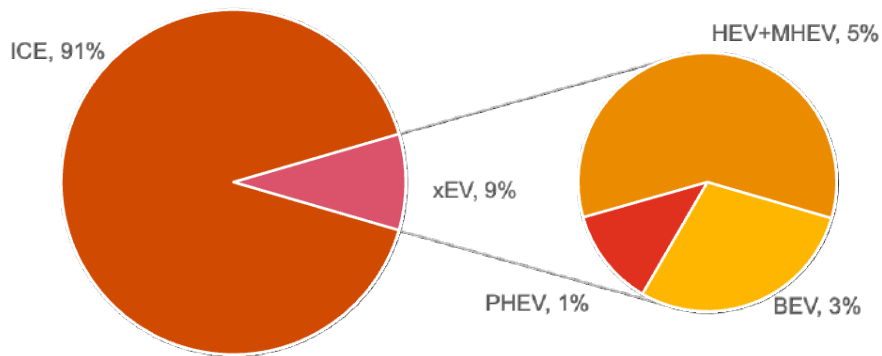


Figure 3: Analysis of electrification level in the U.S. automotive market

China has been promoting the development of electric vehicles (EVs) for the past 12 years, starting with the announcement of the Ten Cities, Thousand Vehicles program in 2009. This initiative aimed to improve air quality, achieve breakthroughs in the automotive industry, and serve various other purposes. Over the years, there have been several upgrades in technical specifications and a continuous reduction in EV subsidies. The sustained policy support has not only fostered a group of EV manufacturers but also stimulated the rapid growth of supporting industries such as lithium batteries and charging infrastructure. Through extensive education efforts, Chinese consumers have become accustomed to EVs as their daily transportation choice. As a result, China has become the world's largest BEV market, attracting Tesla to establish Gigafactories in the country. Battery giants like LG and Samsung have also expanded their production capacity in China to collaborate with local automakers. In 2021, the EV penetration rate in China reached 14%. Unlike the market structure in Europe and the United States, China primarily focuses on BEVs, followed by PHEVs, with HEVs accounting for only 0.8% of the overall automotive market. This is closely related to China's subsidy policy. BEVs and PHEVs are considered new energy vehicles and receive favorable subsidies, while HEVs are classified as energy-saving vehicles and do not qualify for any financial incentives.

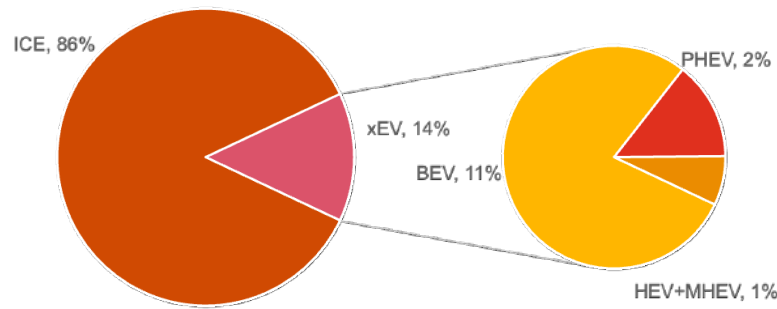


Figure 4: Analysis of Electrification Level in the Chinese Automotive Market

4. Three Challenges Facing the Future Development of the Electric Vehicle Market

Undoubtedly, with the continuous development of energy-saving and carbon reduction policies in major countries worldwide, stricter carbon emission standards and limitations on traditional fuel vehicles' production, the electric vehicle market will continue to grow, while traditional fuel vehicles will gradually phase out. However, the future of the electric vehicle market will face three major challenges.

Firstly, the automotive chip supply remains tight due to disruptions caused by the COVID-19 pandemic. Although the situation is expected to improve gradually after 2023 with the expansion of wafer fabs, the demand for automotive chips in the context of electrification and intelligentization trends will far exceed that of traditional fuel vehicles. With the increasing diversification of automotive chip applications, the significance of category 3 semiconductors and artificial intelligence-related chips in electric vehicles will rise. Balancing stable chip supply, fostering innovation, and reconfiguring the automotive chip supply chain are crucial tasks for automakers. Secondly, concerns arise from the continuous mutation of new viruses and the direct impact of pandemic control policies implemented by different countries. Recently, Shanghai experienced a rapid development of the COVID-19 outbreak, with over 70,000 confirmed cases within a short period from March to early April 2022. The Shanghai municipal government implemented strict control measures, including alternating lockdowns in different areas. This has led to the suspension of production at Tesla's Shanghai Gigafactory, a major production base for the Model 3 and Model Y globally, as well as impacting other electric vehicle manufacturers such as SAIC and NIO. The timing and duration of pandemic control measures, as well as the potential spread of the virus to other cities in mainland China following outbreaks in Hong Kong, Guangdong, and Shanghai, remain uncertain. China's policies and measures, transitioning from zero infection to dynamic eradication, will significantly impact the future development of the world's largest electric vehicle market.

Furthermore, the electric vehicle market has long been competing with traditional automobiles under various countries' subsidy policies. As the market gradually expands, subsidies for electric vehicles are being reduced, increasing cost pressures in their production. The Chinese government, for instance, announced a 30% reduction in subsidies for new energy vehicles starting from 2022, with the subsidies being completely phased out by the end of 2022. Similarly, major electric vehicle sales regions in Europe, including Germany, the United Kingdom, and France, have also proposed reductions in electric vehicle subsidies to varying degrees. Additionally, the fluctuation of international commodity prices,

particularly key materials like nickel in the electric vehicle industry, has been affected by the Ukraine-Russia conflict. Prices have recently experienced significant increases, leading Tesla to announce direct price adjustments and the elimination of subsidies. The combination of subsidy cuts and price increases will test consumer willingness to pay higher prices for electric vehicles.

Lastly, looking back to the early days of the electric vehicle concept, there was a group of new players in the automotive industry who unveiled concept cars and announced their entry into the electric vehicle market. However, only a few of them were able to bring electric vehicles to the market for actual sales, and even fewer were able to turn a profit. Those companies that exited the market saw varying fates, with well-established companies often being acquired while others faced the prospect of closure. This is because every aspect of the development process for a new automotive brand, including brand building, product design and development, patent strategy, supplier selection, supply chain management, regulatory certifications, consumer experience, marketing, and after-sales service, is critical. Any issues in these areas can lead to the demise of a brand. Therefore, despite the immense growth potential in the electric vehicle market, it is accompanied by increasingly higher consumer expectations. New players entering the market are also strengthening their capabilities. This includes technology giants such as Apple, Huawei, Xiaomi, Baidu, Alibaba, Foxconn, and others, who are building platforms and leveraging their software or hardware advantages to integrate their supply chains and enter the market. Traditional automotive brands are also accelerating their transition to electrification or establishing their own electric vehicle brands in response. It is foreseeable that the competition in the future electric vehicle market will become even more intense.

(2) Product competition

A. Product competition

The major suppliers of connectors globally are primarily based in Japan, the United States, China, and Taiwan. Currently, the market share of connectors is concentrated among a few top companies, including TE Connectivity, Amphenol, Molex, Delphi, Foxconn Technology Group, JST Corporation, JAE, LUXSHARE Precision, Hirose Electric, and Yazaki Corporation. These ten companies collectively hold over 50% of the global market share.

American connector manufacturers focus on three main areas of development: expanding research and production capabilities in mainland China, targeting the automotive market, and continuously expanding production scale. Japanese connector manufacturers prioritize the development of new technologies, applications, and strengthening connector solution offerings through mergers and alliances. It is worth noting that China, as a major assembly base for various electronic products, has actively encouraged manufacturers to increase the self-sufficiency rate of components. Chinese companies have actively invested in the development and deployment of various electronic components, including the connector industry, benefiting from government policies and incentives. In recent years, China's connector industry has shown a higher growth rate in terms of output value compared to other countries. Furthermore, Chinese manufacturers have adopted strategies to rapidly expand their market presence by pursuing mergers, strategic alliances, capital increases, equity investments, and joint ventures. They aim to rapidly enhance their technological capabilities, accumulate vertical integration capacity, and accelerate their entry into international markets. Currently, Chinese connector manufacturers have entered the largest and highest value-added

application markets such as 4G smartphones and the Internet of Vehicles (IoV), aiming to break away from low-value-added segments.

As downstream application market demands change, Taiwanese connector manufacturers have had to shift their focus towards developing new application product lines. In addition to expanding into non-3C applications, they have also invested in connectors for Internet of Things (IoT) and wearable device applications. Examples include connectors for servers, high-power/high-frequency I/O connectors, automated warehousing robot harnesses, RF connectors, and more. These efforts aim to find new growth opportunities in a highly competitive industry. Looking ahead, the key focus of connector technology development will be on "high-frequency transmission" and "miniaturization." Taiwanese manufacturers should enhance their competitive strength through technological upgrades in materials, processes, and other areas. This will enable them to secure a position in the highly competitive connector industry.

B. Competitive Foundation

The competitive foundation in the industry can be described as follows:

- a. Price and cost trade-off: As personal computer peripherals and information communication products remain the major downstream market applications in our country, the pricing of connectors (cables) is heavily influenced by the relatively low prices of computers, resulting in lower product gross margins for downstream consumer electronics giants. Therefore, effective cost control and pricing strategies that offer a competitive advantage are the competitive foundation for companies in this industry.
- b. Product Quality: As the products in this industry are essential components for information communication and consumer electronics products, the quality of the products has a direct impact on the quality of the downstream manufacturers' finished goods. Therefore, maintaining a high standard of quality and ensuring operational stability of connectors (cables) is a key focus for companies in this industry.
- c. After-Sales Service: Due to the increasing wide-ranging applications of electronic connectors (cables), manufacturers in this industry need to offer not only product portfolios that cater to the majority of demands but also provide consumers and downstream manufacturers with comprehensive solutions and related after-sales services. Therefore, after-sales service is a fundamental aspect of competition in this industry.
- d. Production Scale: Electronic connectors (cables) are essential components in a wide range of communication and consumer electronic products. Their extensive application and significant usage volume make the production scale and capacity of manufacturers key competitive factors in this industry.
- e. Raw Material Acquisition: Due to the relatively high proportion of raw material costs in the manufacturing process of this industry, coupled with the dependence on imported materials such as phosphor bronze sheets and liquid crystal polymers (LCP) for certain high-end applications, securing a stable and consistent source of raw materials is a critical competitive foundation for companies in this industry.
- f. Collaboration with International Major Manufacturers: Presently, a significant portion of orders for companies in this industry actually originates from well-known international major manufacturers. Therefore, if a company can establish a close OEM or partnership relationship with these international major manufacturers and maintain a critical position within their product supply chain, it will serve as a robust competitive foundation for this industry.

- g. Production Technology and Research and Development (R&D) Capability: Since the major downstream application markets for companies in this industry are in information and communication technology, consumer electronics, and automotive electronics, which are experiencing rapid development in areas such as information technology, big data, cloud computing, and automotive electronics, it is essential for electronic connector manufacturers to promptly introduce relevant products to meet the demands of downstream manufacturers. Therefore, the production technology and R&D capability of companies in this industry are crucial for their long-term competitive foundation.
- h. Sales Channels: Due to the large number of companies operating in this industry in our country and the continued importance of information and communication technology and consumer electronics as the main downstream applications, the partnership with electronic industry giants will have an impact on product sales. Therefore, establishing effective sales channels becomes one of the most crucial competitive factors, in addition to product pricing.
- i. Product Yield: Product yield is primarily associated with production costs. When a manufacturer achieves a higher product yield, it can reduce production costs and enhance its profitability. Furthermore, since the plastic materials used in connectors (wires) need to possess high-temperature resistance characteristics, the quality of upstream raw materials also affects the level of product yield.
- j. Good Relationship with Downstream Manufacturers: Due to the versatility of connectors (wires) and the variations in product specifications based on application requirements, along with the presence of numerous manufacturers in the domestic industry, it is crucial for businesses to cultivate strong relationships with major downstream partner manufacturers. This is instrumental in maintaining a steady flow of orders.
- k. Research and Development Talent: Due to the close connection between research and development talent and process technology, and the rapid technological evolution in the connector (wire) industry (including the upstream and downstream supply chain), industry manufacturers must not only have advanced production equipment and process technology but also attract top-notch research and development talent to continually pursue the development of new products and technologies. This is crucial for enhancing market competitiveness effectively.
- l. Policy Support: If the government can implement policies such as tax reductions or incentives directly aimed at the connector (wire) industry or related emerging downstream application industries, it will effectively promote industry development and enhance its competitive foundation.

(3) Overview of Technologies and Research and Development Work

1. The R&D expenses invested in the most recent fiscal year and year-to-date as of the printing date of the annual report:

Consolidated Financial Statements - Combined Investments of the Company and its 100% owned subsidiary:

Unit: thousands of New Taiwan Dollars

Item\ Fiscal year	Fiscal year 2020	Fiscal year 2021	Fiscal year 2022	As of 2023.03.31 in the current fiscal year
R&D Expenses	84,023 thousand dollars	99,333 thousand dollars	121,045 thousand dollars	25,240 thousand dollars

2. Recently developed successful technologies or products up to the date of the annual report printing:

(1) Patents developed in the most recent fiscal year in collaboration with affiliated enterprises through 100% equity investment:

Item	Date of approval	Name	Type	Patent number
1	2008.01.09	Improved design of video transmission cable outer sheath	Utility model	ZL 2006 1 0037923.X
2	2017.02.15	DP Twisted Pair Cable with Heat-Shrinkable Winged Aluminum Foil	Utility model	ZL 2016 2 0935309.4
3	2017.02.08	Ultrasonic Packaging Structure for HDMI Upper and Lower Shells	Utility model	ZL 2016 2 0935310.7
4	2017.02.15	Automatic Aluminum Foil Cutting Device	Utility model	ZL 2016 2 0935428.X
5	2017.02.22	A Removable Dust Cover with Anti-Drop Feature for RGB Interface	Utility model	ZL 2016 2 0935343.1
6	2017.02.22	USB Interface Exposed Dimension Measurement Fixture	Utility model	ZL 2016 2 0935344.6
7	2017.02.22	Automatic Magnetic Ring Assembly Device	Utility model	ZL 2016 2 0935430.7
8	2017.03.22	Tin-plated Enclosure for Secure Connection in HDMI Rear Shell	Utility model	ZL 2016 2 0935429.4
9	2017.08.18	Heat-resistant Cover for Wire Insulation to Prevent Burns	Utility model	ZL 2017 2 0069371.4
10	2017.09.15	Two-Piece DP Iron Shell	Utility model	ZL 2017 2 0069367.8
11	2017.09.15	Hot Melt Macula Stripping Process Device	Utility model	ZL 2017 2 0069373.3
12	2017.10.13	Wire Harness Iron Rivet Piezoresistance Testing System	Utility model	ZL 2017 2 0069372.9
13	2018.01.16	Wire Harness Structure	Utility model	ZL 2017 2 0680924.X
14	2018.02.02	Riveting Die	Utility model	ZL 2017 2 0680949.X
15	2018.07.13	A Welding Fixation Structure	Utility model	ZL 2017 2 1750084.6
16	2018.08.14	A High-Frequency Welding Structure for USB 3.0	Utility model	ZL 2017 2 1750358.1
17	2018.09.25	A HOT-BAR Welding System	Utility model	ZL 2017 2 1750085.0
18	2019.01.18	A structure of HDMI cable	Utility model	ZL 2018 2 1005837.5
19	2019.01.04	A dual-direction integrated riveting die mold	Utility model	ZL 2018 2 1005459.0
20	2019.02.19	A wire harness collecting structure	Utility model	ZL 2018 2 1005555.5
21	2019.02.19	An automatic soldering device	Utility model	ZL 2018 2 1005553.6
22	2019.02.22	An automatic C-type external mold forming device	Utility model	ZL 2018 2 1005838.X
23	2019.01.18	A constant temperature soldering furnace	Utility model	ZL 2018 2 1005471.1
24	2019.08.20	A coiled shielding mesh signal cable	Utility model	ZL 2019 2 0040047.9
25	2019.08.20	An improvement to the connection head between the iron shell and the connector	Utility model	ZL 2019 2 0040044.5
26	2019.08.20	A type-C four-axis solder paste soldering iron shell	Utility model	ZL 2019 2 0040034.1
27	2019.11.22	A type of RGB iron shell electrical testing	Utility model	ZL 2019 2

Item	Date of approval	Name	Type	Patent number
		anti-misconnection fixture		0040610.2
28	2020.04.28	A type of grounding structure for DP (DisplayPort) connectors	Utility model	ZL 2019 2 1210969.6
29	2020.06.19	A type of integrated grounding structure for DP (DisplayPort) outer shells	Utility model	ZL 2019 2 1842609.8
30	2020.06.19	A structure of an add-on program for barcode scanner cables	Utility model	ZL 2019 2 1843360.2
31	2020.06.19	A punched aluminum foil shielded cable	Utility model	ZL 2019 2 1843381.4
32	2020.07.24	A connector reinforcement structure	Utility model	ZL 2019 2 2116869.3
33	2020.07.24	A VGA connector with an inner sleeve mold	Utility model	ZL 2019 2 2117350.7
34	2020.09.11	A structural design for an HDMI connector head	Utility model	ZL 2019 2 2116868.9
35	2020.09.22	A graphene shielded digital transmission cable	Utility model	ZL 2020 2 0075197.6
36	2020.10.16	A damage-resistant iron shell structure	Utility model	ZL 2020 2 0674258.0
37	2020.10.16	A detachable Type-C structure	Utility model	ZL 2020 2 0674260 .8
38	2020.10.16	A C-shielded cable with a protective cover	Utility model	ZL 2019 2 1843385.2
39	2020.11.24	A reinforcing structure with clamp plates	Utility model	ZL 2020 2 0673207.6
40	2020.12.08	A connector structure that enhances tensile strength	Utility model	ZL 2020 2 1047090.7
41	2021.01.14	A low-resistance testing structure	Utility model	ZL 2020 2 1047097.9
42	2021.01.14	A looped material receiving rack structure	Utility model	ZL 2020 2 1047957.9
43	2021.04.06	An automatic counting material receiving machine with magnetic rings	Utility model	ZL 2020 2 1047096.4
44	2021.04.06	A locking structure for iron shells	Utility model	ZL 2020 2 1640790.7
45	2021.03.24	A DP card hooking spring clip	Utility model	ZL 2020 2 2311383.8
46	2021.03.24	A positional avoidance connector device	Utility model	ZL 2020 2 2312801.5
47	2021.03.24	A novel clamping structure for HDMI ribbon cables	Utility model	ZL 2020 2 2311378.7
48	2021.06.08	A waterproof testing connector structure	Utility model	ZL 2020 2 2311382.3
49	2021.06.08	A peeling and unloading structure	Utility model	ZL 2020 2 2311407.X
50	2021.07.06	A full-circle wire twisting structure	Utility model	ZL 2020 2 2312799.1
51	2021.07.06	A rear-plug assembly structure	Utility model	ZL 2020 2 2312808.7
52	2021.07.06	A symmetrical wire harness clamp structure	Utility model	ZL 2020 2 2311387.6
53	2021.08.20	A waterproof testing device	Utility model	ZL 2020 2 2311410.1
54	2021.11.16	A rotary transfer printing mechanism	Utility model	ZL 2020 2 2312803.4
55	2021.11.16	A secondary stretching assembly consisting of	Utility model	ZL 2021 2

Item	Date of approval	Name	Type	Patent number
		limit housing, connectors, and wire harness assembly		0552641.3
56	2021.09.24	An automated feeding device for shorting pin components of connectors	Utility model	ZL 2021 2 0763031.8
57	2021.10.22	An automated crimping and bending device for connector terminals	Utility model	ZL 2021 2 0763877.1
58	2022.02.01	A retrieval device for TYPE C metal shells	Utility model	ZL 2021 2 1657013.8
59	2022.02.01	A device for grinding solder joints on DC connectors	Utility model	ZL 2021 2 1655060.9
60	2022.02.01	A carrier and tinning device for wire soldering	Utility model	ZL 2021 2 1758261.1
61	2022.04.01	An automatic pick-up mechanism for an injection molding machine	Utility model	ZL 2021 2 2168879.9
62	2022.04.04	A digital connector cable pre-cutting and forming device	Utility model	ZL 2021 2 2365646.8
63	2022.04.05	A fully automated digital connector cable processing and forming device	Utility model	ZL 2021 2 2364646.6
64	2022.04.05	A digital connector cable processing and forming device with automatic loading	Utility model	ZL 2021 2 2365616.7
65	2022.05.13	A set of coreless zip tie scratch-free cutting knives	Utility model	ZL 2021 2 2666697.4
66	2022.05.13	A quick measurement device for external dimensions of connectors	Utility model	ZL 2021 2 2664580.2
67	2022.05.13	A new type of packaged wire terminal housing	Utility model	ZL 2021 2 2841083.5
68	2022.05.13	An automatic product collection structure for injection molding machines	Utility model	ZL 2021 2 2169422.X
69	2022.05.13	Dual-head rotary wire stripping machine	Utility model	ZL 2021 2 2837907.1
70	2022.05.13	Magnetic assembly auxiliary fixture	Utility model	ZL 2021 2 2169424.9
71	2022.06.24	A DC testing fixture	Utility model	ZL 2021 2 2664748.X
72	2022.06.24	An interchangeable mold	Utility model	ZL 2021 2 2841258.2
73	2022.08.16	An HDMI die-cast shell forming fixture	Utility model	ZL 2022 2 0519416.4
74	2023.01.06	An integrated fixture for HDMI shield pressing and bending assembly	Utility model	ZL 2022 2 1608122.5
75	2023.01.06	A fixture for assembly of pogopin cable harness housing	Utility model	ZL 2022 2 1378127.3
76	2023.01.06	A structure for hot melt assembly of high-frequency connectors	Utility model	ZL 2022 2 1691909.2
77	2023.01.06	Wire swing testing machine	Utility model	ZL 2022 2 1690724.X
78	2023.01.06	Wire abrasion testing fixture	Utility model	ZL 2022 2 1246968.9
79	2023.01.06	Wire harness stripping tool	Utility model	ZL 2022 2 1378129.2
80	2023.01.06	Wire harness outer shell assembly fixture	Utility model	ZL 2022 2 1252011.5
81	2021.02.08	Electric vehicle charging cable DEKRA K175-1:201/A1:2016/A2:2020	European Wire Certification	33-121487
82	2021.02.08	Electric vehicle charging cable IEC 62893-121/123	European Wire Certification	33-121560

Item	Date of approval	Name	Type	Patent number
83	2021.02.08	Electric vehicle charging cable EN 50620:2017 + A1:2019	European Wire Certification	33-121543
84	2021.02.08	Electric vehicle charging cable IEC62893-1:2017/A1:2020;IEC 62893-2:2017;IEC 62893-3:2017	European Wire Certification	31-117367
85	2021.02.08	Electric vehicle charging cable EN 50620:2017 + A1:2019	European Wire Certification	31-117366
86	2021.02.08	Electric vehicle charging cable DEKRA K175-1:201/A1:2016/A2:2020	European Wire Certification	31-117353
87	2021.02.20	Electric vehicle charging cable GB/T 33594-2017;CQC1122	European Wire Certification	CQC21011287047
88	2021.11.17	Electric vehicle charging cable EN 50620:2017 + A1:2019	European Wire Certification	6118223.01AOC
89	2022.03.08	Electric vehicle charging cable UL 62 AND CSA C22.2 NO. 49 -	US Wire Certification	E516181
90	2022.04.07	Electric vehicle charging cable GB/T 33594-2017;CQC1122	Chinese Wire Certification	CQC2001127695 8
91	2022.04.07	Electric vehicle charging cable GB/T 33594-2017;CQC1122	Certification	CQC2201133805 9
92	2022.05.30	Electric vehicle charging cable GB/T 33594-2017;CQC1122	Certification	CQC2201134178 7
93	2022.07.18	Electric vehicle charging cable IEC 62893-3:2017	European Wire Certification	31-124651
94	2022.07.18	Electric vehicle charging cable EVC07B ₁ C3Q ₀ -F	Dekai Standard Wire	31-124648
95	2022.06.24	PSE cable, categorized under the Japanese Electrical Appliance and Material Safety Law, Annex 1	Japanese Standard Wire	CJP2021101024 -2492
96	2022.11.03	TUV cable certification according to IEC 62893-121 and 62893-123	European Wire Certification	R50562687
97	2022.11.03	TUV cable certification according to EVC H05BZ5-F	European Wire Certification	R50562680
98	2022.11.03	TUV cable certification according to 62893 IEC 126	European Wire Certification	R50562692
99	2022.10.13	UL energy storage certification UL 11627	UL Energy Storage Cable Certification	E529297
100	2023.01.31	International photovoltaic certification IEC 62930	Photovoltaic Wire Certification.	R50536816
101	2023.01.31	European photovoltaic certification H1Z2Z2-K 2.5~35mm ²	Photovoltaic Wire Certification.	R50568803
102	2023.02.07	In-vehicle high-voltage cable ISO 19642-9:2019	High Voltage Cable Certification for Automotive Interior	31-127186
103	2023.02.07	In-vehicle high-voltage cable ISO19642-5 2019	High Voltage Cable Certification for Automotive Interior	31-127185

(4) Long- and Short-Term Business Development Plan

1. Short-Term Business Development Plan

- (1) To respond to the trends in 3C product development and gain a competitive edge in the market, we are developing high-end high-frequency transmission cables.
- (2) We rigorously manage inventory and optimize efficiency in outsourced production to prevent inventory backlog and reduce production costs.
- (3) We continuously expand our automated production equipment and processes to enhance production efficiency and reduce manufacturing costs.
- (4) Leverage our existing product portfolio and customer advantages to actively develop new customer sources and expand revenue streams.
- (5) Actively pursue the development of outsourcing suppliers and strengthen our management of them. Furthermore, we aim to enhance automation in production and explore alternative manufacturing solutions to reduce production costs.
- (6) Manufacture electric vehicle charging connectors and have entered the electric vehicle industry, actively deploying industrial transformation.

2. Long- and Short-Term Business Development Plans

- (1) Accelerating our internationalization efforts by expanding our global presence and partnering with international brands to increase our company's exposure in various global markets. Our goal is to establish ourselves as a leading manufacturer of high-quality advanced transmission cables, creating a professional and reputable image.
- (2) Integrating the resources of our group companies to sustain our leadership position in the cable market.
- (3) Expanding our connector development in the markets of telecommunications, consumer electronics, and automotive industries.
- (4) Constantly monitor changes in the global investment environment and actively seek favorable opportunities for investment and setting up manufacturing facilities.
- (5) Seek diversification opportunities in business operations or strive for vertical integration.
- (6) Actively develop electric vehicle products, including the development of high-voltage charging guns and internal high-voltage wiring for vehicle body structures, to increase the revenue contribution from electric vehicle products.

2. Market and Sales Overview

(1) Market Analysis

1. Primary sales regions of the group:

Unit: thousands of New Taiwan Dollars

Fiscal year	Year 2022	
	Sales amount	Percentage (%)
Asia	3,334,837	99.19%
Other	27,352	0.81%
Net Sales	3,362,189	100.00%

2. The future market supply and demand situation and its growth prospects

(1) Connector industry

According to the December 2021 forecasts by the international renowned forecasting firm IHS Markit, the projected GDP growth rates for the major economies in 2022 are as follows: United States at 5.6%, China at 8.1%, European Union at 5.2%, and Japan at 1.8%. Therefore, not only are the GDPs of these major economies expected to show growth in 2022, but the economic growth momentum of our industry's top two export destinations, China and the United States, is relatively strong.

In the Chinese market, it is projected that the local government will continue to expand the construction of 5G infrastructure based on the "14th Five-Year Plan" and "New Infrastructure" industry policies. This will drive the enhancement of smart manufacturing capabilities for traditional manufacturing companies, as well as the development of the domestic aerospace and defense industries. Moreover, there will be an increased market penetration of new energy vehicles, such as electric cars, in the domestic market, supported by the rising disposable income of Chinese consumers. Additionally, there is significant demand for the replacement of high-end commercial laptops, tablets, wearable devices, and other consumer electronics products among Chinese consumers. Therefore, it is expected that our country's industry players with diversified medium-to-high-end connector (wire) products featuring high frequency, high speed, durability, compactness, and thinness will seize prosperous business opportunities.

In other international markets, although it is anticipated that local manufacturers of low-to-medium-end connectors (wires) will continue to face fierce competition from Chinese industry players, there are still challenges such as high global raw material prices, inefficient international transportation, and shortages of key electronic components that cannot be fully resolved. As a result, many manufacturers in our country still face cost pressures. However, as the COVID-19 pandemic is expected to transition into a more influenza-like state in most countries, the cost transfer benefits of certain high-value-added products are likely to emerge. Additionally, the sales momentum of products in specific application areas such as traditional automobiles and green energy is expected to rebound. Furthermore, it is anticipated that domestic manufacturers engaged in CPU socket production will benefit from the transition to new platforms by Intel and AMD (such as Intel's upcoming server platform, Eagle Stream, slated for mass production in the first half of 2022), which will provide stronger sales momentum.

Furthermore, under the wave of Digital Transformation triggered by the post-pandemic "contactless" business opportunities, the upgrade and replacement of related application products such as 5G infrastructure, Artificial Intelligence (AI), Big Data, and Cloud Computing, as well as the gradual integration and optimization of transmission interfaces such as USB4 and Thunderbolt 4, in terms of power consumption, speed, and application versatility, are expected to increase the demand from domestic and international downstream application manufacturers for domestically-produced USB Type-C connectors and Thunderbolt transmission cables for 3C products. Lastly, our country has successfully entered niche application areas such as green energy (e.g., solar micro-inverters), healthcare (e.g., respirator cables), industrial control (e.g., semiconductor equipment cables), and electric vehicles (such as battery management system (BMS) cables, charging stations, charging guns, etc.). These niche-focused businesses are expected to continue solidifying their operational niches and achieve more impressive profitability.

In conclusion, for the first half of 2022, despite the international copper prices remaining at high levels and the tight supply-demand situation for certain electronic components, coupled with the ongoing challenges in international transportation efficiency, the cost pass-through capability of most connector manufacturers will be weakened. Additionally, some products will face continued pressure on production and sales momentum, with delivery schedules being delayed. However, benefiting from the increasing penetration rate of 5G smartphones and the mainstream adoption of USB Type-C as the market interface, as well as the launch of new processor platforms by Intel and AMD expected to drive a new wave of PC upgrades, the global market demand for high-speed, high-frequency, and miniaturized 3C application connectors and CPU sockets will be boosted. Moreover, domestic manufacturers actively entering niche application areas such as electric vehicles and automotive electronics, 5G infrastructure, industrial control and smart manufacturing, green energy, and healthcare are expected to benefit from the "contactless" and "energy-saving" business opportunities and achieve significant results. Therefore, it is anticipated that the electronic connector manufacturing industry in our country will maintain a stable growth trend in the first half of 2022.

(2) Electric vehicle industry

The global sales volume of new energy vehicles (including battery electric vehicles, plug-in hybrid electric vehicles, and hydrogen fuel cell vehicles) reached a record-breaking 10.65 million units in 2022, representing a year-on-year growth of 63.6%. Among them, battery electric vehicles (BEVs) accounted for 7.89 million units, with a year-on-year growth of 68.7%. It is noteworthy that the market share of the two major BEV players, Tesla and BYD, has shown fluctuations, with the gap between them converging to 5 percentage points. Additionally, plug-in hybrid electric vehicles (PHEVs) accounted for 2.74 million units, experiencing a growth of 50.8%. China and Western Europe remain the two major markets, with a widening disparity in market share, as China holds 63% of the market and Western Europe accounts for 29%.

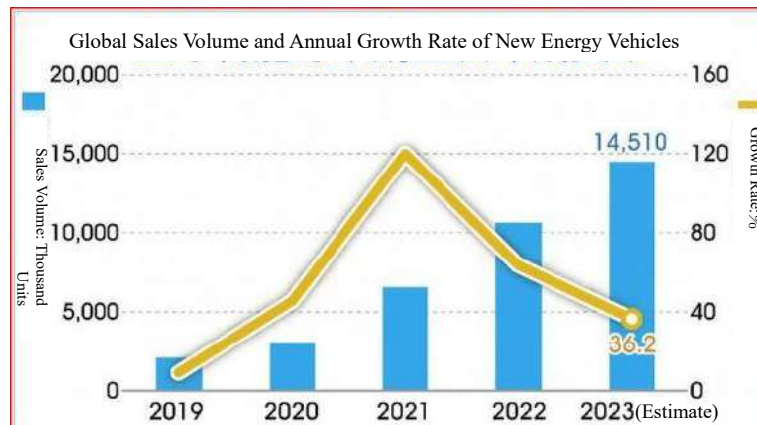
In the BEV segment, Tesla remained the top brand in 2022, although its market share declined to 16.6%. On the other hand, BYD saw an increase in its market share in the pure electric vehicle category, reaching 11.5%. The growth driver for BYD was its low-cost vehicle model, the Dolphin, which contributed approximately 23% to its sales volume. The market share gap between Tesla and BYD has narrowed to just 5 percentage points.

In 2023, Tesla and BYD have distinct market strategies. Tesla has implemented a global pricing strategy by reducing prices. On the other hand, BYD has launched the "Enlook" brand to challenge the high-end market. There have been some changes in the rankings for BEV brands beyond the top three. Brands such as Ora, Xiaopeng, and Renault have dropped out of the top 10. Luxury car brand BMW has entered the top 10 for the first time in recent years, securing the ninth position after doubling its sales volume.

In the PHEV segment, BYD continues to dominate with sales of 946,000 units, achieving a remarkable annual growth rate of 247% and expanding its market share rapidly to 34.5%. Other brands have shown limited progress in market share, with luxury car brands BMW and Mercedes-Benz maintaining their positions. NIO has benefited from product line expansion, leading to an improvement in its ranking to the fifth position. Jeep secured the seventh position due to growth in sales in the United States. Volvo, Volkswagen, and Toyota experienced a decline in both sales and market share, while Audi, which was ranked seventh in 2021, dropped out of the top 10.

According to TrendForce, although PHEV sales doubled in China in 2022, the European market showed a decline. Therefore, brand strategies will be crucial in determining PHEV sales in different regions this year. TrendForce also notes that as the automotive production process gradually improves in 2023 and the impact of the pandemic subsides, consumer demand for travel, work, and other activities is increasing, which is favorable for car sales. However, global inflation, rising interest rates, and corporate downsizing pose challenges to consumer confidence. The

current observation of the automotive market is mixed with concerns and optimism, but the growth of new energy vehicles is expected to continue. Sales are projected to reach 14.51 million units this year, with a year-on-year growth of 36.2%.



Source: TrendForce 2023/2

Ranking of electric vehicle market share in 2022					
Ranking	Battery Electric Vehicles (BEV)	Market share (%)	Ranking	Plug-in hybrid electric vehicles (PHEV)	Market share (%)
1	Tesla	16.6	1	BYD	34.5
2	BYD	11.5	2	BMW	7.3
3	SAIC-GM-Wuling	7.6	3	Mercedes-Benz	6.7
4	Volkswagen	4.2	4	Volvo	5.1
5	GAC Aion	3.5	5	Li Auto	4.9
6	Chery	2.9	6	Volkswagn	3.5
7	Hyundai	2.5	7	Jeep	3.3
8	Changan	2.4	8	Toyota	3.0
9	BMW	2.2	9	Kia	2.8
10	MG	2.1	10	Lync & Co	2.6

Source: TrendForce

In the period of January to September 2022, the sales of electric vehicles (EVs) continued to outpace those of traditional internal combustion engine vehicles (ICEVs), with a year-on-year growth of 60% to reach 6.82 million units. The market share of EVs increased from 8.0% in 2021 to 11.5% in the first nine months of 2022. In contrast, the sales of ICEVs during the same period declined by 7%. In the third quarter of 2022, the global penetration rate of EVs reached 12.6%. China led the world with a penetration rate of 22.5%, while Europe ranked second with a penetration rate of 16.8%.

Despite the challenging economic conditions, electric vehicle (EV) sales are expected to grow by 35% in 2023, with a penetration rate of 16.3%. The global automotive supply chain is gradually easing its tightness, but the deteriorating economic situation hampers demand prospects. It is projected that global automobile sales will only experience a slight growth of 2% in 2023, compared to the flat performance in 2022 and a five-year compound annual decline of 3% (with the peak in automobile sales occurring in 2017 at 95 million units). Despite the headwinds in the economy, the structural shift towards electric vehicles will continue on a growth trajectory, driven by the following factors: (1) Extended government support for EVs in the United States and China; (2) Improvement in long-range EVs and charging infrastructure to alleviate range anxiety; (3) Increase in the availability of EV models and capacity expansion; and (4) Fluctuations in fuel prices.

It is estimated that global electric vehicle (EV) sales will grow by 35% to reach 13.53 million units in 2023, with a penetration rate of 16.3%. The United States, China, and Europe are expected to experience growth rates of 65%, 38%, and 12%, respectively. China, as the world's largest EV market (accounting for 59% of global sales since 2022), has already achieved its government target of having EVs account for 20% of total vehicle sales by 2025. China has extended the exemption of new energy vehicle purchase tax until the end of 2023, which is expected to sustain sales momentum in the country. Chinese EV leader BYD (with a market share of 17% since the beginning of 2022) aims to double its sales to 4 million units in 2023. In addition, Tesla, which has increased prices multiple times over the past two years, lowered the post-subsidy prices of its entry-level Model 3 and Model Y by 5-9% to 265,900 yuan and 288,900 yuan, respectively, in October. The price reduction is a response to cost reductions following the upgrade of its Shanghai factory in 3Q22 and is aimed at addressing market uncertainties and the rapidly changing market landscape. The price reduction of the Model Y to below 300,000 yuan is intended to tap into the potential market segment that represents approximately 20% of China's overall passenger vehicle market. This move is not intended to compete with other EV manufacturers but rather to erode the market share of internal combustion engine vehicles.

Despite facing chip shortages and production constraints, electric vehicle (EV) sales in the United States accelerated in 2022, with a growth rate of 65%. The extension of EV tax incentives for ten years under the Infrastructure Investment and Jobs Act (IRA), along with unmet demand due to supply chain constraints and low inventory, is expected to drive further growth in US EV sales in 2023, with a projected growth rate of 65% and a penetration rate of 8.8%. Ford (USA) plans to expand its annual production capacity to 600,000 units by the end of next year and gradually increase it to 2 million units by 2026 (Ford's EV sales for January-September 2022 reached 96,100 units). In Europe, after a significant market growth of 66% in 2021, sales growth slowed to 7% this year due to the impact of the Russia-Ukraine conflict on the supply chain and chip shortages. However, the increase in fuel prices led to a 12% decline in gasoline car sales in 3Q22, while the penetration rate of electric vehicles increased by 2.0 percentage points to 16.8%. It is expected that EV sales in 2023 will see an acceleration due to improvements in the supply chain.

3. Niche competition:

(1) Establishing vertical integration in the production process

To reduce production costs and enhance competitiveness, our company has implemented vertical integration by establishing in-house production capabilities for key materials such as copper wire, wire rods, and precision stamping molds. These materials are now produced by our fully owned subsidiary, Hotron (Suzhou), enabling us to have complete control over critical materials and components. This strategic move has significantly enhanced our product competitiveness compared to other industry players.

(2) Stable customer relationships

Long-standing, our company has maintained solid relationships with our customers. In addition to meeting their diverse product needs, we collaborate with them in establishing production facilities at overseas locations. We also closely monitor customer developments, ensuring smooth progress in the development and mass production of new models to maintain stable cooperative relationships.

(3) Stable product quality

Stable product quality has been a long-standing trust from our customers. Both our company and our wholly-owned subsidiary have obtained ISO9001, ISO14001, ISO18000, QC080000, OHSAS 18001, and TS16949 certifications in the automotive industry, ensuring that we can provide our customers with stable product quality.

(4) Diverse product specifications

Diverse and comprehensive product specifications. The company has responded to market trends and developed a wide range of products that meet various application needs of 3C products. With advanced product development capabilities, we are capable of meeting the diverse demands of the market.

4. Favorable and unfavorable factors and corresponding strategies for future development

(1) Favorable factors

① Independence in raw material control

The company has achieved vertical integration of its production line, manufacturing copper wire, cable, and components internally. This enables the company to provide its own production materials and reduces dependence on external suppliers, thereby ensuring independence in raw material supply.

② The company's major customers are well-known manufacturers, and it maintains strong and cooperative relationships with them

The company's major customers are internationally renowned large manufacturers who hold significant positions in the global market. The market consolidation trend is evident, and the future is expected to continue focusing on international giants, following the "the bigger, the better" direction. Therefore, for the company, building on the solid foundation of major international customers allows for stable revenue and market share.

③ Entered the electric vehicle industry and is actively undergoing corporate transformation

Electric vehicles have become an inevitable global development trend. The company has successfully mass-produced and delivered electric vehicle charging guns, marking its official entry into the electric vehicle market. With the ongoing development of electric vehicles, the company plans to expand the application scope of charging products and wiring materials related to electric vehicles.

(2) Unfavorable factors and corresponding strategies

① Intense price competition of products, decline in gross profit

In recent years, with the booming development of networking products and consumer electronics, there has been a rapid growth in demand for integrated signal connectors, leading to an increase in the number of competing players. As a result, the competition among industry peers has become increasingly intense, putting pressure on product prices and potentially causing a decline in profitability.

Countermeasures:

There are possibilities to invest in research and development of new technologies and processes, continuously develop new products to enhance product quality, and provide integrated and high-value-added products to increase competitiveness. Additionally, efforts can be made to promote automation in production, improve production efficiency, and reduce unit production costs. Furthermore, actively developing new customer sources, expanding revenue streams, and increasing profitability are important strategies.

② Raw material prices experience significant fluctuations

The prices of raw materials, including precious metals such as copper, are subject to significant fluctuations due to changes in the global economic conditions.

Countermeasures:

The company adopts a conservative approach to copper procurement strategy. The quantity of copper rods purchased is based on internal demand, while the procurement price is determined by the average or spot price of copper. However, the purchasing price is set below customer quotations and monthly average prices as a benchmark, and we do not engage in futures price manipulation to avoid price volatility risks.

③ The labor cost in mainland China has been steadily increasing

Due to the continuous increase in the minimum guaranteed wages for labor contracts in China, it is projected that China will further accelerate the adjustment of basic wages and minimum guarantees for various social insurance in the future. The previous advantage of low labor cost in China is no longer present and will also result in a loss of future competitiveness.

Countermeasures:

To mitigate the potential impact of rising labor costs in our subsidiary in mainland China on product costs, we have implemented several measures. These include the recruitment of skilled professionals, continuous improvement of our production processes towards automation, ongoing investment in automated production equipment to reduce labor requirements, reinforcement of outsourced production and manufacturing, and the expansion of our production capacity to

meet the demands of customer orders. Additionally, in response to the impact of the U.S.-China trade war and the imposition of import tariffs by the United States, we have collaborated with our customers and established Hotron Vietnam in Henan Province, Vietnam, adopting a localized production and distribution system to cater to customer needs.

(2) Usage and Manufacturing Processes of Main Products:

1. The important uses of the main products:

(1) Cable products

Main products	Important applications
1. Electronic signal Raw Cable	Can be applied to various computer peripheral products such as monitors, printers, optical drives, as well as computer systems and communication network systems as an electronic vehicle signal transmission medium.
2.Connector	Various types of connectors used for interconnecting computers, communication systems, home appliances, and office equipment systems.
3.Cable Assembly	Cables with attached connectors suitable for signal transmission in consumer electronics, system products, automotive applications, and other fields.
4.Copper Rods	Raw materials for wire and cable production.

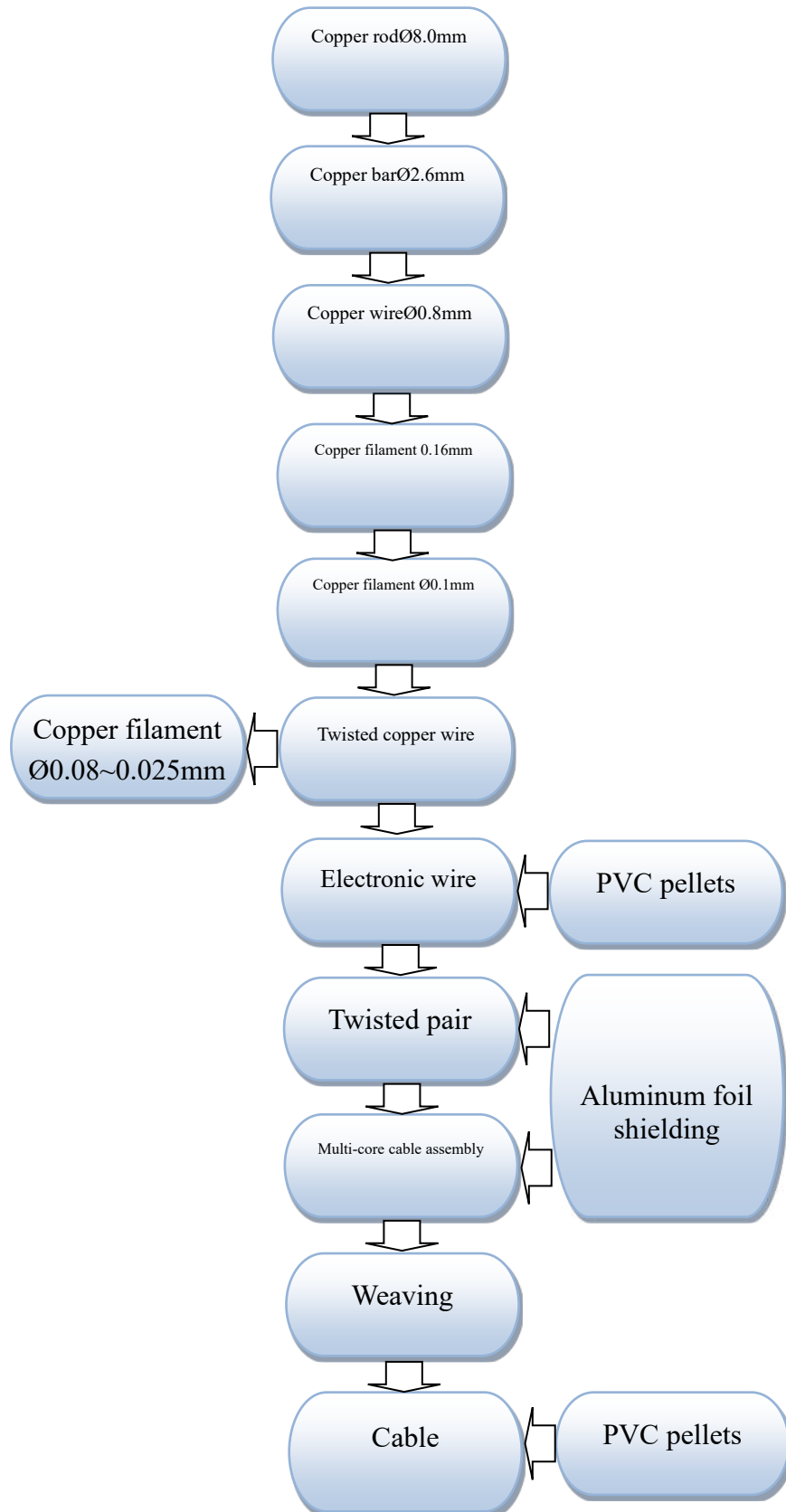
(2) Charging gun products

Main products	Important applications
1.EV Changing Cable	Suitable for both DC and AC charging of electric vehicles.
2.Connector	Electric vehicle charging cables and connectors for connecting between the vehicle and the power source.
3.Cable Assembly	Cables with attached connectors, suitable for power transmission in electric vehicles.
4.Copper Rods	Raw materials for wire and cable production.

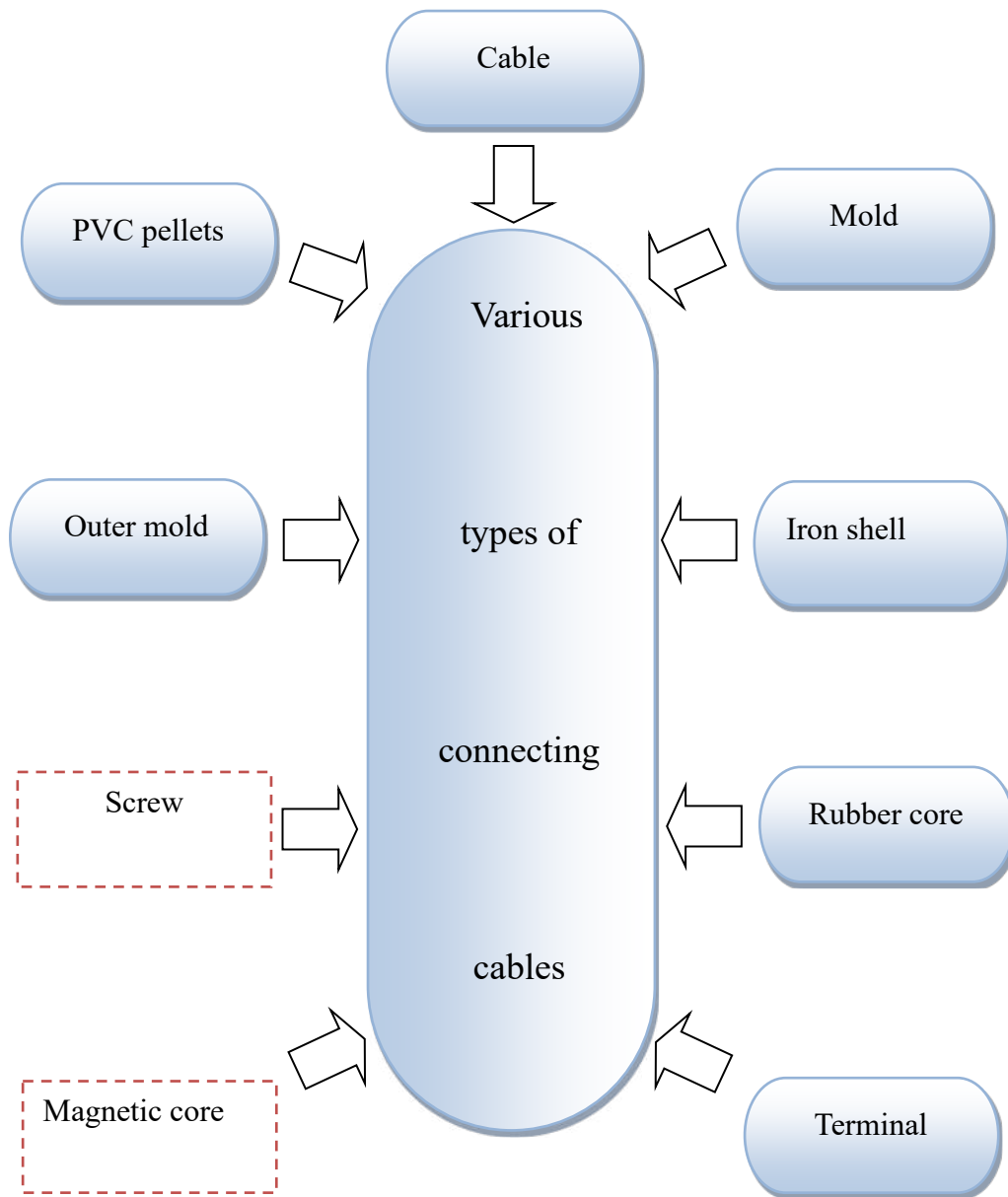
2. The manufacturing process of the main products:

(1) Cable products

A. Wire drawing of copper wire 、Copper wire manufacturing process I



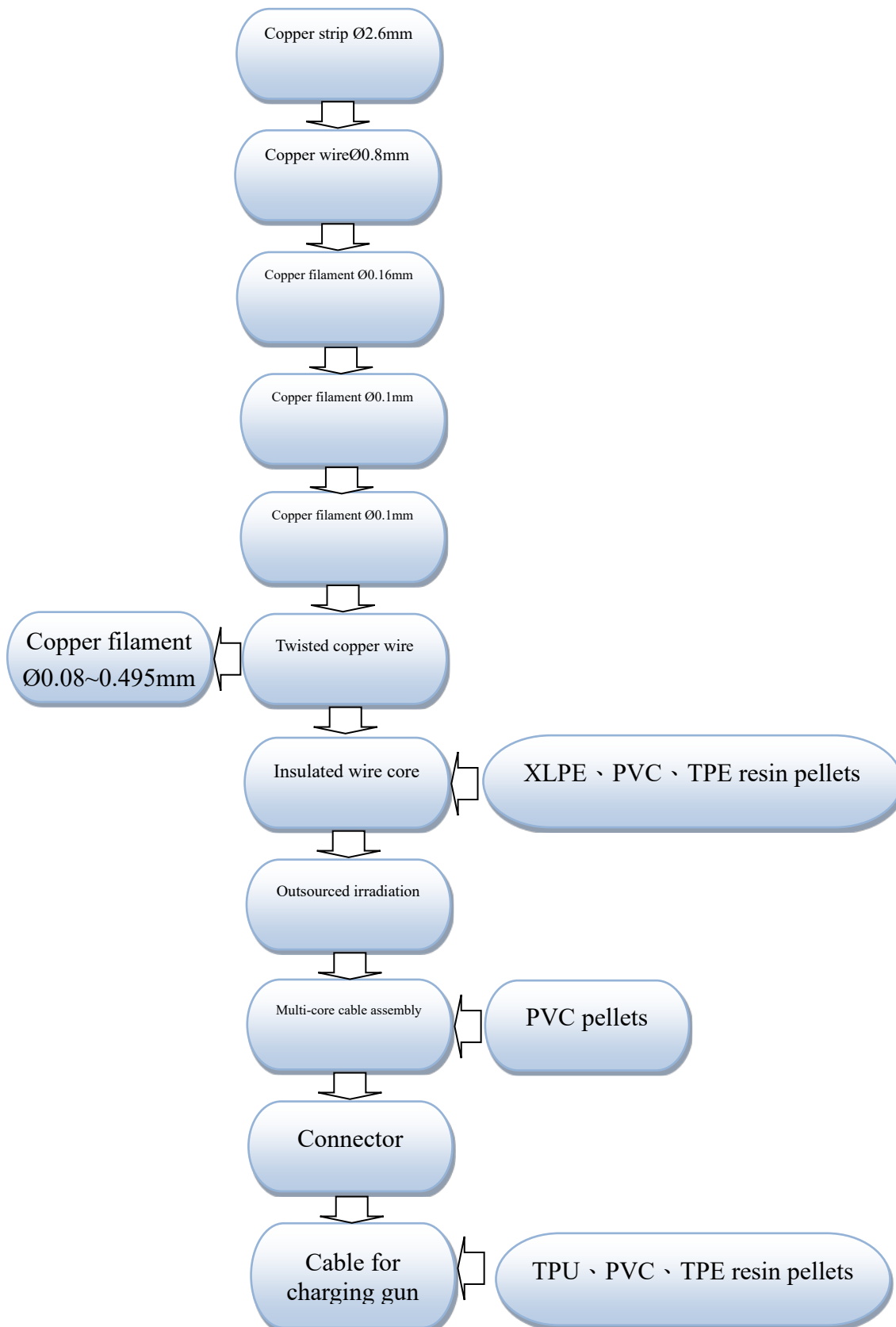
B. Production process of signal cables



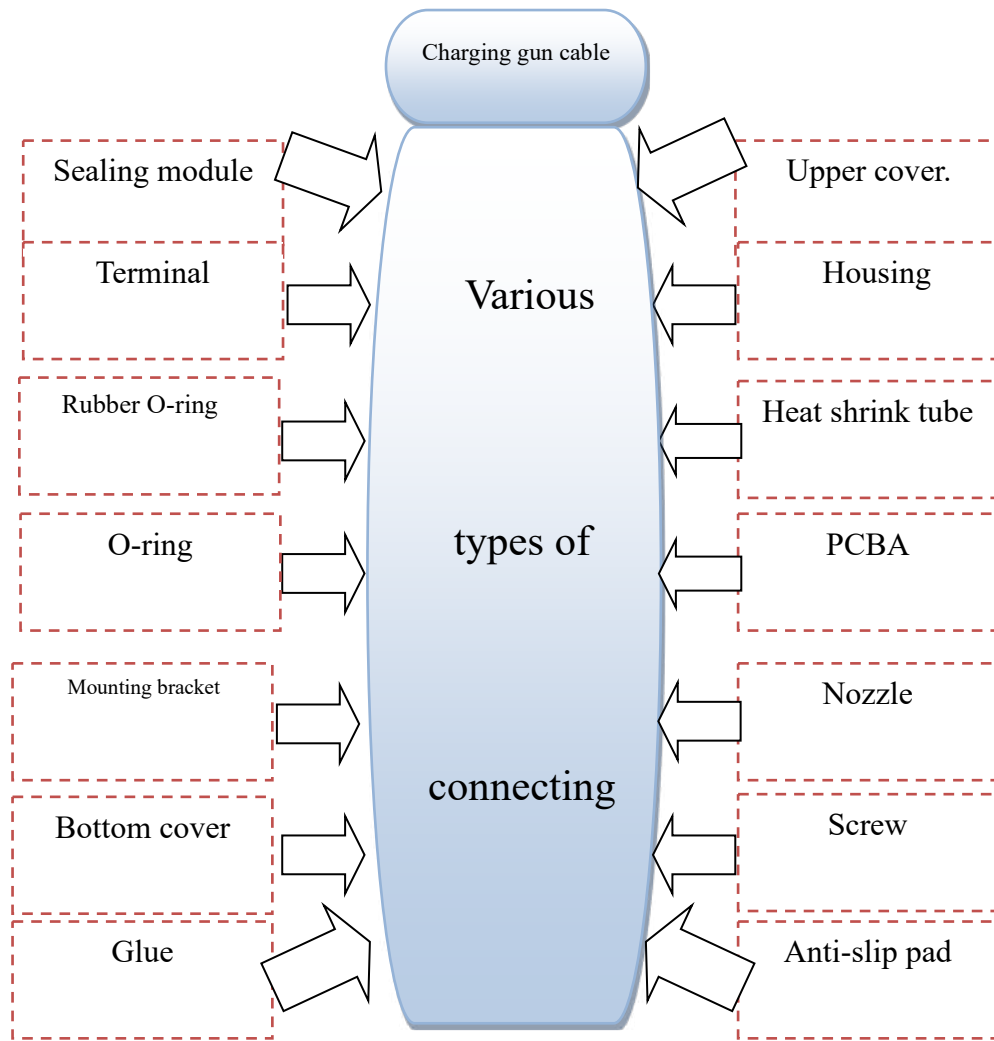
Remarks:  Self-manufactured parts
 Component processing

(2) Charging gun product

A. Production process of charging gun cables



B. The production process of a charging gun



Remarks:  Self-manufactured parts
 Component processing

(3) Supply Situation of Major Raw Materials

Main raw materials	Supplier	Current supply state
Copper bar	HX Company、JR Company	Good
PVC powder	HS Company 、MJ Company	Good
Aluminum-magnesium wire	GL Company 、LT Company	Good
Connector category	JQ Company 、JRP Company 、RJ Company 、LT Company 、QFW Company 、CL Company 、XEC Company 、SH Company	Good
Malleable iron	JTD Company	Good
CORE	QS Company 、RX Company	Good

(4) List of Major Suppliers and Clients for the 2 Most Recent Fiscal Years

1. Main supplier information for the 2 Most Recent Fiscal Years:

Unit: Thousand New Taiwan Dollars

Item	Year 2021				Year 2022				Up to the preceding quarter of the current year 2023			
	Name	Amount	Percentage of annual net sales(%)	Relationship with the issuer	Name	Amount	Percentage of annual net sales(%)	Relationship with the issuer	Name	Amount	Percentage of annual net sales(%)	Relationship with the issuer
1	HX Company	313,947	17%	None	HX Company	230,072	13%	None	RJ Company	9,857	10.58%	None
2	JR Company	208,042	11%	None	JR Company	141,179	8%	None	HSSX Company	8,994	9.65%	None
3	RJ Company	109,044	6%	None	RJ Company	92,964	5%	None	JDHJ Company	8,431	9.05%	None
4	Others	1,253,404	66%	None	Others	1,348,854	74%	None	Others	65,872	70.72%	None
	Net sales	1,884,437	100%	-	Net sales	1,813,069	100%	-	Net sales	93,154	100.00%	-

In 2022 and 2021, the main purchases of copper rods were made from HX Company and JR Company, while the connector materials were primarily sourced from RJ Company. There were no significant differences in the main purchased materials between the two years.

2. List of Major Sales Clients for the 2 Most Recent Fiscal Years:

Unit: Thousand New Taiwan Dollars

Item	Year 2021				Year 2022				Up to the preceding quarter of the current year 2023			
	Name	Amount	Percentage of annual net sales(%)	Relationship with the issuer	Name	Amount	Percentage of annual net sales(%)	Relationship with the issuer	Name	Amount	Percentage of annual net sales(%)	Relationship with the issuer
1	B Company	743,857	25%	None	A Company	723,778	22%	None	B Company	111,161	22%	None
2	A Company	734,548	24%	None	B Company	611,844	18%	None	C Company	101,234	20%	None
3	C Company	410,707	14%	None	C Company	597,181	18%	None	A Company	101,092	20%	None
4	D Company	377,279	13%	None	E Company	588,659	18%	None	E Company	68,875	14%	None
5	E Company	136,012	5%	None	D Company	344,387	10%	None	D Company	32,281	6%	
	Others	604,582	19%	None	Others	496,340	14%	None	Others	89,972	18%	None
	Net sales	3,006,985	100%	-	Net sales	3,362,189	100%	-	Net sales	504,615	100%	-

Based on the rankings of List of Major Sales Clients for the 2 Most Recent Fiscal Years, our company's primary customers are major global LCD display contract manufacturers, with the top ten companies being our main trading partners. There has been minimal customer turnover during these two years. Our company will continue to attract new customers and actively expand our business while maintaining and increasing our performance. According to our plans, we will gradually enhance our production capacity and output, diversify our customer base, and reduce the risk associated with overreliance on a single customer. Other customers, whose sales proportion is less than 10%, make up the remaining portion of our sales.

(5) Production Volume and Value for the 2 Most Recent Fiscal Years:

Production volume/Value unit: Thousand pieces/Taiwanese thousand dollars

Output Main products	Year	Year 2022			Year 2021		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Monitor connection cable		7,925	7,925	188,880	11,883	11,883	249,319
Mobile phone connection cable		1,474	1,474	32,565	1,175	1,175	19,117
Set-top box connection cable		35,966	35,966	947,757	37,997	37,997	948,693
In-vehicle premium connection cable		45,010	45,010	1,976,014	50,245	50,245	1,696,122
Other connection cables		3,197	3,197	30,165	4,608	4,608	44,009
Total		93,572	93,572	3,175,381	105,908	105,908	2,957,260

The difference between the fiscal year 2022 and 2021 mainly resulted from the adjustment of product sales structure to align with company policies and market trends.

(6) The Volume and Value of Units Sold for the 2 Most Recent Fiscal Years:

Unit of Quantity: Thousand PCS of Connectors / Unit of Value: Thousand NTD

Year Sales Main products	Year 2022				Year 2021			
	Local		Export		Local		Export	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Connection Cables	3,611	76,816	82,055	3,280,293	2,879	54,363	98,053	2,947,864
Others	0	4,810	17	270	0	4,653	3	105
Total	3,611	81,626	82,072	3,280,563	2,879	59,016	98,056	2,947,969

1. Connection Cables:

The company primarily manufactures and sells signal connection cables, accounting for over 99% of the company's revenue, with the main application field being in the 3C products. In 2022, the sales volume decreased by 15,266 thousand PCS, representing a decrease of 15.13% compared to 2021. However, the sales amount increased by \$354,882 thousand, representing an increase of 11.82%. This can be attributed to the different sales module configuration in 2022, resulting in a decrease in sales quantity but an increase in sales amount.

2. Others:

The main increase in the other part of the revenue in 2022 compared to 2021 is primarily due to the rental income and sales of power cables, connectors, and semi-finished wire products. The increase amounted to 321 thousand NT dollars, representing a growth rate of 6.75%. This increase is mainly attributed to the higher sales of semi-finished products. The other part of the revenue, which accounts for a very small proportion, has a minimal contribution to the overall sales amount.

III. Information on Employees:

Employee Information for the 2 Most Recent Fiscal Years and as of the Printing Date of the Annual Report

Item		Fiscal Years	Year 2022	Year 2021	As of 2023.03.31 in the current fiscal year
Number of employees	Manager		9	7	9
	General Employees		63	61	59
	Total		72	68	68
Average Age			45	45	41.05
Average length of service			5.16	5.26	4.93
Education Distribution Ratio	PhD		0%	1.47%	0%
	Master degree		11.11%	8.82%	11.76%
	University(bachelor) degree		84.72%	86.77%	82.35%
	Senior High School		2.78%	1.47%	4.41%
	Below Senior High School		1.39%	1.47%	1.47%
	Total		100.00%	100.00%	100.00%

Note: Only the number of Taiwanese employees in the Taipei headquarters and related companies is disclosed.

IV. Disbursements for Environmental Protection:

In the recent fiscal year and up to the printing date of the annual report, losses incurred due to environmental pollution are disclosed, along with the current and estimated future amounts and corresponding measures. In cases where a reasonable estimation cannot be made, the fact of such inability to provide a reasonable estimate should be disclosed.

- (1) As the operational headquarters of the group, the company is located in the Neihu District of Taipei City, which is not an ecological conservation area or habitat. Furthermore, we do not have any factories in Taiwan, thus we have no impact on the natural ecological environment. We are in compliance with environmental laws and regulations, and there are no violations related to air pollution or other environmental concerns.
- (2) Due to the nature of the operations, the company does not require significant consumption of electricity or water. The main usage in our operations pertains to general domestic wastewater discharge and waste disposal, resulting in no significant environmental expenses.
- (3) The company is committed to enhancing the efficiency of resource utilization, including paper recycling, energy conservation, carbon reduction, air conditioning restrictions, and turning off lights when not in use. These efforts aim to reduce our environmental impact and ensure sustainable use of Earth's resources. We align with the government's energy-saving and carbon-reduction policies, making electricity savings and waste reduction our management objectives. We are dedicated to environmental protection.
- (4) The company has implemented the following measures in office:
 1. The temperature is set to 27-28 degrees Celsius to conserve energy.
 2. Smoking is strictly prohibited in all office and building areas to reduce air pollution.
 3. Turn off lights when leaving workspace, and all office lights are switched off during the lunch break.
 4. Encouraged to bring their own utensils for lunch to reduce the use of disposable tableware.
 5. After work, designated employees check for any lights or computers left on and unplug non-essential electrical appliances in the pantry area, except for the refrigerator.
 6. Recycling is practiced throughout the company premises, and employees are encouraged to use eco-friendly cups, utensils, and bags. Paper cups are not provided during meetings to reduce waste.
 7. Duplex printing is promoted to reduce paper consumption, and the reuse of internal envelopes is encouraged to minimize resource wastage.
 8. Actively promote waste reduction by implementing strategies to minimize the amount of trash generated.
- (5) The factory is located in the Suzhou New District, Jiangsu Province, China, which is a high-tech industrial park. As a responsible corporate citizen and in response to global environmental policies, our products obtained the RoHS certification, which complies with the management requirements for hazardous substances in the European Union, during the period of 2004-2005. We have also obtained certifications such as ISO 14001 and QC 080000, which are related to environmental production. In addition, we hold certifications like ISO 9001, ISO 45001, and TS 16949, which are related to production management. We adhere to systematic certification standards that ensure our products are free from harmful substances, and we develop environmentally-friendly, halogen-free products as part of our commitment to environmental protection. In terms of production, we comply with local regulations, and our production processes do not belong to polluting industries. The company have not engaged in any significant violations of regulations.
- (6) In the recent fiscal year and up to the date of printing of the annual report, our corporate headquarters located in the Neihu District of Taipei has not received any penalties or been involved in any disputes with environmental protection authorities due to environmental pollution.

The subsidiary in mainland China, Hotron Precision Electronics (Suzhou) Co., Ltd., was subject to penalties by the Suzhou Ecological Environment Bureau. In February 2022, we received a preliminary notice of administrative penalties from the Suzhou Ecological Environment Bureau, citing violations of Article 22(1), Article 25 of the Environmental Impact Assessment Law, and Article 15, Article 19(1) of the Regulations on Environmental Protection Management of Construction Projects. The imposed penalty amounted to RMB 570,000. In response to this penalty, Hotron Suzhou duly paid the administrative fine as required and completed the construction and acceptance of the relevant environmental protection facilities as requested by the Suzhou Ecological Environment Bureau.

V. Labor Relations:

- (1) List of Employee Benefits and Welfare Measures, Continuing Education and Training, Retirement System, Implementation Status, and Agreements and Measures for Protecting Employee Rights between Labor and Management:

1. Employee Benefits, Continuing Education, and Training:

- (1) The company complies with relevant laws and regulations by establishing an Employee Welfare Committee and allocating funds for employee welfare. The committee is responsible for planning, supervising, and implementing employee welfare initiatives. It also oversees the management, disbursement, and coordination of the Employee Welfare Fund.
- (2) Labor Insurance and National Health Insurance:
The employees of our company participate in the Labor Insurance and National Health Insurance as required by law.
- (3) Group Medical Insurance:
The company provides group accident insurance and business travel insurance applicable to off-site personnel for our employees.
- (4) Regular Health Check:
The company regularly arranges health check-ups for employees.
- (5) Employee Compensation and Year-End Bonus:
The company considers the annual operating performance and individual job performance of employees to determine and distribute employee compensation and year-end bonuses.
- (6) Year-end Party Event
- (7) Funeral and Wedding Condolence Subsidy
- (8) Birthday Allowance
- (9) Holiday Allowance: Dragon Boat Festival, Mid-Autumn Festival Employee Allowance
- (10) Employee Travel Subsidy
- (11) Education and Training:

Employees are allowed to apply for external educational training courses based on job-related needs. In terms of on-the-job training, each department arranges internal training courses as needed, providing comprehensive professional skill development and opportunities for personal growth. Adequate internal training courses are also provided for new employees, fostering their professional skill development and personal growth.

The implementation of various training programs for employees in the year 2022 is as follows:

Item	Training and Development Programs	Number of Classes	Number of Trainees	Course Duration	Training Expenditure (NTD)
A	New Employee Training	35	35	70	0
B	Professional Skills Training	111	111	208	26,800
C	Supervisory Skills Training	12	12	24	14,500
D	Other Training	10	10	60	48,476

Note: A. New Employee Training: Providing pre-employment training, safety and health education, and general training for new employees.

B. Professional Skills Training: This refers to the systematic operational training provided internally to employees in various departments, such as sales, manufacturing, finance, as well as their participation in external professional training courses.

C. Supervisory Skills Training: In accordance with regulatory requirements, supervisors attend external training programs to enhance their managerial skills (e.g., financial and accounting supervisors).

D. Other Training: Conducting information sessions on the proper declaration of internal equity by employees and offering training programs for directors and supervisors.

2. Retirement System and Implementation Status:

In accordance with the provisions of the Labor Standards Act, our company has established a retirement scheme with defined benefits. This scheme applies to all regular employees who had completed years of service before the implementation of the "Labor Pension Act" on July 1,

2005, as well as employees who choose to continue applying the Labor Standards Act after the implementation of the "Labor Pension Act." For employees who meet the retirement conditions, the calculation of retirement benefits is based on their years of service and the average salary of the last 6 months before retirement. For service within 15 years (inclusive), two months' salary is provided for each full year of service. For service exceeding 15 years, one month's salary is provided for each full year, up to a maximum of 45 months' salary. Our company contributes 2% of the total monthly payroll to the retirement fund, which is deposited in a dedicated account in the name of the Labor Retirement Reserve Supervisory Committee, held at a Taiwan bank. With the implementation of the new labor retirement system starting on July 1, 2005, employees have the option to choose the system that benefits them the most. If eligible to receive retirement benefits under the old system, employees can choose to continue using it without affecting the amount of their retirement benefits. Alternatively, employees who choose the new system have 6% of their monthly salary allocated to their individual retirement account managed by the Labor Insurance Bureau. Number of Retirement Applications in the Past Three Years (2020-2022): 0 individuals.

3. Agreements between labor and management have been established to safeguard employee rights, and various measures have been implemented to ensure their protection:

The company has always attached great importance to labor-management relations and holds labor-management meetings every quarter. The company have established effective communication channels internally to ensure that employees' ideas and opinions are promptly addressed and handled. As a result, various policies have been formulated to take into account employee rights and ensure their protection.

4. Measures to protect the working environment and ensure employee personal safety:

Item	Content
Maintenance and inspection of equipment	<ol style="list-style-type: none"> 1. In accordance with the regulations of the Fire Services Act, an annual fire inspection of the building is outsourced. 2. The company collaborate with a building public safety inspection company to conduct fire safety inspections, ensuring the safety of the working environment. 3. The company conducts maintenance and inspections of various equipment such as high and low voltage electrical equipment, elevators, plumbing and electrical systems, air conditioning, and fire extinguishing devices each month,.
Access control security	<ol style="list-style-type: none"> 1. Appointed a security company to manage the building's security. There are security personnel monitoring the premises closely both day and night. 2. The building is insured with public liability insurance to ensure the personal safety of employees and visitors.
Disaster prevention measures and emergency response	<ol style="list-style-type: none"> 1. The company has established a labor safety management unit and formulated the "Safety and Health Work Guidelines," which clearly define the response and tasks for relevant major emergencies. 2. Fire prevention and disaster preparedness training are conducted annually in the building.
Physical hygiene	<ol style="list-style-type: none"> 1. Health Examinations: New employees undergo physical health examinations, while existing employees are required to undergo annual or triennial health examinations in accordance with the Labor Safety and Health Act. 2. Workplace Sanitation: Smoking is strictly prohibited in the business premises as required by regulations. A designated cleaning company provides daily cleaning services, and every Friday is designated as office environment cleaning day, where employees are responsible for organizing their workstations. Additionally, office disinfection is outsourced on an annual basis.
Mental health	<ol style="list-style-type: none"> 1. Expression of Opinions: Quarterly labor-management meetings are held to provide channels for employee feedback, emotional release, and interaction. 2. Prevention of Sexual Harassment: Relevant regulations have been established, and a complaint mechanism has been put in place.
Insurance and medical assistance	<p>The company have complied with the law by providing labor insurance (including occupational accident insurance) and national health insurance. Additionally, we have arranged insurance coverage through an insurance company:</p> <ol style="list-style-type: none"> 1. The company have insured for employees with a coverage of NT\$2 million for accidents. In the event of work-related disability or death, insurance claims are provided to support the affected employees or their beneficiaries. 2. The company insured for overseas employees with travel accident insurance coverage of NT\$5 million, ensuring their safety and providing medical coverage during business trips to overseas locations.

- (2) In the recent fiscal year and up to the printing date of the annual report, there have been no losses incurred due to labor disputes. Furthermore, there are no current estimates or anticipated losses in the future related to labor disputes:

The labor-management relationship in the company is harmonious, and there have been no labor disputes or losses incurred in the recent fiscal year and up to the printing date of the annual report. It is anticipated that there will be no possibilities of labor disputes or losses in the future as well.

VI. Cyber Security Management:

- (1) Provide an overview of the information cyber security risk management framework, information cyber security policies, specific management plans, and resources allocated to information cyber security management.

The company's information security policy

1. The objective of information security risk management:

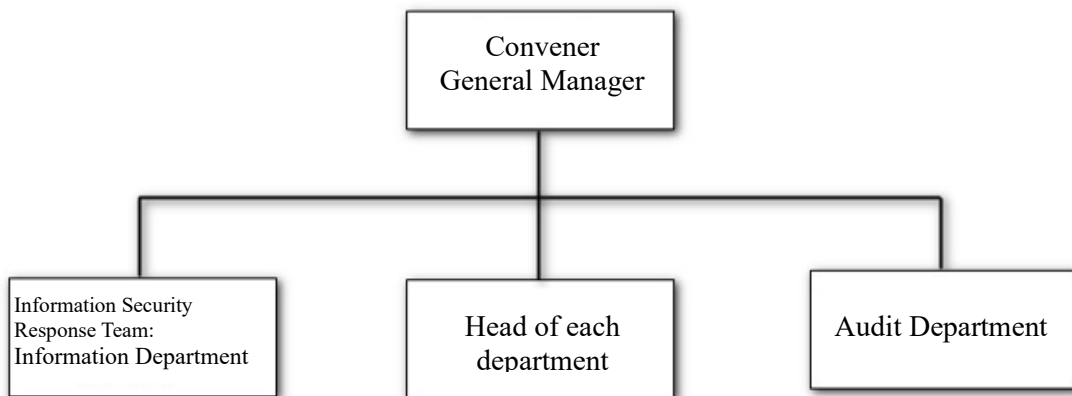
Strengthen information security management, ensure the confidentiality, integrity, and availability of information, enhance the reliability of information equipment (including computer hardware, software, peripherals), and network systems, promote awareness of information security among employees, and safeguard the above-mentioned resources against any interference, damage, intrusion, or adverse actions and attempts.

2. The organization for information security risk management:

"Information Security Promotion Team" responsible for coordinating, planning, auditing, and promoting information security management. It establishes a cross-functional organization to drive information security initiatives. In the event of significant organizational changes (such as organizational restructuring or major business changes), the applicability of this policy will be reassessed. The policy will be appropriately revised based on the assessment results, relevant laws, regulations, technological advancements, and business developments to ensure alignment with actual requirements.

3. Information Security Promotion Team:

The team consists of top executives from each department, with the General Manager serving as the convener of the team. In the event of job transfers, immediate appointment of replacement personnel and handover procedures shall be carried out.

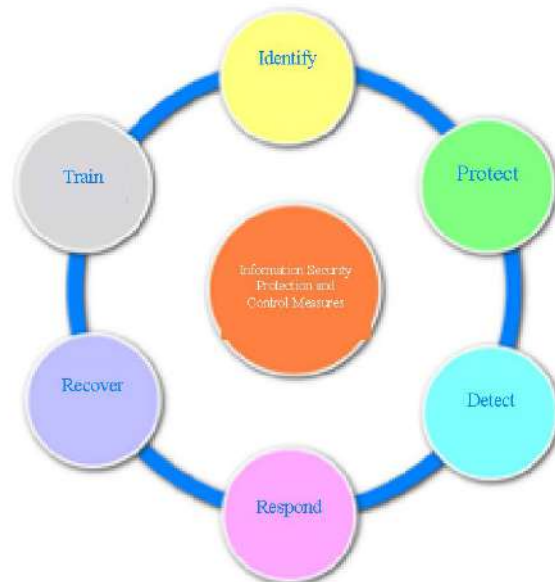


4. Responsibilities for Information Security Implementation:

The personnel of the Information Department, assigned by the top executive of the department, serve in the Information Security Response Team. They are responsible for the deliberation, establishment, and evaluation of information security policies, plans, and technical specifications, as well as the execution of various information security operations, including prevention and incident handling. The Audit Department is responsible for maintaining information confidentiality and conducting security audits.

5. Information Security Protection and Control Measures:

With reference to the Cybersecurity Framework (CSF) developed by the National Institute of Standards and Technology (NIST) in the United States, the organization adopts the steps of "Identify," "Protect," "Detect," "Respond," "Recover," and "Train" to ensure effective cybersecurity measures are in place. These steps serve as a comprehensive approach to safeguarding the organization's information security.



Step 1: Identify:

Gain an understanding of the organization's environment, critical assets, and services, and perform risk assessment and develop risk management strategies that align with daily operations.

Step 2: Protect:

Plan and implement defensive measures to ensure that critical assets and services are not affected by security incidents.

Step 3: Detect:

Establish mechanisms for real-time detection of network security incidents and alerts, and regularly update systems and antivirus software.

Step 4: Respond:

Establish smooth internal and external communication channels to handle security incident response, including investigation, forensics, and proposing improvement measures.

Step 5: Recover:

Develop data backup plans to restore normal operations in the shortest possible time.

Step 6: Train:

"Information security is everyone's responsibility." Continuously enhance employees' awareness of information security.

Information Security Implementation Plan:

1. Personnel Management and Information Security Education and Training:

1. Security assessments should be conducted for information-related positions and job roles. When hiring and assigning tasks to personnel, their suitability should be carefully evaluated, and necessary assessments should be performed.
2. Information security awareness programs should be tailored to address the requirements of various job categories, including management, operations, and information roles. These programs aim to build employee awareness of information security and enhance the overall level of information security.

2. Computer System Security Management:

1. When outsourcing information operations, information security requirements should be researched and defined in advance. The responsibilities and confidentiality provisions of vendors should be clearly stated and included in the contracts, with the requirement for vendors to comply.
2. Software copying and usage should be conducted in accordance with relevant regulations or contractual provisions, and a software usage management system should be established.
3. Necessary preventive and protective measures should be implemented to detect and prevent computer viruses and other malicious software, ensuring the normal operation of the system.

3. Network Security Management:

1. Information systems allowing external connections should employ different security levels, such as data encryption, identity authentication, digital signatures, firewalls,

and security vulnerability detection, based on the importance and value of the data and system. These measures aim to prevent unauthorized access, intrusion, destruction, alteration, deletion, and unauthorized access to data and systems.

2. Points of connection between external networks and internal networks should be controlled using firewalls and other necessary security facilities. These measures regulate data transmission and resource access between external and internal networks. Firewall configurations and work logs should be regularly reviewed and approved by appropriate supervisors.
3. When publishing and circulating information on the internet and the World Wide Web, data security level assessments should be conducted. Confidential, sensitive, and personally identifiable information or documents without the consent of the parties involved should not be published online.
4. Regularly update antivirus software versions, perform automated virus detection at scheduled intervals, and train all personnel on the use of virus detection software to prevent external viruses.
5. Establish guidelines for email usage, prohibiting the transmission of confidential information and documents via email or other electronic means.
6. Disable unnecessary network services. Any network service requires an application and approval from the responsible supervisor before being activated by IT personnel.

4. System Access Control:

1. Establish system access policies and authorization regulations, and inform employees and users of their respective permissions and responsibilities through written, electronic, or other means.
2. Immediately revoke all information resource privileges for departing or retired employees and include the necessary procedures for their departure or retirement. Adjustments to privileges should be made within the specified period according to the system access authorization regulations in the case of personnel job changes or transfers.
3. Establish a system user registration management system and strengthen the management of user passwords. The password update cycle for users should not exceed three months as a general guideline.
4. Establish a system user registration management system and strengthen the management of user passwords. The password update cycle for users should not exceed three months as a general guideline.
5. Establish an information security audit system and conduct regular or irregular information security audit operations.

5. System Development and Maintenance Security Management:

1. Developing systems internally or outsourcing system development, information security requirements should be considered at the initial stage of the system life cycle. Maintenance, updates, deployment, and version changes of the system should be subject to security controls to prevent unauthorized software, backdoors, computer viruses, and other threats to system security.
2. For vendors involved in the establishment and maintenance of hardware and software systems, their access to systems and data should be regulated and restricted. Long-term system identification codes and passwords should not be issued. However, short-term or temporary system identification and passwords may be issued to vendors based on operational needs, but their usage rights should be immediately revoked after use.
3. Entrusting vendors to establish and maintain critical hardware and software facilities, supervision and accompaniment by relevant personnel from the company should be required.

6. Information Asset Security Management:

1. Establish an inventory of information assets related to the information system, specifying the items, owners, and security classification of the information assets.
2. Establish an inventory of information assets related to the information system, specifying the items, owners, and security classification of the information assets.

7. Physical and Environmental Security Management:

Establish measures for physical and environmental security management, including equipment placement, perimeter environment, and personnel access control.

8. Planning and Management of Business Continuity:

1. Establish a business continuity plan, assess the impact of various human-made and

natural disasters on business operations, establish emergency response and recovery procedures, assign responsibilities to relevant personnel, and regularly conduct drills and update the plan accordingly.

2. Establish an information security incident response mechanism. In the event of an information security incident, follow the prescribed handling procedures, immediately report to the information unit or personnel, take responsive measures, and contact law enforcement agencies for assistance in investigation.

Major Information Security Management Initiatives Implemented in 2022:

Item	Program Content
Firewall Protection and Control Management	<p>Firewall Configuration with Connection Rules: Default access is limited to basic internet and email connectivity. Any special connection requirements must be requested and approved by department managers and the highest authority in the IT department before they can be opened.</p> <p>Continuous monitoring of firewall network connections.</p>
Information Data Center Security Management	<p>The data center is equipped with door locks, and access requires keys. Unauthorized personnel are not allowed to enter.</p> <p>The data center is equipped with a UPS system to ensure uninterrupted power supply. In the event of an abnormal power outage, the power source remains uninterrupted until the building's generator starts, allowing IT personnel sufficient time for further actions.</p> <p>Maintained to record the temperature, humidity, server status, and network equipment condition of the data center.</p>
Antivirus Software Control Management	<p>The company has installed enterprise endpoint antivirus software with centralized monitoring and management on the server.</p> <p>All user computers are required to have the enterprise endpoint antivirus software installed and regularly update the antivirus software virus definitions to mitigate the risk of infection.</p>
Email Security Control Management	<p>The email server has proactive email scanning for threat protection. Before users receive emails, it proactively detects and prevents unsafe attachments, phishing emails, spam emails, and malicious link content. After personal computers receive emails, the antivirus software also scans for unsafe attachments.</p> <p>The email server retains backup data of all incoming and outgoing emails.</p>
Data Backup Mechanism Control Management	<p>Information system programs and databases are configured to perform daily full backups, followed by an additional backup to the NAS backup server.</p> <p>Files from various departments within the company are stored on a file server and backed up by the IT department to the NAS backup server for preservation.</p> <p>Backup data is transferred to portable hard drives on a weekly basis and stored off-site by the management department for remote backup.</p> <p>Important documents are managed through a document management system, which controls versions and permissions. They are also subject to off-site backup for both the server and data in different locations.</p>

- (2) Listed of detailed for the most recent fiscal year and up to the date of the annual report printing, of any losses, potential impacts, and response measures resulting from significant information security incidents. If it is not reasonably estimable, please state the fact that it cannot be reasonably estimated

The company has been actively strengthening network firewall and network controls to prevent the spread of computer viruses across machines and factory sites. Measures for protection against malicious software are currently being developed, and we plan to allocate an appropriate budget to enhance information technology security. However, we cannot guarantee complete immunity against malicious software attacks. In the most recent fiscal year and up to the date of the annual report printing, there have been no significant losses incurred due to information security incidents.

VII. Important Contracts:

Contract Nature	Contract Object	Contract Period	Main Content	Limitation Clauses
Endorsements and guarantees	Taipei Fubon Commercial Bank	2022.06.07~2023.05.26	Guarantee commitment provided by Fortuna International Holdings Co., Ltd. for the loan from Taipei Fubon Bank	None
Endorsements and guarantees	Shanghai Commercial and Savings Bank	2022.05.17~2023.05.16	Guarantee commitment provided by Fortuna International Holdings Co., Ltd. for the loan from Shanghai Commercial and Savings Bank	None
Endorsements and guarantees	CTBC Bank	2022.03.30~2023.04.30	Guarantee commitment provided by Hotron Precision Electronic Industrial (Vietnam) Co., Ltd. for the loan from Chinatrust Commercial Bank	None
Endorsements and guarantees	Taipei Fubon Commercial Bank	2022.06.07~2023.05.26	Guarantee commitment provided by Hotron Precision Electronic Industrial (Vietnam) Co., Ltd. for the loan from Chinatrust Commercial Bank	None
Endorsements and guarantees	Hua Nan Commercial Bank	2023.02.09~2023.08.09	Guarantee commitment provided by Hotron Precision Electronic Industrial (Vietnam) Co., Ltd. for the loan from Chinatrust Commercial Bank	None
Endorsements and guarantees	Taipei Fubon Commercial Bank	2022.06.07~2023.05.26	Guarantee commitment provided by Hotlink Company Limited for the loan from Taipei Fubon Bank	None
Endorsements and guarantees	Taishin International Bank	2022.05.26~2023.05.31	Guarantee commitment provided by Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. for the loan from Taishin Bank	None
Endorsements and guarantees	Hua Nan Commercial Bank	2022.09.30~2023.09.23	Guarantee commitment provided by Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. for the loan from Taishin Bank	None
Loan Agreement	Mega International Commercial Bank	2022.11.04~2023.11.03	Comprehensive loan for the operation of Hotlink Company Limited	None
Loan Agreement	CTBC Bank	2022.03.30~2023.04.30	Comprehensive loan for the operation of Hotlink Company Limited	None
Loan Agreement	Taipei Fubon Commercial Bank	2022.06.07~2023.05.26	Comprehensive loan for the operation of Hotlink Company Limited	None
Loan Agreement	Cathay United Commercial Bank	2022.07.22~2023.06.24	Comprehensive loan for the operation of Hotlink Company Limited	None
Loan Agreement	Taishin International Bank	2022.05.26~2023.05.31	Short-term loan for the operation of Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	None
Loan Agreement	Hua Nan Commercial Bank	2022.09.30~2023.09.23	Short-term loan for the operation of Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	None
Loan Agreement	Cathay United Commercial Bank	2022.07.22~2023.06.24	Comprehensive loan for the operation of our company	None
Loan Agreement	Hua Nan Commercial Bank	2022.09.23~2023.09.23	Comprehensive loan for the operation of our company	None
Loan Agreement	Hua Nan Commercial Bank	2020.07.24~2023.07.24	Issuing corporate bonds to secure a loan for our company.	None
Loan Agreement	Taipei Fubon Commercial Bank	2022.06.07~2023.05.26	Comprehensive loan for the operation of our company	None
Loan Agreement	Mega International	2022.11.04~2023.11.03	Comprehensive loan for the operation	None

Contract Nature	Contract Object	Contract Period	Main Content	Limitation Clauses
	Commercial Bank		of our company	
Loan Agreement	KGI Bank	2023.03.15~2024.03.15	Comprehensive loan for the operation of our company	None
Loan Agreement	CTBC Bank	2022.03.30~2023.04.30	Comprehensive loan for the operation of our company	None
Loan Agreement	Shanghai Commercial and Savings Bank	2022.05.30~2023.05.30	Comprehensive loan for the operation of our company	None
Loan Agreement	Chang Hwa Bank	2023.02.23~2023.12.31	Comprehensive loan for the operation of our company	None
Loan Agreement	Taishin International Bank	2022.05.26~2023.05.31	Comprehensive loan for the operation of our company	None
Loan Agreement	Farmers Bank of China	2022.06.10~2023.06.10	Comprehensive loan for the operation of our company	None
Loan Agreement	Yuanta Commercial Bank	2022.09.28~2023.09.27	Comprehensive loan for the operation of our company	None
Loan Agreement	SinoPac Commercial Bank	2023.01.18~2024.01.31	Comprehensive loan for the operation of our company	None
Loan Agreement	China Bills Finance Corporation Limited	2022.05.23~2023.05.22	Comprehensive loan for the operation of our company	None
Loan Agreement	Grand Central Bills Finance Corporation Limited	2022.07.29~2023.07.28	Comprehensive loan for the operation of our company	None
Investment Agreement (including Supplementary Agreement) (Hubei)	Tianmen Municipal People's Government	2019.02.23	Investment in the Hotron Precision Electronics Industrial Park project	None
Second Supplementary Agreement to Investment Agreement (Hubei)	Tianmen Municipal People's Government	2019.05.20	Investment in the Hotron Precision Electronics Industrial Park project	None
Third Supplementary Agreement to Investment Agreement (Hubei)	Tianmen Municipal People's Government	2019.09.02	Investment in the Hotron Precision Electronics Industrial Park project	None
Fourth Supplementary Agreement to Investment Agreement (Hubei)	Tianmen Municipal People's Government	2020.04.23	Investment in the Hotron Precision Electronics Industrial Park project	None
Fifth Supplementary Agreement to Investment Agreement (Hubei)	Tianmen Municipal People's Government	2022.03.31	Investment in the Hotron Precision Electronics Industrial Park project	None

VI. Financial Information

1. Financial Summary for the 5 Most Recent Fiscal Years

(1) Condensed Balance Sheet

Adoption of International Financial Reporting Standards - Consolidated Statements

Unit :NT\$ Thousand Dollars

Item	Fiscal Year (Note 1)	2018	2019	2020	2021	2022	Financial information as of 2023.03.31 of the current fiscal year (Note 3)
Current Assets		2,680,056	2,582,114	2,539,340	2,716,442	2,728,549	Not applicable
Property, Plant and Equipment (Note 2)		550,232	590,493	1,287,476	1,790,292	2,313,052	
Intangible Assets		1,809	819	386	377	5,853	
Other Assets (Note 2)		59,152	27,101	31,571	236,079	99,755	
Total Assets		3,563,160	3,540,887	4,241,380	5,005,518	5,422,823	
Current Liabilities	Before Distribution	1,771,717	1,814,902	1,434,606	2,049,806	2,254,428	
	After Distribution	2,091,272	2,001,309	1,559,528	2,049,806	-	
Non-current liabilities		94,606	98,521	1,112,518	1,025,501	1,105,564	
Total Liabilities	Before Distribution	1,866,323	1,913,423	2,547,124	3,075,307	3,359,992	
	After Distribution	2,185,878	2,099,830	2,672,046	3,075,307	-	
Equity attributable to owners of the parent company		1,696,837	1,627,464	1,694,256	1,930,211	2,062,831	
Share Capital		710,122	745,628	832,810	923,181	932,210	
Capital Surplus		272,627	272,635	366,325	616,880	641,858	
Retained Earnings	Before Distribution	783,286	726,453	607,722	505,196	571,597	
	After Distribution	428,225	480,396	482,800	505,196	-	
Other Equity		(69,198)	(117,252)	(112,601)	(115,046)	(82,834)	
Treasury Shares		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total Equity	Before Distribution	1,696,837	1,627,464	1,694,256	1,930,211	2,062,831	
	After Distribution	1,341,776	1,441,057	1,569,334	1,930,211	-	

Note 1: The financial data from the fiscal years 2018 to 2022 have all been audited by the CPA.

Note 2: No asset revaluations were conducted in the fiscal years 2018 to 2022.

Note 3: The Q1 2023 consolidated financial statements are under review by the CPA, hence they are not included in the disclosure.

Note 4: The mentioned post-distribution figures are filled in according to the resolutions of the board of directors or the subsequent shareholders' meeting. The distribution situation for the fiscal year 2022 is not disclosed as the annual shareholders' meeting has not yet been held.

Adoption of International Financial Reporting Standards - Individual Financial Statements

Unit: NT\$ Thousand Dollars

Fiscal Year (Note 1)	2018	2019	2020	2021	2022	Financial information as of 2023.03.31 of the current fiscal year (Note 3)	
Item							
Current Assets	680,873	732,786	800,838	840,534	972,292	Not applicable	
Property, Plant and Equipment (Note 2)	158,423	155,311	152,215	107,576	105,244		
Intangible Assets	0	0	0	111	887		
Other Assets (Note 2)	2,575	1,153	1,769	2,034	2,920		
Total Assets	2,602,904	2,769,386	2,920,371	2,964,150	3,172,646		
Current Liabilities	Before distribution	811,230	1,048,799	748,968	940,445		1,015,679
	After distribution	1,130,785	1,235,206	873,890	940,445		-
Non-current Liabilities	94,837	93,123	477,147	93,494	94,136		
Total Liabilities	Before distribution	906,067	1,141,922	1,226,115	1,033,939		1,109,815
	After distribution	1,225,622	1,328,329	1,351,037	1,033,939		-
Equity attributable to owners of the parent company	1,696,837	1,627,464	1,694,256	1,930,211	2,062,831		
Share Capital	710,122	745,628	832,810	923,181	932,210		
Capital Surplus	272,627	272,635	366,325	616,880	641,858		
Retained Earnings	Before distribution	783,286	726,453	607,722	505,196		571,597
	After distribution	428,225	480,396	482,800	505,196		-
Other Equity	(69,198)	(117,252)	(112,601)	(115,046)	(82,834)		
Treasury Shares	-	-	-	-	-		
Non-controlling interests	-	-	-	-	-		
Total Equity	Before distribution	1,696,837	1,627,464	1,694,256	1,930,211		2,062,831
	After distribution	1,377,282	1,441,057	1,569,334	1,930,211		-

Note 1: The financial data from the fiscal years 2018 to 2022 have all been audited by the CPA.

Note 2: No asset revaluations were conducted in the fiscal years 2018 to 2022.

Note 3: The financial statements are prepared in accordance with International Financial Reporting Standards, hence no individual financial statements for the company have been issued.

Note 4: The mentioned post-distribution figures are filled in according to the resolutions of the board of directors or the subsequent shareholders' meeting. The distribution situation for the fiscal year 2022 is not disclosed as the annual shareholders' meeting has not yet been held.

(2) Consolidated Statement of Comprehensive Income

Adoption of International Financial Reporting Standards - Consolidated StatementsUnit :NT\$ Thousand Dollars
(Apart from earnings per share in NT\$)

Fiscal Year (Note 1)	2018	2019	2020	2021	2022	Financial information as of 2023.03.31 of the current fiscal year (Note 3)
Operating Revenue	3,118,343	3,102,961	2,651,387	3,006,985	3,362,189	Not applicable
Gross Profit	828,909	772,649	640,425	490,483	578,812	
Operating Income	506,905	361,112	159,445	26,862	82,256	
Non-operating Income and Expenses	5,040	2,431	2,045	(379)	(4,680)	
Profit Before Income Tax (Loss)	511,945	363,543	161,490	26,483	77,576	
Net Profit (Loss) for the Period	393,629	300,124	127,301	22,676	65,746	
Other Comprehensive Income for the Period (Net of Income Tax)	(23,666)	(49,950)	4,676	(2,725)	32,867	
Total Comprehensive Income for the Period	369,963	250,174	131,977	19,951	98,613	
Net Income Attributable to Owners of the Parent	393,629	300,124	127,301	22,676	65,746	
Net Income Attributable to Non-controlling Interests	-	-	-	-	-	
Total Comprehensive Income Attributable to Owners of the Parent	369,963	250,174	131,977	19,951	98,613	
Total Comprehensive Income Attributable to Non-controlling Interests	-	-	-	-	-	
Earnings Per Share (Note 2)	5.28	3.73	1.58	0.25	0.71	

Note 1: The financial data from the fiscal years 2018 to 2022 have all been audited by the CPA.

Note 2: Calculated based on the weighted average number of shares after retrospective adjustment.

Note 3: The Q1 2023 consolidated financial statements are under review by the CPA, hence they are not included in the disclosure.

Adoption of International Financial Reporting Standards-Individual Financial Statements

Unit: NT\$ Thousand Dollars

(Apart from earnings per share in NT\$)

Item \ Fiscal Year (Note 1)	2018	2019	2020	2021	2022	Financial information as of 2023.03.31 of the current fiscal year (Note 3)
Operating Revenue	416,234	492,602	331,833	538,469	778,225	Not applicable
Gross Profit	109,947	205,709	165,314	74,401	77,703	
Operating Income	41,207	127,508	64,927	20,178	90,955	
Non-operating Income and Expenses	404,366	201,269	76,461	8,052	(7,384)	
Profit Before Income Tax (Loss)	445,573	328,777	141,388	28,230	83,571	
Net Profit (Loss) for the Period	393,629	300,124	127,301	22,676	65,746	
Other Comprehensive Income for the Period (Net of Income Tax)	(23,666)	(49,950)	4,676	(2,725)	32,867	
Total Comprehensive Income for the Period	369,963	250,174	131,977	19,951	98,613	
Earnings Per Share (Note 2)	5.28	3.73	1.58	0.25	0.71	

Note 1: The financial data from the fiscal years 2018 to 2022 have all been audited by the CPA.

Note 2: Calculated based on the weighted average number of shares after retrospective adjustment.

Note 3: The financial statements are prepared in accordance with International Financial Reporting Standards, hence no individual financial statements for the company have been issued.

(3) Significant matters affecting the consistency of the above financial statements for comparison and their impact on the financial statements of the year: None.

(4) Names of the CPAs for the most recent five fiscal years and their audit opinions

Fiscal Year	Name of accounting firm	Names of CPAs	Audit opinion	Note
2018	PwC Taiwan	WU, HAN-CHI ZHI, BING-JUN	Unqualified opinion	Note 1
2019	PwC Taiwan	WU, HAN-CHI LIN, YA-HUI	Unqualified opinion	Note 2
2020	PwC Taiwan	WU, HAN-CHI LIN, YA-HUI	Unqualified opinion	-
2021	PwC Taiwan	WU, HAN-CHI LIN, YA-HUI	Unqualified opinion	-
2022	PwC Taiwan	WU, HAN-CHI LIN, YA-HUI	Unqualified opinion	-

Note 1: In the fiscal year 2018, in order to comply with the auditor rotation regulations of PwC Taiwan, the company changed its CPAs from RUAN LU, MAN-YU and ZHI, BING-JUN to WU, HAN-CHI and ZHI, BING-JUN.

Note 2: In the fiscal year 2019, in order to comply with the auditor rotation regulations of PwC Taiwan, the company changed its CPAs from WU, HAN-CHI and ZHI, BING-JUN to WU, HAN-CHI and LIN, YA-HUI.

2. Financial Analysis for the 5 Most Recent Fiscal Years

(1) Financial Analysis

i. Adoption of International Financial Reporting Standards – Consolidated Financial Analysis

Item(Note 3)		Fiscal Year (Note 1)	Financial Analysis					Financial information as of 2023.03.31 of the current fiscal year (Note 2)
		2018	2019	2020	2021	2022		
Financial structure (%)	Debt to assets ratio	52.38	54.04	60.05	61.44	61.96	Not applicable	
	Ratio of long-term capital to property, plant and equipment	308.39	275.61	218.01	165.10	136.98		
Solvency (%)	Current ratio	151.27	142.27	177.01	132.52	121.03		
	Quick ratio	112.63	111.54	139.69	90.65	73.61		
	Times interest earned	36.04	30.86	16.21	4.29	4.7		
Operating performa nce	Accounts receivable turnover (times)	2.73	2.48	2.27	2.41	2.78		
	Average collection days	134	147	161	152	131		
	Inventory turnover (times)	3.98	3.73	3.63	3.6	2.82		
	Accounts payable turnover (times)	4.95	4.57	4.67	5.05	6.37		
	Average days in sales	92	98	101	101	129		
	Property, plant and equipment turnover (times)	5.67	5.25	2.06	1.68	1.45		
	Total asset turnover (times)	0.88	0.88	0.63	0.6	0.62		
Profitabili ty	Return on total assets (%)	12.30	8.72	3.49	0.63	1.58		
	Return on equity (%)	23.84	18.06	7.66	1.25	3.29		
	Ratio of income before tax to paid-in capital (%) (Note 7)	72.09	48.76	19.39	2.87	8.32		
	Net profit margin (%)	12.62	9.67	4.8	0.75	1.96		
	Earnings per share (NT\$)	5.28	4.03	1.58	0.25	0.71		
Cash flow	Cash flow ratio (%)	16.60	23.61	18.86	-17.90	-1.09		
	Cash flow adequacy ratio (%)	122.35	146.11	121.61	55.63	29.20		
	Cash reinvestment ratio (%)	0.66	4.67	2.43	-13.46	-0.61		
Leverage	Operating leverage	1.02	1.25	1.92	4.93	2.15		
	Financial leverage	1.03	1.03	1.07	1.43	1.34		

* Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis can be omitted if the increase or decrease does not reach 20%)

1. Financial Structure: Analysis can be omitted if the increase or decrease does not reach 20%.
2. Solvency: The change did not reach 20%, so analysis is not proposed.
3. Operating performance: Analysis can be omitted if the increase or decrease does not reach 20%.
 - (1) Decrease in inventory turnover: This is mainly due to the increase in ending inventory in 2022.
 - (2) Increase in accounts payable turnover: This is mainly due to the decrease in accounts payable at the end of 2022 and the increase in cost of goods sold.
 - (3) Increase in average sales days: This is mainly due to the decrease in inventory turnover in 2022.
4. Profitability:
 - (1) Increase in return on assets: This is mainly due to the increase in net profit after tax in 2022, which led to an increase in return on assets.
 - (2) Increase in return on equity: This is mainly due to the increase in net profit after tax in 2022.
 - (3) Increase in pre-tax profit ratio to paid-in capital: This is mainly due to the increase in pre-tax profit in 2022.
 - (4) Increase in net profit margin: This is mainly due to the increase in net profit after tax in 2022.
 - (5) Increase in earnings per share: This is mainly due to the increase in net profit after tax in 2022.
5. Cash Flow:
 - (1) Increase in cash flow ratio: This is mainly due to the decrease in net cash outflow from operating activities in 2022.
 - (2) Decrease in cash flow adequacy ratio: This is mainly due to the decrease in cash inflow from operating activities in the past five years and the increase in inventory in the past five years.
 - (3) Increase in cash reinvestment ratio: This is mainly due to the decrease in net cash outflow from operating activities in 2022, and the increase in property, plant, and equipment.
6. Leverage:
 - (1) Decrease in operating leverage: This is mainly due to the increase in operating profit in 2022.

ii. Adoption of International Financial Reporting Standards – Individual Financial Analysis

Item(Note 3)		Fiscal Year (Note 1)	Financial Analysis					Financial information as of 2023.03.31 of the current fiscal year (Note 2)
		2018	2019	2020	2021	2022		
Financial structure (%)	Debt to assets ratio	34.81	41.23	41.98	34.88	34.98	Not applicable	
	Ratio of long-term capital to property, plant and equipment	1071.08	1047.87	1426.54	1794.28	2049.49		
Solvency (%)	Current ratio	83.93	69.87	106.93	89.38	95.73		
	Quick ratio	83.19	63.01	106.10	62.28	57.75		
	Times interest earned	55.80	42.59	15.12	4.91	9.22		
Operating performance	Accounts receivable turnover (times)	1.77	3.05	1.57	2.12	2.21		
	Average collection days	207	120	232	173	166		
	Inventory turnover (times)	33.81	25.49	14.62	64.84	56.87		
	Accounts payable turnover (times)	4.62	104.48	29.49	82.19	0		
	Average days in sales	11	14	25	6	6		
	Property, plant and equipment turnover (times)	2.63	3.17	2.18	5.01	7.39		
	Total asset turnover (times)	0.16	0.18	0.11	0.18	0.25		
Profitability	Return on total assets (%)	15.25	11.41	4.76	0.97	2.41		
	Return on equity (%)	23.84	18.06	7.66	1.25	3.29		
	Ratio of income before tax to paid-in capital (%) (Note 7)	62.75	44.09	16.98	3.06	8.96		
	Net profit margin (%)	94.57	60.93	38.36	4.21	8.45		
	Earnings per share (NT\$)	5.28	4.03	1.58	0.25	0.71		
Cash flow	Cash flow ratio (%)	41.01	-21.74	44.15	-59.51	6.23		
	Cash flow adequacy ratio (%)	106.39	68.48	86.75	12.87	-6.49		
	Cash reinvestment ratio (%)	3.00	-31.48	6.59	-33.45	2.90		
Leverage	Operating leverage	0.36	1.15	1.79	1.77	0.38		
	Financial leverage	1.25	1.07	1.18	1.56	1.13		

* Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis can be omitted if the increase or decrease does not reach 20%)

1. Financial Structure: Analysis can be omitted if the increase or decrease does not reach 20%.

2. Solvency:

(1) Increase in interest coverage ratio: This is mainly due to the increase in pre-tax net profit in 2022, which resulted in an increase in the interest coverage ratio.

3. Operating performance:

(1) Decrease in accounts payable turnover: This is mainly due to the decrease in accounts payable and Notes payable in 2022.

(2) Increase in turnover of property, plant, and equipment: This is mainly due to the increase in net sales in 2022.

(3) Increase in total asset turnover: This is mainly due to the increase in net sales in 2022.

4. Profitability:

(1) Increase in return on assets: This is mainly due to the increase in net profit after tax in 2022.

(2) Increase in return on equity: This is mainly due to the increase in net profit after tax in 2022.

(3) Increase in pre-tax profit ratio to paid-in capital: This is mainly due to the increase in pre-tax net profit in 2022.

(4) Increase in net profit margin: This is mainly due to the increase in net profit after tax in 2022.

- (5) Increase in earnings per share: This is mainly due to the increase in net profit after tax in 2022.
5. Cash Flow:
- (1) Increase in cash flow ratio: This is mainly due to the net cash inflow from operating activities in 2022.
- (2) Decrease in cash flow adequacy ratio: This is mainly due to the cash outflow from operating activities and the increase in inventory in the past five years.
- (3) Increase in cash reinvestment ratio: This is mainly due to the net cash inflow from operating activities in 2022.
6. Leverage:
- (1) Decrease in operating leverage: This is mainly due to the increase in operating profit in 2022.
- (2) Decrease in financial leverage: This is mainly due to the increase in operating profit in 2022.

Note 1: The financial data for each year listed above has been audited and certified by a CPA.

Note 2: The audit of the consolidated financial statements for the first quarter of 2023 is in progress, hence it is not disclosed together. The preparation of the financial statements is in accordance with International Financial Reporting Standards, therefore no separate financial statements for the company have been issued.

Note 3: At the end of this table in the annual report, the calculation formulas should be shown as follows:

1. Financial 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) Times interest earned = earnings before tax and interest expenses / current interest expenses.

3. Operating performance

- (1) Accounts receivable (including accounts receivable and Notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and Notes receivable arising from business activities).
- (2) Average collection days = 365 / accounts receivable turnover.
- (3) Inventory turnover = cost of goods sold / average inventory.
- (4) Accounts payable (including accounts payable and Notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and Notes payable arising from business activities).
- (5) Average days in sales = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
- (7) Total asset turnover = net sales / average total assets.

4. Profitability

- (1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.
- (2) Return on equity = net income after tax / average total equity.
- (3) Net profit margin = net income after tax / net sales.
- (4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding. (Note 4)

5. Cash flow

- (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).
- (3) Cash reinvestment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)

6. Leverage:

- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income (Note 6).
- (2) Financial leverage = operating income / (operating income – interest expenses).

Note 4: Special attention should be paid to the following when calculating earnings per share by the above equation:

1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.
2. If there is any cash capital increase or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.
3. If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.

Note 5: Special attention shall be paid to the following when making the calculations for cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures refers to the annual cash outflow used in capital investment.
3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
4. Cash dividends include the cash dividends of 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 6: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

Note 7: If the Company's shares have no par value or the par value per share is not NT\$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, Parent Company Only Financial Statements and Consolidated Financial Statements, which have been audited by CPAs WU, HAN-CHI and LIN, YA-HUI of PwC Taiwan, and have been reviewed by the Audit Committee and have considered that there are no discrepancies, in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To
Hotron Precision Electronic Industrial Co., Ltd.
2023 Annual General Shareholders' Meeting

Audit Committee Convener: CHOU, CHE-YI

February 24, 2023

Audit Committee's Report

The Board of Directors has prepared the proposal for the Company's distribution of earnings for 2022, which have been reviewed by the Audit Committee and have considered that there are no discrepancies, in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To
Hotron Precision Electronic Industrial Co., Ltd.
2023 Annual General Shareholders' Meeting

Audit Committee Convener: CHOU, CHE-YI

April 17, 2023

4. Financial statement for the most recent fiscal year, including an auditor's report prepared by a CPA, and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity, cash flow chart, and any related footNotes or attached appendices audited by CPA

Hotron Precision Electronic Industrial Co., Ltd. and Subsidiaries

Declaration of Consolidation of Financial Statements of Affiliates

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the years ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Company name: Hotron Precision Electronic Industrial Co., Ltd.

Chairman: CHANG, LI-JUNG

February 24, 2023

Independent Auditors' Report
(2023) No. Financial-Supervisory-Securities-Auditing-22003983

To Hotron Precision Electronic Industrial Co., Ltd.:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Valuation for Inventories

Explanations

For the accounting policies concerning the valuation of inventories, please refer to Note 4(j) to the consolidated financial statements. For the uncertainty arising from accounting estimates and assumptions of the valuation of inventories, please refer to Note 5(b) to the consolidated financial statements. For the explanations of the allowance for reduction of inventory to market, please refer to Note 6(c) to the consolidated financial statements. The inventories and allowance for inventory valuation losses amounted to NT\$1,116,557 thousands and NT\$74,888 thousands respectively as of December 31, 2022.

The Group manufactures and sells cables and wires for 3C products. As the life cycle of electronic products is very short, and the market is highly competitive, the risk of suffering from inventory valuation losses is high. The Group measure inventories by the lower of cost and net realizable value. Net realizable value is estimated by the actual average selling prices less the variable selling expense. However, as the net realizable value used in inventory valuation is involved in subjective judgment, it has the characteristic of high uncertainty arising from accounting estimates. The valuation of the allowance inventory valuation losses has been identified as one of the key audit matters.

Audit procedures in response

The main audit procedures in response to the allowance inventory valuation losses implemented are summarized below:

1. Obtain an understanding of the operation and the nature of the industry of the Group, to assess the rationality of the recognition policies and procedures of the allowance inventory valuation losses, including the rationality of base to determine the net realizable value.
2. Obtain an understanding of the process of hub management, check the annual stocktaking plan, and participate in the annual stocktaking, to assess the effectiveness of identifying and controlling the inventories by the management.
3. Verify the appropriateness of the inventory aging report used for inventory valuation, to ensure the information in the report is in consistency with the policies.
4. Perform the verification of the logic to calculate the net realizable value of the inventories, to assess the rationality of determining the allowance inventory valuation losses.

Revenue Cut-off of Sales from Hubs

Explanations

For the accounting policies concerning the recognition of revenue, please refer to Note 4(22) to the consolidated financial statements.

There are two main types of sales, including recognizing revenue after shipping from the factory, and recognizing revenue after shipping from hubs. The revenue of the sales from the hubs shall be recognized after the end customers pick up the cargo and the transfer of the risk and reward has been confirmed. The Group recognizes revenue based on the information of actual shipments from the hub to the customers derived from the report or other information provided by the hub's custodian.

The revenue of sales from hubs is recognized based on the report or other information provided by the hub's custodian and the revenue recognition involves numerous manual procedures. As there are numerous sales from hubs, and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, revenue cut-off of sales from hubs has been identified as one of the key audit matters.

Audit procedures in response

The main audit procedures in response to the revenue cut-off of sales from hubs implemented are summarized below:

1. Obtain an understanding of the revenue recognition procedures of the sales from hubs, including obtaining an understanding of the relevant internal control procedures and the information and reports provided by the hub's custodian, to assess the appropriateness of the revenue recognition of sales from hubs.
2. Perform the internal control testing to the revenue from the sales from hubs, to ensure the Group recognized revenue after the end customers pick up the cargo and the transfer of the risk and reward has been confirmed.
3. Perform the revenue cut-off testing to the transactions of sales from hub during a certain period prior and after the balance sheet date, including verifying the supporting documents, shipping certificates, and revenue recognition has been recorded in the appropriate period.
4. Send confirmation letters about the inventory quantities to the hubs, and verify the number with the quantities in the account books.

Other Matter—Parent Company Only Financial Statements

We have also audited the parent company only financial statements of Hotron Precision Electronic Industrial Co., Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards

(IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in 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 auditing standards generally accepted in 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 from 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are

required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, we are required to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, 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 audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers Taiwan
WU, HAN-CHI
CPA
LIN, YA-HUI

Securities and Futures Bureau
Reference number of the approval letter: (90)No.
Taiwan-Finance-Securities-VI-157088
Financial Supervisory Commission
Reference number of the approval letter: No.
Financial-Supervisory-Securities-Auditing-1070323061

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HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD. AND THE SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Assets	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current Assets						
1100	Cash and cash equivalents	6(a)	\$ 566,947	10	\$ 371,589	8
1150	Notes receivables, net	6(b)	8,683	-	15,031	-
1170	Accounts receivables, net	6(b)	975,045	18	1,415,485	28
1200	Other receivables		32,164	1	4,461	-
1220	Current tax assets		-	-	2,247	-
130X	Inventories	6(c)	1,041,669	19	803,372	16
1410	Prepayments		27,312	1	54,912	1
1479	Other current assets– others	6(d)	76,729	1	49,345	1
11XX	Total current assets		<u>2,728,549</u>	<u>50</u>	<u>2,716,442</u>	<u>54</u>
Non-current assets						
1600	Property, plant and equipment	6(e), 8	2,313,052	43	1,790,292	36
1755	Right-of-use Assets	6(f)	97,533	2	97,518	2
1760	Investment property, net	6(h), 8	139,996	2	142,318	3
1780	Intangible assets		5,853	-	377	-
1840	Deferred income tax assets	6(y)	38,085	1	22,492	-
1900	Other non-current assets	6(i)	99,755	2	236,079	5
15XX	Total non-current assets		<u>2,694,274</u>	<u>50</u>	<u>2,289,076</u>	<u>46</u>
1XXX	Total assets		<u>\$ 5,422,823</u>	<u>100</u>	<u>\$ 5,005,518</u>	<u>100</u>

(Continued)

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD. AND THE SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current Liabilities						
2100	Short-term borrowings	6(j),h	\$ 1,387,703	26	\$ 865,955	17
2110	Short-term notes and bills payable	6(k)	139,840	3	179,922	4
2120	Current financial liabilities at fair value through profit or loss	6(m)	2,116	-	1,811	-
2130	Current contract liabilities	6(t)	6,669	-	-	-
2150	Notes payables		8,815	-	6,878	-
2170	Accounts payables		254,304	5	604,267	12
2200	Other payables	6(l)	400,978	7	329,482	7
2230	Current tax liabilities	6(y)	34,034	1	6,913	-
2280	Lease liabilities-current		2,325	-	2,066	-
2320	Long-term liabilities-current portion	6(n),8	8,182	-	42,055	1
2399	Other current liabilities-others		9,462	-	10,457	-
21XX	Total Current liabilities		<u>2,254,428</u>	<u>42</u>	<u>2,049,806</u>	<u>41</u>
Non-current liabilities						
2570	Deferred tax liabilities	6(y)	87,410	1	91,377	2
2580	Lease liabilities-non-current		2,208	-	4,467	-
2600	Other non-current liabilities	6(o)	1,015,946	19	929,657	18
25XX	Total non-current liabilities		<u>1,105,564</u>	<u>20</u>	<u>1,025,501</u>	<u>20</u>
2XXX	Total liabilities		<u>3,359,992</u>	<u>62</u>	<u>3,075,307</u>	<u>61</u>
Equity						
Equity attributable to the owner of the company						
Share capital						
3110	Ordinary share	6(q)	932,210	17	923,181	19
Capital surplus						
3200	Capital surplus	6(r)	641,858	12	616,880	12
Retained earnings						
3310	Legal reserve	6(s)	220,291	4	218,051	4
3320	Special reserve		115,046	2	112,601	2
3350	Unappropriated earnings		236,260	4	174,544	4
Other equity						
3400	Other equity		(82,834)	(1)	(115,046)	(2)
31XX	Total equity attributable to the owner of the company		<u>2,062,831</u>	<u>38</u>	<u>1,930,211</u>	<u>39</u>
3XXX	Total equity		<u>2,062,831</u>	<u>38</u>	<u>1,930,211</u>	<u>39</u>
Significant contingencies and unrecognized contract commitments						
Significant subsequent events						
3X2X	Total liabilities and equity		<u>\$ 5,422,823</u>	<u>100</u>	<u>\$ 5,005,518</u>	<u>100</u>

Please refer to the accompanying notes as an integral part of the consolidated financial statements.

Chairman: CHANG, LI-JUNG

General Manager: LU, I-HSUAN

Accounting Officer: HSU, KUO-HUANG

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD. AND THE SUBSIDIARIES

Consolidated Statements of Comprehensive Income

As of and For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars
(Earnings per share is expressed in New Taiwan Dollars)

Items	Notes	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	6(t)	\$ 3,362,189	100	\$ 3,006,985	100
5000 Operating costs	6(c)(x), 7	(2,783,377)	(83)	(2,516,502)	(84)
5900 Net gross profit		<u>578,812</u>	<u>17</u>	<u>490,483</u>	<u>16</u>
Operating expenses	6(x), 7				
6100 Selling expenses		(132,966)	(4)	(119,593)	(4)
6200 Administrative expenses		(306,782)	(9)	(225,988)	(8)
6300 Research and development expense		(121,045)	(4)	(99,333)	(3)
6000 Total operating expenses		<u>(560,793)</u>	<u>(17)</u>	<u>(444,914)</u>	<u>(15)</u>
6500 Other revenue and expenses	6(u)	<u>64,237</u>	<u>2</u>	<u>(18,707)</u>	<u>-</u>
6900 Net operating income		<u>82,256</u>	<u>2</u>	<u>26,862</u>	<u>1</u>
Non-operating income and expenses					
7100 Interest revenue		6,316	-	6,340	-
7010 Other revenue		11,795	-	4,587	-
7020 Other gains and losses	6(v)	(1,851)	-	(3,253)	-
7050 Finance cost	6(w)	(20,940)	-	(8,053)	-
7000 Total non-operating income and expenses		<u>(4,680)</u>	<u>-</u>	<u>(379)</u>	<u>-</u>
7900 Profit before tax		<u>77,576</u>	<u>2</u>	<u>26,483</u>	<u>1</u>
7950 Income tax expenses	6(y)	<u>(11,830)</u>	<u>-</u>	<u>(3,807)</u>	<u>-</u>
8200 Profit		<u>\$ 65,746</u>	<u>2</u>	<u>\$ 22,676</u>	<u>1</u>
Other comprehensive income, net					
Items not to be reclassified into profit or loss					
8311 Remeasurements of defined benefit plans	6(p)	\$ 819	-	(\$ 350)	-
8349 Income tax related to items of other comprehensive income not to be reclassified to profit or loss	6(y)	(164)	-	70	-
8310 Items not to be reclassified into profit or loss		<u>655</u>	<u>-</u>	<u>(280)</u>	<u>-</u>
Items that may be subsequently reclassified into profit or loss					
8361 Exchange differences on translation of foreign financial statements		<u>32,212</u>	<u>1</u>	<u>(2,445)</u>	<u>-</u>
8360 Items that may be subsequently reclassified into profit or loss		<u>32,212</u>	<u>1</u>	<u>(2,445)</u>	<u>-</u>
8300 Other comprehensive income (loss), net of tax		<u>\$ 32,867</u>	<u>1</u>	<u>(\$ 2,725)</u>	<u>-</u>
8500 Total comprehensive income		<u>\$ 98,613</u>	<u>3</u>	<u>\$ 19,951</u>	<u>1</u>
Net profit (loss) attributable to:					
8610 Owners of the Company		<u>\$ 65,746</u>	<u>2</u>	<u>\$ 22,676</u>	<u>1</u>
Total comprehensive income (loss) attributable to:					
8710 Owners of the Company		<u>\$ 98,613</u>	<u>3</u>	<u>\$ 19,951</u>	<u>1</u>
Earnings per share	6(z)				
9750 Basic earnings per share		<u>\$ 0.71</u>	<u>\$ 0.25</u>		
9850 Diluted earnings per share		<u>\$ 0.71</u>	<u>\$ 0.25</u>		

Please refer to the accompanying notes as an integral part of the consolidated financial statements

Chairman: CHANG, LI-JUNG

General Manager: LU, I-HSUAN

Accounting Officer: HSU, KUO-HUANG

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD. AND THE SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

	Notes	Equity attributable to owners of parent									
		Capital surplus				Retained earnings			Other equity Exchange differences on translation of foreign financial statements	Total equity	
		Ordinary Shares	Capital surplus	Treasury share transactions	Share options	Others	Legal reserve	Special reserve			Unappropriated retained earnings
2021											
Balance at January 1, 2021		\$ 832,810	\$ 351,320	\$ 1,615	\$ 13,377	\$ 13	\$ 205,318	\$ 117,252	\$ 285,152	(\$ 112,601)	\$ 1,694,256
Profit		-	-	-	-	-	-	-	22,676	-	22,676
Other comprehensive income		-	-	-	-	-	-	-	(280)	(2,445)	(2,725)
Total comprehensive income		-	-	-	-	-	-	-	22,396	(2,445)	19,951
Appropriation and distribution of 2020 earnings: 6(s)											
Legal reserve		-	-	-	-	-	12,733	-	(12,733)	-	-
Special reserve		-	-	-	-	-	-	(4,651)	4,651	-	-
Cash dividends		-	-	-	-	-	-	-	(124,922)	-	(124,922)
Conversion of convertible bonds	6(n)(q)	90,371	262,477	-	(11,927)	-	-	-	-	-	340,921
Unclaimed dividends overdue transferred to capital surplus		-	-	-	-	5	-	-	-	-	5
Balance at December 31, 2021		\$ 923,181	\$ 613,797	\$ 1,615	\$ 1,450	\$ 18	\$ 218,051	\$ 112,601	\$ 174,544	(\$ 115,046)	\$ 1,930,211
2022											
Balance at January 1, 2022		\$ 923,181	\$ 613,797	\$ 1,615	\$ 1,450	\$ 18	\$ 218,051	\$ 112,601	\$ 174,544	(\$ 115,046)	\$ 1,930,211
Profit		-	-	-	-	-	-	-	65,746	-	65,746
Other comprehensive income		-	-	-	-	-	-	-	655	32,212	32,867
Total comprehensive income		-	-	-	-	-	-	-	66,401	32,212	98,613
Appropriation and distribution of 2021 earnings: 6(s)											
Legal reserve		-	-	-	-	-	2,240	-	(2,240)	-	-
Special reserve		-	-	-	-	-	-	2,445	(2,445)	-	-
Conversion of convertible bonds	6(n)(q)	9,029	26,140	-	(1,171)	-	-	-	-	-	33,998
Unclaimed dividends overdue transferred to capital surplus		-	-	-	-	9	-	-	-	-	9
Balance at December 31, 2022		\$ 932,210	\$ 639,937	\$ 1,615	\$ 279	\$ 27	\$ 220,291	\$ 115,046	\$ 236,260	(\$ 82,834)	\$ 2,062,831

Please refer to the accompanying notes as an integral part of the consolidated financial statements.

Chairman: CHANG, LI-JUNG

General Manager: LU, I-HSUAN

Accounting Officer: HSU, KUO-HUANG

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD. AND THE SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 77,576	\$ 26,483
Adjustments			
Items charges (credits) not affecting cash			
Depreciation expense (including right-of-use assets and investment properties)	6(e)(f)(h) (x)	157,368	86,393
Amortization expense	6(x)	1,123	360
Interest expense	6(w)	20,735	6,819
Interest revenue		(6,316)	(6,340)
Bond discount amortization	6(w)	205	1,234
Loss (Gain) from disposal of property, plant and equipment	6(v)	(1,633)	1,874
Net loss on financial assets at fair value through profit or loss	6(m) (v)	225	1,228
Changes in operating assets and liabilities			
Net changes in operating assets			
Notes receivable		6,348	(7,677)
Accounts receivable		440,440	(354,195)
Other receivables		(23,916)	20,146
Inventories		(238,297)	(295,525)
Prepayments		27,665	(27,404)
Other current assets		(27,239)	(39,310)
Other non-current assets		(2,950)	(3,773)
Net changes in operating liabilities			
Contract liabilities		6,669	-
Notes payables		1,937	6,378
Accounts payables		(349,963)	219,777
Other payables		(93,422)	21,148
Other current liabilities		(995)	6,775
Other non-current liabilities		(674)	(827)
Cash inflow (outflow) generated from operations		(5,114)	(336,436)
Interest received		6,745	5,181
Interest paid		(19,653)	(6,793)
Income taxes paid		(6,486)	(28,967)
Net cash inflow (outflow) provided by operating activities		(24,508)	(367,015)

(Continued)

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD. AND THE SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

	<u>Notes</u>	<u>For the year ended</u> <u>December 31, 2022</u>	<u>For the year ended</u> <u>December 31, 2021</u>
<u>Cash flows from investing activities</u>			
Acquisition of property, plant and equipment	6(aa)	(\$ 243,131)	(\$ 132,544)
Proceeds from disposal of property, plant and equipment		32,078	1,146
Acquisition of intangible assets		(6,541)	(353)
Increase (decrease) in refundable deposits		(733)	1,035
Increase in prepayments for equipment		(40,077)	(211,621)
Decrease in financial assets at amortized cost-current		<u>-</u>	<u>165,184</u>
Net cash inflow (outflow) provided by investing activities		<u>(258,404)</u>	<u>(177,153)</u>
<u>Cash flows from financing activities</u>			
Increase in short-term borrowings	6(ab)	521,748	193,272
Increase (Decrease) in short-term notes payables	6(ab)	(40,082)	99,932
Increase in guaranteed deposits received		5,854	921
Repayments of lease principal	6(ab)	(2,103)	(3,046)
Cash dividends paid	6(t)	<u>-</u>	<u>(124,922)</u>
Net cash inflow (outflow) provided by financing activities		<u>485,417</u>	<u>166,157</u>
Effect of movements in exchange on cash and cash equivalents		<u>(7,147)</u>	<u>(8,245)</u>
Net increase (decrease) in cash and cash equivalents		195,358	(386,256)
Cash and cash equivalents at the beginning of period	6(a)	<u>371,589</u>	<u>757,845</u>
Cash and cash equivalents at the end of period	6(a)	<u>\$ 566,947</u>	<u>\$ 371,589</u>

Please refer to the accompanying notes as an integral part of the consolidated financial statements.

Chairman: CHANG, LI-JUNG

General Manager: LU, I-HSUAN

Accounting Officer: HSU, KUO-HUANG

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD. AND SUBDISIARIES

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

(1) Company history

Hontron Precision Electronic Industrial Co., Ltd. (the “Company”) was established in December, 1991. The original company name was Goldfull Electronics & Telecommunications Corp., and changed to Hontron Precision Electronic Industrial Co., Ltd. in June, 2006. The Company has formally been approved to be listed on the Taipei Exchange on May 11, 2010, and changed to be listed on the Taiwan Stock Exchange on May 13, 2021. Hontron Precision Electronic Industrial Co., Ltd. and subsidiaries (the “Group”) are principally engaged in the manufacture, and sales of cables and wires of various 3C products. As of December 31, 2022, the number of employees of the Group is 1,501.

(2) Approval date and procedures of the parent company only financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on February 24, 2023.

(3) New standards, amendments and interpretations adopted

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

The following summarizes new, revised, and amended standards and interpretations, which have been endorsed by FSC, effective for annual period beginning on January 1, 2022::

<u>New, Revised, or Amended Standards or Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

The Group assessed that the aforementioned standards and interpretations would not have a significant impact on its financial position and financial performance.

(b) The impact of the IFRSs endorsed by the FSC which have not yet been adopted.

The following summarizes new, revised, and amended standards and interpretations, which have been issued by the IASB, effective for annual period beginning on January 1, 2023:

<u>New, Revised, or Amended Standards or Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

The Group assessed that the aforementioned standards and interpretations would not have a significant impact on its financial position and financial performance.

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

The following new, revised, and amended standards and interpretations, which have been issued by the IASB, but have yet to be endorsed by the FSC:

<u>New, Revised, or Amended Standards or Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”	January 1, 2024
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants	January 1, 2024

The Group assessed that the aforementioned standards and interpretations would not have a significant impact on its financial position and financial performance.

(4) Summary of significant accounting policies

The primary accounting policies adopted by the consolidated financial statements are explained below. Except as otherwise explained, the policies are consistently applicable in all reporting periods.

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

(b) Basis of preparation

1. The accompanying consolidated financial statements have been prepared on the historical cost basis except for defined benefit liabilities, which is recognized by pension plan assets net of present value of defined benefit obligation.
2. Preparing financial statements in accordance with the IFRS takes significant accounting estimates, requires management to make judgments in applying the accounting policies. As for the items involving a higher degree of judgment or complexity, or significant assumptions and estimates of the consolidated financial statements, please refer to the explanations in Note 5.

(c) Basis of consolidation

1. Basis of preparation of consolidated financial statements
 - i. All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - ii. Unrealized profit or losses on transactions with subsidiaries have been eliminated. Appropriate adjustments of accounting policies of the subsidiaries have been made to be uniform with the accounting policies of the Company.
2. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of Subsidiary	Main business	Percentage of ownership		Explanations
			December 31, 2022	December 31, 2021	
The Company	Fortuna International Holdings Ltd. (Fortuna International)	Investment and trading	100	100	-
The Company	SmartGreen Solution Co., LTD. (SmartGreen Solution)	Manufacturing energy, technical services	100	-	Note
Fortuna International	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd. (Hotron Precision (Suzhou))	Manufacturing cables and wires of 3C products, charger, high voltage wires of electric vehicles, and new energy materials	100	100	-
Hotron Precision (Suzhou)	Hotron Precision Electronic Ind. (Hubei) Co., Ltd. (Hotron Precision (Hubei))	Manufacturing copper products, cables and wires of 3C products, charger high voltage wires of electric vehicles, and new energy materials	100	100	-

Name of investor	Name of Subsidiary	Main business	Percentage of ownership		Explanations
			December 31, 2022	December 31, 2021	
Hotron Precision (Suzhou)	Hontron Electron & Telecommunication (Fuqing) Co., Ltd.	Processing of cables and wires of various 3C products	100	100	-
Hotron Precision (Suzhou)	Hotlink Company Limited (Hotlink)	Trading	100	100	-
Hotron Precision (Suzhou)	Hotron Real Estate Development. (Tianmen) Co., Ltd.	Development, construction, sales, rent of real estate, and real estate agent services	100	100	-
Hotlink	Hontron Precision Electronic Industrial (Vietnam) Co., Ltd. (Hontron Precision (Vietnam))	Manufacturing of cables and wires of 3C products	100	100	-

Note: SmartGreen Solution was established in Q3 of 2022, and has been included into the consolidated financial statements since the date of establishment.

3. Subsidiaries not included in the consolidated financial statements: None.
4. Adjustments for subsidiaries with different accounting periods: None.
5. Significant restrictions: None.
6. Subsidiaries that have non-controlling interests that are material to the Group: None.

(d) Translation of foreign currencies

The items included in the entities of the Group's financial statements are measured by the currency used in the primary economic environment where the entities operate (functional currency). The consolidated financial statements are expressed in the Company's functional currency, "New Taiwan Dollar."

1. Foreign currencies transactions and balances

- i. Transactions in foreign currencies are translated by the rate of exchange prevailing at the dates of the transactions or measurement into the functional currency. The exchange differences arising from the translation are recognized in the profit or loss.
- ii. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. The exchange differences are recognized in profit or loss in the year in which they arise
- iii. At the balance sheet date, non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value through profit or loss, are retranslated at the rates of exchange prevailing at that date. The exchange differences arising from the retranslation are recognized in the profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value through other comprehensive income, are also retranslated at the rates of exchange prevailing at the balance sheet date. The exchange differences arising from the retranslation are recognized in other comprehensive income. For the non-monetary items not measured at fair value, are measured by the historical cost of the transaction dates.
- iv. All the profit or losses arising from exchange differences are stated as "other revenue and expenses" on the statements of comprehensive income by nature.

2. The translation of foreign operations

- i. The results and financial position of all entities in the Group whose functional currencies are different from the presentation currency, shall be translated into the presentation currency using the following procedures:
 - A. Assets and liabilities for each balance sheet shall be translated at the closing rate at the balance sheet date ;
 - B. Income and expenses for each statement of comprehensive income shall be translated at the average exchange rates of the period ; and
 - C. All resulting exchange differences shall be recognized in other comprehensive income.
- ii. On the partial disposal of a foreign operation, which is a subsidiary, the Group shall re-attribute the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation. In addition, even when the Group retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions shall be accounted for as disposal of all interest in the foreign operation.

(e) Classification of non-current and current assets and liabilities

1. An asset is classified as current under the conditions below.:

- i. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- ii. The Group holds the asset primarily for the purpose of trading;
- iii. The Group expects to realize the asset within twelve months after reporting period;
- iv. 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.

For those assets that are not current are classified as non-current.

2. A liability is classified as current under the conditions below.

- i. The Group expects to settle the liability in normal operating cycle;
- ii. The Group holds the liability primarily for the purpose of trading;
- iii. The liability is due to be settled within twelve months after the reporting period;
- iv. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. 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.

For those liabilities that are not current are classified as non-current.

(f) Cash and cash equivalents

Cash equivalents are highly liquid short-term investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks of changes in value. If time deposits and bond investments with repurchase agreement meet the aforementioned definition, and the Group holds them for the purpose of short-term cash commitment in operation, they are classified as cash equivalents.

(g) Accounts and notes receivables

1. Accounts and notes receivables entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

2. The short-term accounts and notes receivables without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(h) Impairment of financial assets

At each reporting date, the Group shall assess whether the credit risk on financial assets at amortized cost and accounts receivable containing significant financing component have increased significantly since initial recognition. The Group shall consider all the reasonable and provable information, including foreseeing information. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group shall measure the loss allowance for that instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the Group shall measure the loss allowance for that instrument at an amount equal to lifetime expected credit losses. For those accounts receivables not containing significant financing component, the Group shall measure the loss allowance for that instrument at an amount equal to lifetime expected credit losses.

(i) Lease of lessor-operating lease

The Group shall recognize the lease income associated with those leases less any incentives offered to the lessees as profit or loss on a straight-line basis over the lease term.

(j) Inventories

Inventories are measured at the lower of cost and net realizable value item by item, and the calculation of cost is by weighted-average cost. The cost of finished goods and work in process include the material cost, direct labor cost, other direct cost, and the manufacturing expenses relevant to production (allocated by normal capacity), without borrowing cost. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

(k) Property, plant and equipment

1. Property, plant and equipment are initially recognized by acquisition cost. The relevant borrowing cost during the period of construction shall be capitalized.
2. Subsequent costs shall be recognized in the carrying value of the assets or as an individual asset, only if it's probable that future economic benefits associated with the item are expected to flow to the Group, and the costs can be measured reliably. The carrying value of the replaced items shall be derecognized. Other fix and maintenance cost are recognized in profit or loss.
3. Property, plant and equipment are subsequently measured by cost model. Aside from land, which shall not be depreciated, straight-line method is used to allocate the depreciable amount of an asset over its useful life. 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 shall be depreciated separately.
4. The residual value and the useful life of an asset shall be reviewed at each financial year-end, and if expectations differ from previous estimate, or there's significant change in the consuming way of future economic benefits associated with the asset, the changes shall be accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" since the date of the changes. The useful lives of each asset are listed below:

Buildings and structures 5~50 years, machinery equipment 2~10 years, office equipment 2~10 years, and other equipment 2~10 years.

(l) Lease of lessee-right-of-use asset/lease Liabilities

1. At the commencement date, the Group shall recognize a right-of-use asset and a lease liability. If the lease contract is a short-term lease or the underlying assets of the lease if of low value, the Group shall recognize the lease payments associated with those leases as an expense on a straight-line basis over the lease term.
2. At the commencement date, the Group shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the Group's incremental borrowing rate. The lease payments are fixed payments, less any lease incentives receivable. The Group shall amortize the lease liabilities by effective interest rate method, and recognize interest expense over the lease term. If there's change in lease term or lease payments, not due to contract revision, the Group shall remeasure the lease liability and recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.
3. At the commencement date, the Group shall measure the right-of-use asset at cost, which comprises the amount of the initial measurement of the lease liability. After the commencement date, the Group shall measure the right-of-use asset by cost model. The Group shall depreciate the right-of-use asset over the shorter of the useful life or the lease term. If the Group remeasures the lease liability, the Group shall recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

(m) Investment properties

An investment property is measured initially at cost, and subsequently measured by cost model. Except for land, other investment properties shall be depreciated by straight-line method over their useful life of 50 years.

(n) Intangible assets

A computer software is measured initially at cost, and shall be amortized by straight-line method over its useful life of 1~5 years.

(o) Impairment of non-financial assets

The Group shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication is present, the Group shall assess the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, impairment loss shall be recognized. Recoverable amount is the higher of the cash-generating unit's net fair value and its value in use. If the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

(p) Borrowings

Borrowings comprise short-term bank borrowings and other long-term borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowing using the effective interest method.

(q) Accounts and notes payables

1. Notes payables are the liabilities for purchase of raw materials, goods or services and incurred whether due to operation or not.
2. The short-term accounts payables without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(r) Convertible corporate bonds payable

The convertible corporate bonds payable issued by the Company are embedded with conversion options (which grant a right to the holders of the bonds to convert them into fixed number of the Company's ordinary shares by fixed price), put options and call options. The issue price of convertible corporate bonds payable shall be classified as financial liabilities or equity based on the issue conditions, when initially issuing the instruments. The instruments are recognized as follows:

1. Embedded put options and call options: Embedded put options and call option shall be initially measured at net fair value and recognized as "financial liabilities at fair value through profit or loss," and subsequently measured at fair value at each balance sheet date, and the differences shall be recognized as "gains or losses on financial assets (liabilities) at fair value through profit or loss".
2. Host contract of the corporate bond: Host contract of the corporate bond shall be initially measured at fair value, and the difference between the fair value and the redemption value shall be recognized as the discount of the bond payable, which shall be amortized in profit or loss as an adjustment to the "financial costs" over the period of bond outstanding using the effective interest method.
3. Embedded conversion option (conforming the definition of equity): Conversion options shall be initially recognized in the "capital surplus-share options" at the residual amount of total issue price less amounts of the "financial liabilities at fair value through profit or loss" and "bonds payable," and shall not be remeasured subsequently.
4. Any transaction costs directly attributable to the issuance of the convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of initial carrying amount.
5. When bondholders exercise conversion options, the liability component (including "bonds payable" and "financial liabilities at fair value through profit or loss") shall be remeasured at the conversion date. The issue cost of ordinary shares issued due to the conversion shall be measured based on the remeasured carrying amount of the aforementioned liability component plus the carrying amount of the "capital surplus-share options."

(s) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for that service, and shall be recognized as expenses when the employees have rendered service.

2. Pension

i. Defined contribution plans

For defined contribution plans, the contributions shall be recognized as pension expenses when they are due on the accrual basis. Prepaid contributions shall be recognized that excess as an asset to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

ii. Defined benefit plans

A. Net obligation under a defined benefit plan is accrued from the present value of future benefit that employees have earned in return for their services in the current or prior periods. The Company recognized the present value of the defined benefit obligation deducting the fair value of plan assets at the balance sheet date. Net obligation of the defined benefit is calculated annually by independent actuaries using the projected unit credit method and is discounted by using the market yield on government bonds with consistent denominated currency and duration (at the balance sheet date).

B. Remeasurements arising from defined benefit plans shall be recognized in other comprehensive income in the period in which they arise and shall be recorded in retained earnings.

3. Employees' remuneration and directors' remuneration

Employees' remuneration and directors' remuneration are recognized as expenses and liabilities provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(t) Income tax

1. The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to the items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the entities operate and generate taxable income. Management shall periodically evaluate the tax declaration condition, and estimate the income tax liabilities based on the tax expected to be paid to the taxation authority when applicable. An additional tax on unappropriated earnings is recognized as income tax expenses on unappropriated earnings in the year the shareholders' meeting approves the distribution of earnings based on the actual distribution.
3. Deferred income tax shall be recognized for the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except to the extent that the deferred tax liabilities arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). The Group shall not recognize the deferred tax liabilities for temporary differences associated with investments in subsidiaries, if the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax is 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.

4. Deferred tax assets shall be reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.
5. The Group shall offset current tax assets and current tax liabilities, only if the Group has a legally enforceable right to set off the recognized amount, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities may offset each other, only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities, and the deferred income tax assets and liabilities related to the same taxable entity and the same taxation authority, or the deferred income tax assets and liabilities related to different taxable entities, but each entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously

(u) Dividends distribution

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new share issuance.

(v) Revenue recognition

1. Sale of goods
 - i. The Group manufactures and sells cables and wires of various 3C products. The Company shall recognize revenue when the customer obtains control of that asset. It's the time when goods are transferred to a customer, and the customer has the discretion to direct the distribution and price of goods, and there's no remaining obligation that could affect the acceptance of the goods. When goods are delivered to designated place, the risk of obsolescence and lost is transferred to the customer, and the customer has accepted the goods according to sales contract, or there's objective evidence to approve that the standards of acceptance have been fulfilled, the goods are formally transferred to the customer.
 - ii. Sales revenue shall be recognized by contract price less business tax, sales return, quantity discounts, and allowances. The revenue shall be recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur, and the Group shall update the estimation on each balance sheets date. As the payment terms of the sales are within 1 year from the date of transferring the control of goods, the Group didn't adjust the transaction prices to reflect the time value of money.
 - iii. Accounts receivables shall be recognized at the time when the goods are transferred to the customer, because the Group has the unconditional right to receive the consideration. Only the passage of time is required before payment of that consideration is due.
2. Lease service

The revenue arising from lease operation of offices is recognized in each period during the lease term.

(w) Government grants

Government grants shall be recognized at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them, and that the grants will be received. Government grants shall be recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related cost for which the grants are intended to compensate.

(x) Segment information

The segment information is reported by the same way as the internal management report provided to the main chief operating decision maker. The operations results of operating segment are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. And the discrete financial information of operating segments is available. The main chief operating decision maker of the Group is identified as the board of directors.

(5) Major sources of uncertainty arising from significant accounting judgments, estimates, and assumptions

When preparing the Group's consolidated financial statements, the management has made judgments to determine the account policies adopted, and make accounting estimates and assumptions based on the reasonable exceptions for future events based on the condition at the balance sheet date. However, these estimates and assumptions could differ from the actual result; thus, they could be assessed and adjusted by taking into account historical experiences and other factors. The estimates and assumptions could result in risks that require a material adjustment to the carrying amount of assets and liabilities in the next fiscal year. The uncertainty of significant accounting judgments, estimates and assumptions is as follows:

(a) The significant judgments adopted by the accounting policies

Investment properties are properties held by the Group to earn rentals or for capital appreciation, but some portions of them are owner-occupied. If these portions could not be sold separately or leased out separately under a finance lease, the Company shall account for these properties as investment properties.

(b) Significant accounting estimates and assumptions

Valuation of inventories

Since inventories are measured at the lower of cost and net realizable value item by item, the Group shall determine the net realizable value at balance sheet date of inventories by accounting judgment and estimates. As technology develops fast, the Group shall assess the amount that is consumed normally, obsolete, or without market value at balance sheet date, and write down the cost of inventories to the net realizable value.

As of December 31, 2022, the carrying value of the inventories amounted to NT\$1,041,669.

(6) Explanation of significant accounting accounts

(a) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 797	\$ 699
Checkings and savings	232,551	121,819
Cash equivalents		
-Time deposits	333,599	136,137
-Bonds with repurchase agreements	-	112,934
	<u>\$ 566,947</u>	<u>\$ 371,589</u>

1. Since the correspondent banks are credible and the Group have several correspondent banks to diversify the credit risk, the probability of default is expected to be very low.
2. The cash and cash equivalents were not pledged as collateral.

(b) Notes and accounts receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivables	<u>\$ 8,683</u>	<u>\$ 15,031</u>
Accounts receivable	\$ 975,045	\$ 1,416,117
Less: loss allowance	-	(632)
	<u>\$ 975,045</u>	<u>\$ 1,415,485</u>

1. The aging analysis of notes and accounts receivables is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
undue	\$ 983,699	\$ 1,430,342
Overdue for 1-30 days	29	174
Overdue for 91 days	-	632
	<u>\$ 983,728</u>	<u>\$ 1,431,148</u>

The aging analysis is based on the days of overdue.

2. As of December 31, 2022 and 2021 the balances of accounts receivables (including notes receivables) are arising from contracts with customers. And as of January 1, 2021, the balance of accounts receivables (including note receivables) amounted to NT\$1,069,276.
3. Without consider the collaterals held and other credit enhancement, as of December 31, 2022 and 2021, the most representative credit risk exposure amounts of notes receivables are NT\$8,683 and NT\$15,031, respectively; the most representative credit risk exposure amounts of accounts receivables are NT\$975,04 and NT\$1,415,485, respectively
4. Please refer to Note 12(b) for the credit risk information.

(c) Inventories

	<u>December 31, 2022</u>		<u>Carrying</u>
	<u>Cost</u>	<u>Allowance for inventory valuation</u>	<u>amount</u>
		<u>losses</u>	
Materials	\$ 139,578	(\$ 19,933)	\$ 119,645
Semi-finished products	356,170	(21,762)	334,408
Work in process	144,595	(4,958)	139,637
Finished products	476,214	(28,235)	447,979
	<u>\$ 1,116,557</u>	<u>(\$ 74,888)</u>	<u>\$ 1,041,669</u>

	<u>December 31, 2021</u>		<u>Carrying</u>
	<u>Cost</u>	<u>Allowance for inventory valuation</u>	<u>amount</u>
		<u>losses</u>	
Materials	\$ 137,826	(\$ 11,636)	\$ 126,190
Semi-finished products	236,780	(18,560)	218,220
Work in process	209,927	(4,101)	205,826
Finished products	269,527	(16,391)	253,136
	<u>\$ 854,060</u>	<u>(\$ 50,688)</u>	<u>\$ 803,372</u>

The inventory costs recognized as expenses or losses in current period:

	<u>2022</u>	<u>2021</u>
Cost of inventories sold	\$ 2,811,003	\$ 2,555,258
Inventory valuation losses	24,200	16,133
Income from sale of scraps	(52,594)	(46,294)
Loss (gain) on physical inventory	1,426	(8,845)
Net exchange difference	(658)	250
	<u>\$ 2,783,377</u>	<u>\$ 2,516,502</u>

(d) Other non-current liabilities-others

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Excess tax paid	\$ 60,909	\$ 28,045
Others	15,820	21,300
	<u>\$ 76,729</u>	<u>\$ 49,345</u>

(e) Property, plant and equipment

	<u>2022</u>					
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Equipment to be inspected and other equipment</u>	<u>Total</u>
January 1						
Cost	\$170,446	\$1,526,426	\$ 574,523	\$ 41,642	\$ 176,985	\$2,490,022
Accumulated depreciation	-	(219,299)	(322,868)	(27,099)	(130,464)	(699,730)
	<u>\$170,446</u>	<u>\$1,307,127</u>	<u>\$ 251,655</u>	<u>\$ 14,543</u>	<u>\$ 46,521</u>	<u>\$1,790,292</u>
January 1	\$170,446	\$1,307,127	\$ 251,655	\$ 14,543	\$ 46,521	\$1,790,292
Additions	-	55,087	355,761	11,552	40,592	462,992
Reclassifications (Note)	-	30,733	186,588	325	(7,753)	209,893
Net disposals	-	-	(29,769)	(311)	(365)	(30,445)
Depreciation expenses	-	(55,310)	(70,030)	(5,544)	(19,689)	(150,573)
Net exchange differences	-	27,648	2,463	199	583	30,893
December 31	<u>\$170,446</u>	<u>\$1,365,285</u>	<u>\$ 696,668</u>	<u>\$ 20,764</u>	<u>\$ 59,889</u>	<u>\$2,313,052</u>
December 31						
Cost	\$170,446	\$1,642,673	\$1,068,829	\$ 50,005	\$ 207,967	\$3,139,920
Accumulated depreciation	-	(277,388)	(372,161)	(29,241)	(148,078)	(826,868)
	<u>\$170,446</u>	<u>\$1,365,285</u>	<u>\$ 696,668</u>	<u>\$ 20,764</u>	<u>\$ 59,889</u>	<u>\$2,313,052</u>

	<u>2021</u>					
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Equipment to be inspected and other equipment</u>	<u>Total</u>
January 1						
Cost	\$ 94,500	\$ 414,837	\$ 492,736	\$ 33,453	\$ 908,914	\$ 1,944,440
Accumulated depreciation	-	(199,616)	(305,646)	(24,997)	(126,705)	(656,964)
	<u>\$ 94,500</u>	<u>\$ 215,221</u>	<u>\$ 187,090</u>	<u>\$ 8,456</u>	<u>\$ 782,209</u>	<u>\$ 1,287,476</u>
January 1	\$ 94,500	\$ 215,221	\$ 187,090	\$ 8,456	\$ 782,209	\$ 1,287,476
Additions	-	32,020	98,558	9,760	269,099	409,437
Reclassifications (Note)	75,946	1,081,551	7,720	149	(993,132)	172,234
Net disposals	-	-	(2,094)	(99)	(827)	(3,020)
Depreciation expenses	-	(21,041)	(38,245)	(3,664)	(15,275)	(78,225)
Net exchange differences	-	(624)	(1,374)	(59)	4,447	2,390
December 31	<u>\$ 170,446</u>	<u>\$ 1,307,127</u>	<u>\$ 251,655</u>	<u>\$ 14,543</u>	<u>\$ 46,521</u>	<u>\$ 1,790,292</u>
December 31						
Cost	\$ 170,446	\$ 1,526,426	\$ 574,523	\$ 41,642	\$ 176,985	\$ 2,490,022
Accumulated depreciation	-	(219,299)	(322,868)	(27,099)	(130,464)	(699,730)
	<u>\$ 170,446</u>	<u>\$ 1,307,127</u>	<u>\$ 251,655</u>	<u>\$ 14,543</u>	<u>\$ 46,521</u>	<u>\$ 1,790,292</u>

Note: mainly transferred from prepayments for equipment.

1. The useful lives of property, plant, and equipment and the significant components are as follows:

<u>Items</u>	<u>Significant components</u>	<u>Useful life</u>
Buildings and structures	Plants and building improvements, etc.	5~50 years
Machinery and equipment	Stranding machines, etc.	2~13 years
Office equipment	Computers, etc.	2~10 years
Other equipment	Trucks, etc.	2~10 years

2. Please refer to Note8 for information of the property, plant, and equipment pledged as collaterals.

3. According to the fifth supplementary agreement on investment of the Hontron Precision Electronics Industrial Park project contract (the “supplementary agreement”) signed with the sub-subsidiary of the Company, Hotron Precision (Hubei) and the People’s Government of Tianmen City, Hubei Province (the “Government of Tianmen City”), after acquiring the property ownership certificate of the construction on March 31, 2022, and the subsequent capacity completely goes into production, Hotron Precision (Hubei) shall attain the value of output and the investment amount since October, 2022 as agreed in the supplementary agreement. As of December 31, 2022, Hotron Precision (Hubei) hasn’t completed gone into production. Based on the supplementary agreement, the Government of Tianmen City is authorized to require Hotron Precision (Hubei) to take remedial measures or investigate and affix the responsibility for breach of contract. However, until December 31, 2022, the Government of Tianmen City hasn’t made further request to the agreement not being fulfilled.

(f) Lease transactions-lessee

1. The underlying assets of the lease transactions that the Group involves include land (land use right), buildings, and company cares. The duration of lease term is usually 1 to 70 years. The lease contracts are negotiated individually and applicable to different terms and conditions. Except for that the lease assets shall not be used as collaterals, there’s no other restriction imposed to the lease assets.

2. The carrying value and depreciation expense recognized of right-of-use assets are as follows:

	<u>Land</u>	<u>2022</u> <u>Buildings</u>	<u>Total</u>
January 1			
Cost	\$ 95,925	\$ 12,384	\$ 108,309
Accumulated depreciation	(4,941)	(5,850)	(10,791)
	\$ 90,984	\$ 6,534	\$ 97,518
January 1	\$ 90,984	\$ 6,534	\$ 97,518
Depreciation expenses	(2,256)	(2,217)	(4,473)
Net exchange differences	4,385	103	4,488
December 31	\$ 93,113	\$ 4,420	\$ 97,533
December 31			
Cost	\$ 100,499	\$ 12,566	\$ 113,065
Accumulated depreciation	(7,386)	(8,146)	(15,532)
	\$ 93,113	\$ 4,420	\$ 97,533

	<u>2021</u>			
	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
January 1				
Cost	\$ 92,465	\$ 5,895	\$ 4,556	\$ 102,916
Accumulated depreciation	(2,740)	(3,987)	(3,503)	(10,230)
	<u>\$ 89,725</u>	<u>\$ 1,908</u>	<u>\$ 1,053</u>	<u>\$ 92,686</u>
January 1	\$ 89,725	\$ 1,908	\$ 1,053	\$ 92,686
Additions	-	6,530	-	6,530
Depreciation expenses	(2,152)	(1,893)	(1,053)	(5,098)
Net exchange differences	3,411	(11)	-	3,400
December 31	<u>\$ 90,984</u>	<u>\$ 6,534</u>	<u>\$ -</u>	<u>\$ 97,518</u>
December 31				
Cost	\$ 95,925	\$ 12,384	\$ -	\$ 108,309
Accumulated depreciation	(4,941)	(5,850)	-	(10,791)
	<u>\$ 90,984</u>	<u>\$ 6,534</u>	<u>\$ -</u>	<u>\$ 97,518</u>

3. The information of the items related to lease contracts which affect the amount of profit or loss is as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affect current profit or loss</u>		
Interest expenses of lease liabilities	\$ 295	\$ 62
Expenses arising from short-term lease contracts	1,219	373

4. The cash outflow incurred by lease amounted to NT\$3,617 and NT\$3,481 in 2022 and 2021, respectively.
5. The durations of the terms of the land use right are 46~70 years since the date of acquiring the land use right. The depreciation expenses recognized amounted to NT\$2,256 and NT\$2,152 in 2022 and 2021, respectively. The Government of Tianmen City allowed the Group to purchase the land use right by the amount of CNY7,034 thousands, and covered the difference between the purchase amount and the market price, in order to encourage the Group to establish a factory locally. In addition, the Vietnam government exempted the Group from the 10% value-added tax, as the Vietnam government encouraged the Group to establish a factory locally, and Hontron Precision (Vietnam) is an export processing enterprise. Therefore, the Group only paid VND38,387,250 (about NT\$46,065 thousands) thousand to purchase the land use right.

(g) Lease transactions-lessor

- The underlying assets of the lease transactions that the Group involves are buildings. The duration of lease term is usually 1 to 5 years. The lease contracts are negotiated individually and applicable to different terms and conditions. In order to guarantee the conditions of the leased assets, the Group usually restricts the lessees from pledging the lease assets as collaterals.
- The rent incomes recognized based on operating lease contracts amounted to NT\$4,672 and NT\$4,654 in 2022 and 2021, respectively, which include no variable lease payments.

3. The maturity analysis of the lease payments of operating lease is as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Within 1 year	\$ 4,461	\$ 4,516
1 to 5 years	<u>8,102</u>	<u>12,522</u>
	<u>\$ 12,563</u>	<u>\$ 17,038</u>

(h) Investment properties

	<u>Land</u>	<u>2022</u> <u>Buildings and structures</u>	<u>Total</u>
January 1			
Cost	\$ 90,554	\$ 83,640	\$ 174,194
Accumulated depreciation	<u>-</u>	<u>(31,876)</u>	<u>(31,876)</u>
	<u>\$ 90,554</u>	<u>\$ 51,764</u>	<u>\$ 142,318</u>
January 1	\$ 90,554	\$ 51,764	\$ 142,318
Depreciation expense	<u>-</u>	<u>(2,322)</u>	<u>(2,322)</u>
December 31	<u>\$ 90,554</u>	<u>\$ 49,442</u>	<u>\$ 139,996</u>
December 31			
Cost	\$ 90,554	\$ 83,640	\$ 174,194
Accumulated depreciation	<u>-</u>	<u>(34,198)</u>	<u>(34,198)</u>
	<u>\$ 90,554</u>	<u>\$ 49,442</u>	<u>\$ 139,996</u>

	<u>2021</u>		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
January 1			
Cost	\$ 166,500	\$ 125,520	\$ 292,020
Accumulated depreciation	<u>-</u>	<u>(28,805)</u>	<u>(28,805)</u>
	<u>\$ 166,500</u>	<u>\$ 96,715</u>	<u>\$ 263,215</u>
January 1	\$ 166,500	\$ 96,715	\$ 263,215
Depreciation expense	-	(3,070)	(3,070)
Reclassifications (Note)	<u>(75,946)</u>	<u>(41,881)</u>	<u>(117,827)</u>
December 31	<u>\$ 90,554</u>	<u>\$ 51,764</u>	<u>\$ 142,318</u>
December 31			
Cost	\$ 90,554	\$ 83,640	\$ 174,194
Accumulated depreciation	<u>-</u>	<u>(31,876)</u>	<u>(31,876)</u>
	<u>\$ 90,554</u>	<u>\$ 51,764</u>	<u>\$ 142,318</u>

Note: mainly transferred to property, plant and equipment for self-use of the Group.

1. The rent income and direct operating expense of investment properties:

	<u>2022</u>	<u>2021</u>
Rent income of investment properties	<u>\$ 4,672</u>	<u>\$ 4,654</u>
The direct operating expenses incurred by the investment properties with current rent income	<u>\$ 2,322</u>	<u>\$ 3,070</u>

2. The fair value of the investment properties amounted to NT\$203,055 and NT\$203,673 for the years ended December 31, 2022 and 2021, respectively. The fair value is level 3 of fair value hierarchy, which is the reasonable market price of similar properties under the condition that the buyers and sellers are knowledgeable and willing to enter into the transaction.

3. Please refer to Note 8 for the information of investment properties pledged as collaterals.

(i) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments for equipment	\$ 77,614	\$ 217,621
Excess tax paid	20,484	17,342
Refundable deposit	898	165
Others	<u>759</u>	<u>951</u>
	<u>\$ 99,755</u>	<u>\$ 236,079</u>

(j) <u>Short-term borrowings</u>		
<u>Types of borrowing</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank loans		
Unsecured bank loans	\$ 1,097,703	\$ 865,955
Secured bank loans	290,000	-
	<u>\$ 1,387,703</u>	<u>\$ 865,955</u>
Interest rate intervals	<u>1.44%-5.42%</u>	<u>0.65%-1.25%</u>

Please refer to Note 8 for details of the assets pledged as collateral for bank borrowings.

(k) <u>Short-term notes payables</u>		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial papers payable	\$ 140,000	\$ 180,000
Less: Discount on commercial papers payable	(160)	(78)
	<u>\$ 139,840</u>	<u>\$ 179,922</u>
Interest rate intervals	<u>1.35%-1.91%</u>	<u>0.81%-0.85%</u>
The aforementioned commercial papers payable are guaranteed by Mega Bills Finance Co., Ltd. and China Bills Finance Corporation.		

(l) <u>Other payables</u>		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables on equipment	\$ 207,071	\$ 45,684
Salary and bonus payable	68,989	108,237
Payables on hardware and consumables	27,226	42,150
Insurance payable	16,722	18,614
Commission payable	15,281	-
Freight and other transportation costs payable	15,148	18,435
Payables on outsourced processing	12,367	42,920
Services expense payable	4,619	5,326
Construction cost payable	277	23,732
Others	33,278	24,384
	<u>\$ 400,978</u>	<u>\$ 329,482</u>

(m) Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial liabilities held for trading		
Put options and call options of the convertible corporate bonds	\$ 3,367	\$ 3,287
Valuation adjustment	(1,251)	(1,476)
	<u>\$ 2,116</u>	<u>\$ 1,811</u>

1. The net loss arising from financial liabilities held for trading recognized amounted to NT\$225 and NT\$1,228 in 2022 and 2021, respectively.
2. Please refer to Note 6(n) for the explanation for the first domestic secured convertible corporate bonds issuance.

(n) Corporate bonds payable (long-term liabilities due within one year or one operating cycle)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Corporate bonds payable	\$ 8,200	\$ 42,600
Less: Discount on corporate bonds payable	(18)	(545)
	8,182	42,055
Less: the portion of the corporate bonds due within one year or sold back	(8,182)	(42,055)
	<u>\$ -</u>	<u>\$ -</u>

1. The domestic convertible corporate bonds issued by the Company

The issue terms of the first domestic secured convertible corporate bonds issued by the Company are as follows:

- A. The offering and issuance of the first secured convertible corporate bond have been authorized by the competent authority. The total amount issued was NT\$510,000 with par NT\$100 per share, at a coupon rate of 0%, and maturity of 3 years, from September 21, 2020 to September 21, 2023. The principal of the convertible corporate bond will be repaid at maturity by the denomination by cash. The convertible bond is listed for trading on Taipei Exchange on September 21, 2020.
- B. From the day following the three-month period after the issuance of the convertible bonds (December 22, 2020) to the maturity date (September 21, 2023), the bondholder may request the Company's stock agency for conversion of ordinary shares at any time, except during the period in which transfer is suspended by laws. The rights and obligations of the newly issued shares after conversion are the same as other issue ordinary shares.
- C. The bondholders have the right to require the Company to repurchase all bonds at the price of the 101.0025% of the bonds' principal amount (annual yield rate of 0.5%), when the convertible corporate bond has been issued for two years.
- D. The conversion price of the bonds is adjusted based on the pricing model in the terms of the bonds, which was NT\$38.9. As the Company distributed cash dividends subsequently, the conversion price has been adjusted to NT\$38.1.

- E. From the day following the three-month period after the issuance of the convertible bonds (December 22, 2020) to 40 days before the expiry of the issuance period (August 12, 2023), when the closing price of the Company's ordinary shares exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, or when the outstanding balance of the convertible bonds is lower than 10% of the original total issued amount the Company may, within the next 30 business days, send the "Bond Redemption Notice" by registered mail to the bond holders and a notification letter to the Taipei Exchange for the announcement. The redemption price is set as the denomination of the bonds, and all the bonds will be redeemed in cash. The Company shall redeem the convertible bonds in cash within five business days from the bond redemption base date.
- F. According to the terms of the bonds, all bonds repurchased (including bonds repurchased from the secondary market), redeemed before or at maturity, or converted by the bondholders are retired, as well as the rights and obligations attached with the corporate bond, and not to be re-sold or re-issued.
2. According to IAS 32 "Financial Instruments: Presentation," the Company shall separate the conversion option of equity nature with equity from the liability components when issuing convertible corporate bond. The capital surplus-share options recognized amounted to NT17,023. According to IFRS 9 "Financial Instruments," as the economic characteristics and risks of embedded call options and put options are not closely related to the economic characteristics and risks of the host contract, they are recognized separately, as "financial assets at fair value through profit or loss" by the net value. The effective interest rate of the host contract after the separation is 0.91%.
3. As of December 31, 2022, the guaranteed bills issued for the aforementioned convertible corporate bond amounted to NT\$507,538.
4. As of December 31, 2022, the convertible corporate bonds with par value of NT\$491,800 were converted into 12,693 thousands of ordinary shares, and change of registration has been completed on November 8, 2022.
5. Please refer to Note 8 for details of the assets pledged as collateral for the first secured convertible corporate bond.
- (o) Other non-current liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Construction cost payable (Note 1)	\$ 875,120	\$ 846,280
Payables on financing of equipment(Note 2)	131,438	78,349
Guarantee deposits received	8,619	2,765
Others	769	2,263
	<u>\$ 1,015,946</u>	<u>\$ 929,657</u>

Note 1: This is the construction cost incurred in Tianmen City, Hubei Province. Please refer to the explanation in Note 9(b)5.

Note 2: This is the payables on equipment (not including machinery) financed by the government of Tianmen City, Hubei Province used for establishing the factory. Please refer to the explanation in Note 9(b)5.

(p) Pension

1. i. The Company and Hotlink have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the "Fund"). Before the end of each year, the Company assesses the balance in the aforementioned Fund. If the balance in the Fund is inadequate to pay the retirement benefits of employees who are eligible for retirement in the following year by the aforementioned method, the Company is required to fund the deficit in one appropriation before the end of next March.

ii. The amounts recognized in balance sheets are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of the defined benefit obligations	\$ 3,573	\$ 8,480
Fair value of the plan assets	<u>(2,804)</u>	<u>(6,217)</u>
Net defined benefit assets	<u>\$ 769</u>	<u>\$ 2,263</u>

iii. The changes in net defined benefit liabilities are as follows:

	<u>2022</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>net benefit obligation liabilities</u>
Balance as of January 1	\$ 8,480	(\$ 6,217)	\$ 2,263
Interest expense (revenue)	<u>59</u>	<u>(45)</u>	<u>14</u>
	<u>8,539</u>	<u>(6,262)</u>	<u>2,277</u>
Remeasurement:			
Expected return on plan assets (not including the amount included in interest revenue or expense)	-	(442)	(442)
Amount affected by changes in financial assumptions	<u>(345)</u>	-	<u>(345)</u>
Experience adjustment	<u>(32)</u>	-	<u>(32)</u>
	<u>(377)</u>	<u>(442)</u>	<u>(819)</u>
Funding of retirement benefits	-	(689)	(689)
Benefits paid	<u>(4,589)</u>	<u>4,589</u>	<u>-</u>
Balance as of December 31	<u>\$ 3,573</u>	<u>(\$ 2,804)</u>	<u>\$ 769</u>

	<u>Present value of defined benefit obligation</u>	<u>2021 Fair value of plan assets</u>	<u>net benefit obligation liabilities</u>
Balance as of January 1	\$ 8,031	(\$ 5,291)	\$ 2,740
Interest expense (revenue)	<u>30</u>	<u>(22)</u>	<u>8</u>
	<u>8,061</u>	<u>(5,313)</u>	<u>2,748</u>
Remeasurement:			
Expected return on plan assets (not including the amount included in interest revenue or expense)	-	(69)	(69)
Amount affected by changes in demographic assumptions	100	-	100
Amount affected by changes in financial assumptions	63	-	63
Experience adjustment	<u>256</u>	<u>-</u>	<u>256</u>
	419	(69)	350
Funding of retirement benefits	<u>-</u>	<u>(835)</u>	<u>(835)</u>
Balance as of December 31	<u>\$ 8,480</u>	<u>(\$ 6,217)</u>	<u>\$ 2,263</u>

iv. The employee pension fund defined benefit plan is deposited under a trust administered by the Bank of Taiwan. Bank of Taiwan follows the proportion and amount of operation items designated in the utilization plan of the fund, according to the items designated in Act. 6 of Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (which are deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate and its securitization products, etc.), to operate the commission. The related utilization is supervised by the Bureau of Labor Funds, which also guarantees the minimum return to be no less than the return attainable from interest rates offered by local banks for two-year time deposits. If the return does not reach the target, after authorized by competent authority, national treasury shall fund the difference. The Company has no right to participate in the operation and administration of the fund; as such, the Company is unable to disclose the classification of fair value of the plan assets based on PAR 142 of IAS 19. For the fair value of the fund assets as of December 31, 2022 and 2021, please refer to the utilization report of labor retirement fund of each year publicly announced by the government.

v. The principal underlying actuarial assumptions related to pension are as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	<u>1.30%</u>	<u>0.69%</u>
Rate of expected future salary increase	<u>2.50%</u>	<u>2.50%</u>

The mortality assumption is based on ninety percent of the sixth and fifth life insurance mortality table of Taiwan's life insurance industry.

The effects of the present value of defined benefit obligation due to the changes in main actuarial assumptions:

	<u>Discount rate</u>		<u>Rate of expected future salary increase</u>	
	<u>0.25% increase</u>	<u>0.25% decrease</u>	<u>0.25% increase</u>	<u>0.25% decrease</u>
December 31, 2022				
Effects of the present value of defined benefit obligation	<u>(\$ 65)</u>	<u>\$ 67</u>	<u>\$ 57</u>	<u>(\$ 56)</u>
	<u>Discount rate</u>		<u>Rate of expected future salary increase</u>	
	<u>0.25% increase</u>	<u>0.25% decrease</u>	<u>0.25% increase</u>	<u>0.25% decrease</u>
December 31, 2021				
Effects of the present value of defined benefit obligation	<u>(\$ 144)</u>	<u>\$ 147</u>	<u>\$ 123</u>	<u>(\$ 121)</u>

The sensitivity analyses above have been determined based a method that extrapolates the effects on the net defined obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. Practically, the changes of assumptions may be correlated. The method that the sensitivity analyses adopted is the same as what the calculation of net defined benefit assets do. The method and assumptions used for the sensitivity analyses in the current period are the same as the prior period.

- vi. The Company expects to make pension fund contribution of NT\$0 in 2023.
- vii. The weighted-average durations of the defined benefit obligation were 0~1 year as of December 31, 2022. The analysis of maturity of the pension payment is as follows:

Within 1 year	\$ 3,937
Over 5 years	<u>457</u>
	<u>\$ 4,394</u>

- 2.i. Since July 1, 2005, based on Labor Pension Act., the Company, Hotlink, and SmartGreen Solution have defined contribution plan covering regular employees with R.O.C. nationality, and make monthly contributions of 6% based on each individual employee's salary or wage to employees' pension accounts for employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. The contribution plan accrued dividends from an employee's individual account is paid monthly or in lump sum upon retirement of an employee. Total pension expenses of NT\$3,375 and NT\$3,455 were contributed by the Company, Hotlink, and SmartGreen Solution for the years ended December 31, 2022 and 2021, respectively.
- ii. As for subsidiaries in China, based on the pension system regulated by the government of the People's Republic of China, the subsidiaries shall contribute a certain percentage of the salaries or wages of employees as pension. The pension cost recognized based on the regulations amounted to NT\$37,132 and NT\$31,616 in 2022 and 2021, respectively. The pension of each employee is managed by the government, and the only obligation of the Group is to make monthly contribution.
- iii. As the residual entities consolidated don't hire employees, there's no regulation about retirement and pension cost.

(q) Share capital

- 1. The Company had 200,000 thousands of ordinary shares (including 30,000 thousands of corporate bonds with equity warrants shares), with authorized capital of NT\$2,000,000 to be issued based on the resolution of shareholders' meeting on May 26, 2022. Of which 93,221 thousands of shares with par value of NT\$10 were issued as of December 31, 2022. All payments of shares have been received.

The outstanding numbers (thousands) of ordinary shares in the beginning and in the end of the period are reconciled as follow:

	<u>2022</u>	<u>2021</u>
January 1	92,318	83,281
Conversion of convertible corporate bond	<u>903</u>	<u>9,037</u>
December 31	<u><u>93,221</u></u>	<u><u>92,318</u></u>

2. Please refer to Note 6(n) for the information about the conversion of convertible corporate bond.

(r) Capital surplus

According to the regulation of the Company Act, where a company incurs no loss, it may distribute the income derived from the issuance of new shares at a premium, and the income from endowments received by the company, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. Based on the relevant regulations of Securities and Exchange Act, where a company intends to capitalize the aforementioned capital surplus, the total amount per year shall not exceed ten percent of paid-in capital. A company shall not use the capital surplus to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

(s) Retained earnings

1. According to the Articles of Incorporation, if there is any net profit after closing of a fiscal year, the Company shall first pay business income tax, offset losses in previous years, set aside a legal capital reserve at 10% of the profits left over, provided that no allocation of legal reserve is required if the accumulated legal reserve is equivalent to the total capital amount of the Corporation; and then set aside or rotate special reserve according to the rule set out by the government authority in charge. If there is still remaining balance, the Corporation shall set aside with accumulated retained earnings-unappropriated for shareholders' dividends. The Board of Directors shall draw up a meeting regarding the issue of profit distribution and report to the shareholders' meeting for the resolution of the distribution of the dividend.

The dividend distribution policies shall be adjusted in consideration of current and future operation, future funding requirements, shareholders' benefit and long-term financial plan of the Company. The dividends may be distributed in cash or in stock, and the ratio of cash dividend shall be no less than ten percent of total distribution.

According to Article 240-5 of the Company Act, the Company authorizes the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

2. The legal reserve shall not be used except for making good the deficit of the company and being distributed by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash, for the portion in excess of 25% of the paid-in capital.

3. According to regulations, the Company is required to appropriate a special reserve in the amount equal to the debit elements under equity at every balance sheet date. If any of the debit elements is reversed, the special reserve in the amount equal to the reversal may be reversed for earnings distribution.

4. The distribution of earnings for 2021 was approved by the shareholders' meeting held on May 26, 2022, while the distribution of earnings for 2020 was approved by the

shareholders' meeting held on August 27, 2021. The details of the appropriation and distribution are as follows:

	<u>2021</u>	<u>Amount</u>	<u>2020</u>	<u>Dividend per share (NT\$)</u>
Legal reserve	\$	2,240	\$	12,733
Special reserve		2,445		-
Cash dividends		<u>-</u>		<u>124,922</u>
	\$	<u>4,685</u>	\$	1.38
		<u>\$ 137,655</u>		

The earnings distribution conditions of the earnings in 2021 and 2020 are the same as the board of directors' proposals.

5. As of February 24, 2023, the earnings distribution hasn't been proposed by the board of directors.

(t) Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
- Revenue from contracts with customers, etc.	\$ 3,357,517	\$ 3,002,331
- Revenue from lease service	<u>4,672</u>	<u>4,654</u>
	<u>\$ 3,362,189</u>	<u>\$ 3,006,985</u>

1. Classification of revenues from contracts with customers

The revenue of the Group arises from transferring goods at a point in time, and rendering services over time. Please refer to Note 14 for the geographic classification of revenue.

2. Contract liabilities

The contract liabilities related to the recognition of revenue from contracts with customers are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities - advance sales receipts	<u>\$ 6,669</u>	<u>\$ -</u>	<u>\$ -</u>

3. There's no contract liabilities in the beginning of the period recognized as revenues in 2022 and 2021.

(u) Other revenue and expenses, net

	<u>2022</u>	<u>2021</u>
Foreign exchange net gain (loss)	<u>\$ 64,237</u>	<u>(\$ 18,707)</u>

(v) Other gains and losses

	<u>2022</u>		<u>2021</u>
Gains (losses) from disposal of property, plant and equipment	\$ 1,633	(\$	1,874)
Loss on financial liabilities at fair value through profit or loss	(225)	(1,228)
Other losses	(3,259)	(151)
	(\$ 1,851)	(\$	3,253)

(w) Financial costs

	<u>2022</u>		<u>2021</u>
Interest expenses-bank borrowing	\$ 20,440	\$	6,757
Interest expenses –lease transaction	295		62
Interest expenses –amortization of discount on corporate bond	<u>205</u>		<u>1,234</u>
	<u>\$ 20,940</u>	<u>\$</u>	<u>8,053</u>

(x) Employee benefits, depreciation, and amortization expenses

By function \ By nature	2022			2021		
	Recognized in cost of revenue	Recognized in operating expenses	Total	Recognized in cost of revenue	Recognized in operating expenses	Total
Employee benefits						
Salaries and wages	\$813,487	\$206,248	1,019,735	\$879,220	\$187,571	\$1,066,791
Labor and health insurance (Note 1)	37,264	23,172	60,436	20,143	22,944	43,087
Pension	23,960	16,561	40,521	19,317	15,762	35,079
Directors' remuneration	16,189	16,939	33,128	10,858	15,994	26,852
Other employee benefits	87,357	70,011	157,368	58,537	27,856	86,393
Depreciation expense (Note 2)	378	745	1,123	60	300	360

Note 1: Including the medical insurance expense and work-related injury insurance expense, etc. of subsidiaries in Mainland China.

Note 2: Including the depreciation expense of investment properties amounting to NT\$2,322 and NT\$3,070 in 2022 and 2021, respectively, and the depreciation expense of right-of-use assets amounting to NT\$4,473 and NT\$5,098 in 2022 and 2021, respectively.

1. According to the Company's Articles of Incorporation, the Company shall allocate remuneration to employees and directors at the rate of no lower than 1% and no higher than 3% of annual profits during the period, respectively; provided, however, that when the Company has accumulated losses, the profits shall be preserved to make up for losses, before distributing to employees and directors.
2. The accrued employees' remunerations are NT\$2,607 and NT\$739 (including the accrued employees' remuneration of sub-subsidiaries amounting to NT\$1,304 and NT\$152 in 2022 and 2021, respectively) in 2022 and 2021, respectively. The accrued directors' remunerations are NT\$2,607 and NT\$739 in 2022 and 2021, respectively.

The employees' and directors' remunerations are recognized as salaries and wages. The employees' and directors' remuneration of 2022 depends on the profit, and shall be accrued based on the rules in the Articles of Incorporation. The distributing amount resolved by the board of directors is NT\$2,607, among which, employees' remunerations will be paid in cash.

The amounts resolved by the board of directors are the same as the employees' and directors' remunerations amounts recognized in the financial statements of 2021.

3. The information about the employees' and directors' compensation resolved by the board of directors is available at the Market Observation Post System website.

(y) Income tax

1. Income tax expense

- i. The composition of income tax expense:

	<u>2022</u>		<u>2021</u>
Current income tax expense:			
Current income tax charge	\$ 37,309	\$	8,849
Surtax of income tax on undistributed earnings of the prior year	886		818
Overestimation of income tax of prior periods	(6,634)	(8,676)
Deferred income tax:			
The origination and reversal of temporary differences	(19,731)		2,816
Income tax expense	\$ 11,830	\$	3,807

- ii. Income tax expense related to other comprehensive income:

	<u>2022</u>		<u>2021</u>
Remeasurements of defined benefit plan	(\$ 164)	\$	70

2. The relationship between the income tax expense and accounting profit

	<u>2022</u>		<u>2021</u>
Income tax expense calculated at statutory income tax rate (Note)	\$ 2,400	\$	12,915
Unrecognized deferred tax assets arising from temporary differences	-		1,112
Nondeductible items in determining taxable income	51	(5,451)
Surtax of income tax on undistributed earnings of the prior year	886		818
Overestimation of income tax of prior periods	(6,634)	(8,676)
Unrecognized deferred tax assets arising from tax loss	15,127		3,089
Income tax expense	\$ 11,830	\$	3,807

Note: The tax rates used for the calculation is based on the applicable tax rates in related countries.

3. The deferred tax assets or liabilities arising from temporary differences and tax loss are as follows:

	<u>January 1</u>	Recognized in <u>profit or loss</u>	<u>2022</u> Recognized in other <u>comprehensive</u> <u>income</u>	<u>Exchange</u> <u>differences</u>	<u>December</u> <u>31</u>
Temporary differences:					
-Deferred tax assets:					
Allowance for doubtful debts overrun	\$ 403	\$ -	\$ -	\$ -	\$ 403
Unrealized inventory valuation losses	2,922	(72)	-	40	2,890
Pension overrun and actuarial gains or losses	328	(135)	(164)	-	29
Unused vacation bonus	546	(163)	-	-	383
Unrealized exchange losses	1,903	19	-	-	1,922
Book-tax differences of employees' benefit contribution	34	(11)	-	-	23
Deductible losses	-	16,126	-	(47)	16,079
Cumulative translation adjustment	<u>16,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,356</u>
	<u>22,492</u>	<u>15,764</u>	<u>(164)</u>	<u>(7)</u>	<u>38,085</u>
-Deferred tax liabilities:					
Foreign long-term equity investment income	(90,469)	3,941	-	-	(86,528)
Unrealized gains or losses from disposal of property, plant and equipment	(460)	290	-	-	(170)
Book-tax differences of convertible corporate bond	<u>(448)</u>	<u>(264)</u>	<u>-</u>	<u>-</u>	<u>(712)</u>
	<u>(91,377)</u>	<u>3,967</u>	<u>-</u>	<u>-</u>	<u>(87,410)</u>
	<u>(\$ 68,885)</u>	<u>\$ 19,731</u>	<u>(\$ 164)</u>	<u>(\$ 7)</u>	<u>(\$ 49,325)</u>

	<u>January 1</u>	Recognized in <u>profit or loss</u>	<u>2021</u> Recognized in other <u>comprehensive</u> <u>income</u>	Exchange <u>differences</u>	<u>December 31</u>
Temporary differences:					
-Deferred tax assets:					
Allowance for doubtful debts overrun	\$ 403	\$ -	\$ -	\$ -	\$ 403
Unrealized inventory valuation losses	66	2,855	-	1	2,922
Pension overrun and actuarial gains or losses	424	(166)	70	-	328
Unused vacation bonus	647	(101)	-	-	546
Unrealized exchange losses	7,557	(5,654)	-	-	1,903
Book-tax differences of employees' benefit contribution	46	(12)	-	-	34
Cumulative translation adjustment	<u>16,356</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>16,356</u>
	<u>25,499</u>	<u>(3,078)</u>	<u>70</u>	<u>1</u>	<u>22,492</u>
-Deferred tax liabilities:					
Foreign long-term equity investment income	(90,469)	-	-	-	(90,469)
Unrealized gains or losses from disposal of property, plant and equipment	(754)	294	-	-	(460)
Book-tax differences of convertible corporate bond	<u>(416)</u>	<u>(32)</u>	<u>=</u>	<u>=</u>	<u>(448)</u>
	<u>(91,639)</u>	<u>262</u>	<u>=</u>	<u>=</u>	<u>(91,377)</u>
	<u>(\$ 66,140)</u>	<u>(\$2,816)</u>	<u>\$ 70</u>	<u>\$ 1</u>	<u>(\$ 68,885)</u>

4. As of December 31, 2022 and 2021, the deductible deadline of unused tax loss and amount of the unrecognized deferred tax assets are as follows:

<u>December 31, 2022</u>				
<u>Year of losses</u> <u>incurred</u>	<u>Amount</u> <u>declared/estimated</u>	<u>Undeducted losses</u>	<u>Amount of the</u> <u>unrecognized</u> <u>deferred tax</u>	<u>Last deductible year</u>
2021	\$ 14,192	\$ 14,192	\$ 14,192	2031
2022	146,814	146,814	81,309	2032
	<u>\$ 161,006</u>	<u>\$ 161,006</u>	<u>\$ 95,501</u>	
<u>December 31, 2021</u>				
<u>Year of losses</u> <u>incurred</u>	<u>Amount estimated</u>	<u>Undeducted losses</u>	<u>Amount of the</u> <u>unrecognized</u> <u>deferred tax</u>	<u>Last deductible year</u>
2021	\$ 15,445	\$ 15,445	\$ 15,445	2031

5. The deductible temporary differences not recognized as deferred tax assets:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences	<u>\$ -</u>	<u>\$ 1,112</u>

6. The declaration of the Company and Hotlink's income tax has been verified by the tax collection authority until 2020.

(z) Earnings per share

	<u>After-tax amount</u>	<u>2022</u> <u>Weighted-average</u> <u>outstanding</u> <u>shares(thousands)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net income attributable to the parent company's ordinary shareholders	\$ 65,746	92,760	\$ 0.71
<u>Diluted earnings per share</u>			
Net income attributable to the parent company's ordinary shareholders	\$ 65,746	92,760	
Convertible corporate bonds	164	675	
Net income attributable to the parent company's ordinary shareholders with the influence of potential ordinary shares	\$ 65,910	93,435	\$ 0.71
	<u>After-tax amount</u>	<u>2021</u> <u>Weighted-average</u> <u>outstanding</u> <u>shares(thousands)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net income attributable to the parent company's ordinary shareholders	\$ 22,676	89,120	\$ 0.25
<u>Diluted earnings per share</u>			
Net income attributable to the parent company's ordinary shareholders	\$ 22,676	89,120	
Convertible corporate bonds	988	4,293	
Net income attributable to the parent company's ordinary shareholders with the influence of potential ordinary shares	\$ 23,664	93,413	\$ 0.25

If the employees' remunerations are paid by stock, there would be no significant influence to the consolidated financial statements of 2022 and 2021, and to earnings per share.

(aa) Supplementary information of cash flows

Investing activities involving partial cash payments

	<u>2022</u>		<u>2021</u>
Acquisition of property, plant and equipment	\$ 462,992	\$	409,437
Plus: Beginning payables on equipment (including the current and non-current partial of construction cost payable)	994,045		717,152
Less :Ending payables on equipment (including the current and non-current partial of construction cost payable)	(1,213,906)	(994,045)
Cash payments in current period	<u>\$ 243,131</u>	\$	<u>132,544</u>

(bb) Changes in the liabilities arising from financing activities

	<u>Short-term borrowings</u>	<u>Short-term notes payables</u>	<u>Corporate bonds payable</u>	<u>Lease liabilities</u>	<u>Liabilities from financing activities</u>
January 1	\$ 865,955	\$ 179,922	\$ 42,055	\$ 6,533	\$1,094,465
Changes in cash flows from financing activities	521,748	(40,082)	-	(2,103)	479,563
Other non-cash changes	-	-	(33,873)	-	(33,873)
Exchange differences	-	-	-	103	103
December 31	<u>\$1,387,703</u>	<u>\$ 139,840</u>	<u>\$ 8,182</u>	<u>\$ 4,533</u>	<u>\$1,540,258</u>

	<u>Short-term borrowings</u>	<u>Short-term notes payables</u>	<u>Corporate bonds payable</u>	<u>Lease liabilities</u>	<u>Liabilities from financing activities</u>
January 1	\$ 672,683	\$ 79,990	\$ 383,532	\$ 3,062	\$1,139,267
Changes in cash flows from financing activities	193,272	99,932	-	(3,046)	290,158
Other non-cash changes	-	-	(341,477)	6,530	(334,947)
Exchange differences	-	-	-	(13)	(13)
December 31	<u>\$ 865,955</u>	<u>\$ 179,922</u>	<u>\$ 42,055</u>	<u>\$ 6,533</u>	<u>\$1,094,465</u>

(7) Related party transactions

Remuneration of the main management

	<u>2022</u>		<u>2021</u>
Short-term employees benefits	\$ 13,100	\$	10,901
Other long-term employees benefits	840		840
	<u>\$ 13,940</u>	\$	<u>11,741</u>

(8) Pledged assets

The pledged assets are as follows:

<u>Pledged assets</u>	<u>Carrying value</u>		<u>Object</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Property, plant and equipment			
Land	\$ 170,446	\$ 170,446	Guarantee for facility amount and issuance of corporate bond
Buildings and structures	91,790	95,885	Guarantee for facility amount and issuance of corporate bond
Investment properties			
Land	90,554	90,554	Guarantee for facility amount and issuance of corporate bond
Buildings and structures	49,442	51,764	Guarantee for facility amount and issuance of corporate bond
	<u>\$ 402,232</u>	<u>\$ 408,649</u>	

(9) Significant contingencies and unrecognized contract commitments

(a) Contingencies

None.

(b) Commitments

1. As of December 31, 2022 and 2021, guaranteed bills issued for applying for the credit lines of Usance L/C amounted to NT\$100,000.
2. As of December 31, 2022 and 2021, the guaranteed bills issued for issuance of the first domestic secured convertible corporate bond amounted to NT\$507,538.
3. The amounts of the endorsement and guarantee made for related parties to acquire the credit lines are as follows:

<u>Endorser/guarantor</u>	<u>Company name</u>	<u>Endorsee/guarantee</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The Company		Fortuna International	\$ 122,840 (USD 4,000 thousand)	\$ 83,040 (USD 3,000 thousand)
The Company		Hotron Precision (Suzhou)	\$ 399,230 (USD 13,000 thousand)	\$ -
The Company		Hotlink	\$ 36,000	\$ -
The Company		Hontron Precision (Vietnam)	\$ 184,260 (USD 6,000 thousand)	\$ 348,240 (USD 12,500 thousand)

4. Capital expenditure with contract but has not yet occurred

	<u>December 31, 2022</u>	<u>December 31, 2022</u>
Property, plant and equipment	\$ <u>169,132</u>	\$ <u>322,162</u>

The aforementioned amount does not include the commitment explained in 5.

- 5.i. In order for the continuous and long-term operation, diversification of production bases, and deduction of production costs, the sub-subsidiary, Hotron Precision (Hubei), signed the third supplementary agreement on investment of the Hontron Precision Electronics Industrial Park project contract with the People's Government of Tianmen City, Hubei Province (including Tianmen City Urban Construction Investment Co., Ltd.) (the "Government of Tianmen City") on September 2, 2019. According to the agreement, the Government of Tianmen City takes charge of the plant construction, and the construction has officially started on November 13, 2019. After the completion of the construction, the construction will be sold back and transferred to Hotron Precision (Hubei). Five years after Hontron Precision (Hubei) acquiring the property ownership certificate on March 31, 2022, Hontron Precision (Hubei) shall make four installments for the procurement within two years. In addition, according to the fourth supplementary agreement on investment of the Hontron Precision Electronics Industrial Park project contract, the construction cost shall not exceed CNY198,530 thousand (amounts to about NT\$875,120 thousand). As of December 31, 2022, except for the construction costs which have been recognized, there is no future payment.
- ii. According to the fourth supplementary agreement on investment of the Hontron Precision Electronics Industrial Park project contract signed between Hontron Precision (Hubei) and the Government of Tianmen City, the city government would finance the plant construction cost the equipment (not including machinery) cost used for establishing the factory, with credit limit of CNY238,103 thousand (amounts to about NT\$1,049,558 thousand, including the aforementioned construction cost of CNY198,530 thousand). Five years after the date of appropriation, the equipment cost shall be repaid to the Government of Tianmen City by four installments within two years. As of December 31, 2022, the used credit line amounted to CNY228,348 thousand (amounts to about NT\$1,006,558 thousand, including the construction cost of CNY198,530 thousand and equipment cost of CNY29,818 thousand), and the unused credit line amounted to CNY9,755 thousand (amounts to about NT\$43,000 thousand), which can be used to the procurement of equipment subsequently.

(10) Losses due to major disasters

None.

(11) Significant subsequent events

1. In response to the operation expansion of the group, development of new energy product business, and local supply, the board of directors resolved on February 24, 2023 to establish a subsidiary in the U.S., and authorized the chairman to handle the relevant affairs of establishing the subsidiary on his own discretion within the limit of the registered capital, USD3 million. The Company has signed the letter of purchase intent of the land with SANTA TERESA INDUSTRIAL DEVELOPMENT COMPANY, LLC. The total amount of purchasing the land is estimated to be USD2,506 thousand.
2. A cash capital increase of 10,000 thousands of shares has been resolved by the board of directors held on December 14, 2022, and on January 30, 2023, the subscription base date of the cash capital increase has been determined to be March 6, 2023.

(12) Others

(a) Capital management

The primary objective of the Group's capital management is to ensure that it operates continuously and maintains optimal capital structure to decrease the cost of capital and maximized the shareholders' equity. The Group manages and adjusts the capital structure, probably by adjusting dividend payment, returning of capital, issuing new shares, or disposing assets to decrease liabilities. Net debt is calculated by the total borrowings less of cash and cash equivalents. And total capital is calculated by "equity" stated on the parent company only balance sheets plus net debt.

The strategy remains unchanged in 2022 and 2021, which is maintaining the debt to capital ratio under 50%. As of December 31, 2022 and 2021, the debt to capital ratios are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowings	\$ 1,535,725	\$ 1,087,932
Less: cash and cash equivalents	<u>(566,947)</u>	<u>(371,589)</u>
Net debt	968,778	716,343
Total equity	<u>2,062,831</u>	<u>1,930,211</u>
Total capital	<u>\$ 3,031,609</u>	<u>\$ 2,646,554</u>
Debt to capital ratio	<u>31.96%</u>	<u>27.07%</u>

(b) Financial instruments

1. Types of financial instruments

As of December 31, 2022 and 2021, the carrying value of financial assets at amortized cost in the scope of IFRS 9 (including cash and cash equivalent, notes receivables, accounts receivables, other receivables and refundable deposit) amounted to NT\$1,583,737 and NT\$1,806,731, financial liabilities at amortized cost (including short-term borrowings, short-term notes payables, notes payables, accounts payables, other payables, corporate bonds payable (due within one year)), and guarantee deposits received) amounted to NT\$2,208,441 and NT\$2,031,324, and guaranteed deposits received amounted to NT\$4,533 and NT\$6,533, respectively.

2. Risk management policies
- i. The Group's operation is influenced by several financial risks, including market risk (including foreign currency risk and interest rate risk), credit risk, and liquidity risk. The overall risk management policy puts emphasis on the unpredictable events in the financial market, and decreasing the potential adverse impact on the Group's financial position and financial performance.
 - ii. Risk management is implemented by the finance department in accordance with the policies approved by the board of directors. The finance department of the Company identifies, assesses, and avoids financial risks by closely cooperating with operating units. The board of directors provides written principles on overall risk management, and written policies on specific scope and events, such as foreign currency risk, interest rate risk, credit risk, and the investment of surplus working capital.
3. The nature and level of significant financial risk

i. Market risk

Foreign currency risk

- A. As the business of the Group involves certain non-functional currencies (the functional currency of the Company is NTD, and the functional currency of part of the subsidiaries is CNY), it's influenced by the fluctuation of exchange rate. The information of financial assets and liabilities in foreign currencies affected by significant exchange rate fluctuation is as follows:

			<u>December 31, 2022</u>	
(Foreign currency: functional currency)	<u>Foreign currency(in thousands)</u>	<u>Exchange rate</u>		Carrying amount (NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 22,844	30.7100	\$	701,539
USD:CNY	10,075	6.9669		309,403
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:VND	3,500	23,623.08		107,485
			<u>December 31, 2021</u>	
(Foreign currency: functional currency)	<u>Foreign currency(in thousands)</u>	<u>Exchange rate</u>		Carrying amount (NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 30,048	27.6800	\$	831,729
USD:CNY	3,956	6.3720		109,502

- B. The monetary items of the Group are significantly affected by the exchange rate fluctuation. The foreign exchange profit (loss) (including realized and unrealized) amounted to NT\$64,237 and NT\$(18,707) in 2022 and 2021, respectively.

- C. The market risk analyses of the foreign currencies affected by significant exchange rate fluctuations are as follows:

	<u>Degree of variation</u>	<u>2022</u> <u>Sensitivity analysis</u>	
		<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 7,015	\$ -
USD:CNY	1%	3,094	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:VND	1%	\$ 1,075	\$ -

	<u>Degree of variation</u>	<u>2021</u> <u>Sensitivity analysis</u>		<u>Degree of variation</u>
		<u>Degree of variation</u>	<u>Degree of variation</u>	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 8,317	\$ -	
USD:CNY	1%	1,095	-	

Interest rate risk for cash flow and fair value

- A. The Group's interest rate risk arises from borrowings from bank. Borrowings at floating rates expose the Group to interest rate risk of cash flow, which is partially offset by cash and cash equivalents held at floating rates. The Group is exposed to the interest risk of fair value arising from borrowings at fixed rate.
- B. The Group simulated several solutions and analyzed interest rate risk, including consideration of refinancing, extension of current positions, other adoptable financing and hedge, to calculate the effects on profit or loss arising from the variation of specific interest rates. Among all the simulated solutions, all of the currencies adopted the same variation of interest rate. The simulated solutions were only used in significant liabilities positions bearing interests.
- C. As of December 31, 2022 and 2021, if the interest rate had increased or decreased by 1%, the Group's net income would have decreased or increased by NT\$12,220 and NT\$8,367 for the years ended December 31, 2022 and 2021, assuming all other variable factors remain constant.
- ii. Credit risk
- A. Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group is exposed to credit risks from notes and accounts receivables that the counterparty is unable to pay off by the payment term, and the financial assets at amortized cost.

- B. The Group manages credit risk in terms of the Group. The Group only accepts institutions with good credit rating rated by independent credit rating agencies as correspondent bank or financial institutions. Based on the internal credit policies, for each operating unit, management and credit risk analysis shall be implemented, before determining payment and delivery terms and conditions with new customers. Internal risk control assesses customers' credit quality by considering the financial condition, past experiences, and other factors. Individual risk limitations are determined by the board of directors based on the internal or external ratings, and the credit usages are monitored on regular basis.
- C. The Group adopts the following presumptions in the scope of IFRS9, to determine whether the credit risk of the financial instruments has increased significantly since initial recognition:
The credit risk on financial assets has increased significantly since initial recognition when contractual payments are more than 30 days past due.
- D. The Group adopts the presumptions in the scope of IFRS9. When contractual payments are more than 90 days past due, except for the portion that could recover after recourse or negotiation, the residual portion shall be deemed as that default has occurred.
- E. As the payment recovery conditions of transaction counterparties are good, the Group uses probability of default to estimate expected credit loss.
- F. The Group writes off the amount of financial assets that the Group has no reasonable prospects of recovering after recourse procedures. The Group will keep the recourse procedures to guarantee the creditor's rights.
- G. The Group built the loss rate by forward-looking consideration of historical and current information in specific periods by Directorate General of Budget, Accounting and Statistics, to assess the allowance for loss of accounts and notes receivables. The expected losses as of December 31, 2022 and 2021 are as follows:

	<u>Undue</u>	<u>Overdue for 1-30 days</u>	<u>Overdue for 91 days</u>	<u>Total</u>
<u>December 31, 2022</u>				
Expected loss rate	0.03%	0.03%	100%	
Total carrying amount	\$ 983,699	\$ 29	\$ -	\$ 983,728
Allowance for loss	-	-	-	-
	<u>Undue</u>	<u>Overdue for 1-30 days</u>	<u>Overdue for 91 days</u>	<u>Total</u>
<u>December 31, 2021</u>				
Expected loss rate	0.03%	0.03%	100%	
Total carrying amount	\$ 1,430,342	\$ 174	\$ 632	\$ 1,431,148
Allowance for loss	-	-	632	632

H. The Group applies the simplified approach to provide for the changes in allowance for loss of accounts receivables as follows:

	<u>2022</u>	
	<u>Accounts receivables</u>	
January 1	\$	632
Uncollectible amount written off	(<u>632)</u>
December 31	<u>\$</u>	<u>-</u>

	<u>2021</u>	
	<u>Accounts receivables</u>	
January 1 (that is also December 31)	<u>\$</u>	<u>632</u>

iii. Liquidity risk

A. The cash flow forecast is implemented by each operating unit of the Group and summarized by the financial department. The financial department monitors the forecast of working capital requirement, ensures there's enough capital to support the operating requirements, and maintains enough unused credit lines of borrowings at any time, to prevent the Company from breaching related credit lines of borrowings or terms.

B. The cash position held by each operating unit shall be managed as a whole by the financial department. The financial department shall invest the residual capital in demand deposits and time deposits bearing interests. The instruments selected shall be with appropriate maturity or enough liquidity, to provide enough funds.

C. The unused credit lines are as follows:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
Floating rate				
Due within one year	<u>\$</u>	<u>2,246,643</u>	<u>\$</u>	<u>2,111,961</u>

D. The table below analyzed the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities.

As of December 31, 2022 and 2021, the date to the contractual maturity date for non-derivative financial liabilities are within one year, except for corporate bonds payable, lease liabilities, and guarantee deposits received as follows. The contractual cash flows in the table below are not discounted.

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Within 1 year</u>	<u>Over 1 year</u>	<u>Within 1 year</u>	<u>Over 1 year</u>
Corporate bonds payable	\$ 8,200	\$ -	\$ 42,600	\$ -
Lease liabilities	2,391	2,391	2,356	4,712
Guarantee deposits received	-	8,619	-	2,765

E. The Group doesn't expect the time point of the cash flow would be significantly moved up or the actual amount of the cash flow would be significantly different.

(c) Fair value information

1. The definitions of each level in valuation techniques used to measure the fair value of financial and non-financial instruments are as below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company 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. The fair value of the convertible corporate bonds issued by the Company belongs to the level.

Level 3: unobservable inputs for the assets or liabilities.

2. Please refer to Note 6(h) for the fair value information of the investment properties measured at cost.

3. Financial instruments no measured at fair value

i. Except for those listed below, the carrying amount of cash and cash equivalents, notes receivables, accounts receivables, other receivables, short-term borrowings, short-term notes payables, notes payables, accounts payables, and other payables is the reasonable approximation of fair value:

	<u>December 31, 2022</u>			
		<u>Fair value</u>		
	<u>Carrying amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities:				
Convertible corporate bonds payable	<u>\$ 8,182</u>	<u>\$ -</u>	<u>\$ 8,122</u>	<u>\$ -</u>

	<u>December 31, 2021</u>			
		<u>Fair value</u>		
	<u>Carrying amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities:				
Convertible corporate bonds payable	<u>\$ 42,055</u>	<u>\$ -</u>	<u>\$ 42,238</u>	<u>\$ -</u>

ii. The method and assumptions used for fair value estimation are as follows:

Convertible corporate bonds payable: According to the twAAA corporate bond yield released by Taipei Exchange, interpolate the average interest rate of the convertible corporate bonds in the duration, and calculate the fair value by using the average interest rate as the reference value of the risk discount rate.

4. For the financial and non-financial instruments at fair value, the assets and liabilities are categorized by the nature, characteristics, risk, and fair value hierarchy as follows:

i. The relevant information of assets and liabilities categorized by characteristics is as follows

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
<u>Fair value on a recurring basis</u>				
Financial liabilities at fair value through profit or loss				
Embedded put options and call options of convertible corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,116</u>	<u>\$ 2,116</u>
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
<u>Fair value on a recurring basis</u>				
Financial liabilities at fair value through profit or loss				
Embedded put options and call options of convertible corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,811</u>	<u>\$ 1,811</u>

ii. The method and assumptions used for measuring fair value are as follows:

A. When assessing non-standard and low-complexity financial instruments, such as liability instruments without an active market, the Group adopts valuation techniques that are widely used by market participants. The variables used in the valuation model are normally the observable information in the market

B. The output of the valuation models are estimated values and the valuation techniques may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated values derived by the valuation models would be adjusted accordingly based on additional variables, such as model risk or liquidity risk, etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management of the Group is convinced that adjustments to valuation is necessary in order to reasonably represent the fair value of the financial and non-financial instruments on the parent company only balance sheets. The variables and pricing information used in the valuation are carefully assessed and adjusted based on current local market conditions.

5. During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

6. Changes in Level 3 for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
	<u>Derivative instruments</u>	<u>Derivative instruments</u>
January 1	(\$ 1,811)	\$ 1,207
Transfers in current period	(80)	(1,790)
Gains or losses recognized in profit or loss	(225)	(1,228)
December 31	<u>(\$ 2,116)</u>	<u>(\$ 1,811)</u>
The variation of unrecognized gains or losses included in profit or loss of assets and liabilities held in the end of the period(Note)	<u>(\$ 225)</u>	<u>(\$ 1,228)</u>

Note: recognized as other gains and losses.

- During the years ended December 31, 2022 and 2021, there were no transfers into or out from Level 3 fair value measurements.
- The valuation procedures of level 3 fair value measurement are adopting valuation report from external experts, and ensuring the valuation results are reasonable by applying independent information to make the valuation results close to current market conditions, and confirming the source of information is independent, reliable, in accordance with other resources, and representing the exercisable price.
- The sensitivity analyses of quantitative information and variation of significant unobservable inputs used in level 3 fair value measurement are as follows:

	<u>December 31, 2022</u>	<u>Valuation</u>	<u>Significant</u>	<u>Intervals</u>	<u>Relationship</u>
	<u>Fair value</u>	<u>technique</u>	<u>unobservable</u>	<u>(weighted-average)</u>	<u>between the inputs</u>
			<u>inputs</u>		<u>and the fair values</u>
Embedded put options and call options of convertible corporate bonds	(\$ 2,116)	Binomial tree valuation model	Volatility of stock price	47.15%	The higher the volatility of stock price is, the higher the fair value is determined.
	<u>December 31, 2021</u>	<u>Valuation</u>	<u>Significant</u>	<u>Intervals</u>	<u>Relationship</u>
	<u>Fair value</u>	<u>technique</u>	<u>unobservable</u>	<u>(weighted-average)</u>	<u>between the inputs</u>
			<u>inputs</u>		<u>and the fair values</u>
Embedded put options and call options of convertible corporate bonds	(\$ 1,811)	Binomial tree valuation model	Volatility of stock price	53.87%	The higher the volatility of stock price is, the higher the fair value is determined.

10. The Group carefully assessed and selected the valuation model and valuation parameters. However, different valuation model or parameter may result in different valuation results. For the financial assets categorized within level 3, the effects on current profit or loss, or other comprehensive income is the valuation parameter changes are as follows:

		<u>December 31, 2022</u>					
				<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
		<u>Inputs</u>	<u>Variation</u>	<u>Favorable changes</u>	<u>Adverse changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>
Financial liabilities							
Embedded put options and call options of convertible corporate bonds		Volatility	±5	\$ -	(\$ 1)	\$ -	\$ -

		<u>December 31, 2021</u>					
				<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
		<u>Inputs</u>	<u>Variation</u>	<u>Favorable changes</u>	<u>Adverse changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>
Financial liabilities							
Embedded put options and call options of convertible corporate bonds		Volatility	±5	\$ 64	(\$ 89)	\$ -	\$ -

(13) Other disclosures

The relevant information about investees is disclosed for reference, which has been written off in preparing the consolidated financial statements.

(a) Information on significant transactions

1. Loans to others: Please refer to Table 1.
2. Provision of endorsements and guarantees to others: Please refer to Table 2.
3. Holding of marketable securities at the end of the period (excluding investment in subsidiaries): None.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital or more: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more: Please refer to Table 3.
6. Disposal of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Table 4.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Table 5.
9. Trading in derivative instruments: None.
10. Business relationships among the parent company and subsidiaries, and significant intercompany transactions: Please refer to Table 6.

- (b) Information on investees
The information about company names, locations of investees(excluding the investees in Mainland China):Please refer to Table 7.
 - (c) Information on investees in Mainland China
 - 1. Basic information: Please refer to Table 8.
 - 2. Significant transactions with investee companies in Mainland China, either directly or indirectly through a third party: None.
 - (d) Information on major shareholders
Information on major shareholders: Please refer to Table 9.
- (14) Segment information
- (a) General information
As the Group operates and makes decisions in terms of geographic sales, the management identifies reportable segment by the same method.
There are three reportable segments in the Group, including segment Jia located in Taiwan, segment Yi located in China, and segment Bing located in other Asian areas. Each segment manufactures and sells cables and wires of 3C products, consuming high frequency cables, and wires for vehicles, which belong to single product type.
There is no significant change in the composition of the Group, and the basis dividing the segments and measuring segment information.

(b) Segment information

The reportable segment information provided to the chief operating decision maker is as follows:

	<u>2022</u>					
	<u>Segment Jia</u>	<u>Segment Yi</u>	<u>Segment Bing</u>	<u>Other segments</u>	<u>Adjustments and write-offs</u>	<u>Total</u>
Revenue						
From external customers	\$ 1,532,088	\$ 1,824,117	\$ 5,984	\$ -	\$ -	\$ 3,362,189
Inter-segment revenue	-	1,396,339	-	13,163	(1,409,502)	-
	<u>\$ 1,532,088</u>	<u>\$ 3,220,456</u>	<u>\$ 5,984</u>	<u>\$ 13,163</u>	<u>(\$ 1,409,502)</u>	<u>\$ 3,362,189</u>
Segment income	<u>\$ 70,171</u>	<u>(\$ 109,421)</u>	<u>(\$ 19,702)</u>	<u>(\$ 88)</u>	<u>\$ 136,616</u>	<u>\$ 77,576</u>
Segment income includes:						
Depreciation and amortization	(\$ 8,453)	(\$ 137,894)	(\$ 9,523)	(\$ 2,621)	\$ -	(\$ 158,491)
Interest revenue	\$ 3,929	\$ 2,075	\$ 264	\$ 59	(\$ 11)	\$ 6,316
Interest expenses	(\$ 12,029)	(\$ 6,306)	(\$ 2,310)	(\$ 295)	\$ -	(\$ 20,940)
Income tax (expense) benefit	(\$ 15,913)	\$ 4,145	\$ -	(\$ 62)	\$ -	(\$ 11,830)
Gains (losses) on investments accounted for using equity method	\$ 27,246	\$ 113,439	\$ -	\$ -	(\$ 140,685)	\$ -
Segment assets	<u>\$ 1,826,580</u>	<u>\$ 4,761,315</u>	<u>\$ 258,634</u>	<u>\$ 59,565</u>	<u>(\$ 1,483,271)</u>	<u>\$ 5,422,823</u>
Segment liabilities	<u>\$ 1,313,202</u>	<u>\$ 2,394,190</u>	<u>\$ 137,241</u>	<u>\$ 8,573</u>	<u>(\$ 493,214)</u>	<u>\$ 3,359,992</u>

	<u>2021</u>					
	<u>Segment Jia</u>	<u>Segment Yi</u>	<u>Segment Bing</u>	<u>Other segments</u>	<u>Adjustments and write-offs</u>	<u>Total</u>
Revenue						
From external customers	\$ 1,269,889	\$ 1,737,096	\$ -	\$ -	\$ -	\$ 3,006,985
Inter-segment revenue	-	1,123,540	-	18,467	(1,142,007)	-
	<u>\$ 1,269,889</u>	<u>\$ 2,860,636</u>	<u>\$ -</u>	<u>\$ 18,467</u>	<u>(\$ 1,142,007)</u>	<u>\$ 3,006,985</u>
Segment income	<u>\$ 23,186</u>	<u>\$ 8,491</u>	<u>(\$ 5,564)</u>	<u>\$ 3,444</u>	<u>(\$ 3,074)</u>	<u>\$ 26,483</u>
Segment income includes:						
Depreciation and amortization	(\$ 8,462)	(\$ 74,815)	(\$ 1,159)	(\$ 2,317)	\$ -	(\$ 86,753)
Interest revenue	\$ 1,990	\$ 4,148	\$ 158	\$ 44	\$ -	\$ 6,340
Interest expenses	(\$ 7,753)	\$ -	(\$ 244)	(\$ 56)	\$ -	(\$ 8,053)
Income tax (expense) benefit	(\$ 6,379)	\$ 2,723	\$ -	(\$ 151)	\$ -	(\$ 3,807)
Gains (losses) on investments accounted for using equity method	\$ 15,975	(\$ 5,436)	\$ -	\$ -	(\$ 10,539)	\$ -
Segment assets	<u>\$ 3,159,878</u>	<u>\$ 4,155,371</u>	<u>\$ 215,892</u>	<u>\$ 59,038</u>	<u>(\$ 2,584,661)</u>	<u>\$ 5,005,518</u>
Segment liabilities	<u>\$ 1,057,743</u>	<u>\$ 2,085,460</u>	<u>\$ 85,651</u>	<u>\$ 10,811</u>	<u>(\$ 164,358)</u>	<u>\$ 3,075,307</u>

(c) Geographic information

The geographic information is as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Mainland China	\$ 3,257,540	\$ 2,016,632	\$ 2,931,327	\$ 1,634,625
Taiwan	77,297	432,285	60,068	434,144
Others	<u>27,352</u>	<u>207,272</u>	<u>15,590</u>	<u>197,815</u>
	<u>\$ 3,362,189</u>	<u>\$ 2,656,189</u>	<u>\$ 3,006,985</u>	<u>\$ 2,266,584</u>

(d) Information on major customers

	<u>2022</u>		<u>2021</u>	
	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>
Customer A	Segment Jia, Yi	\$ 723,778	Segment Jia, Yi	\$ 734,548
Customer B	Segment Jia, Yi	611,844	Segment Jia, Yi	743,857
Customer C	Segment Jia, Yi	597,181	Segment Jia, Yi	410,707
Customer D	Segment Jia, Yi	588,659	Segment Jia, Yi	136,012
Customer E	Segment Jia, Yi	344,387	Segment Jia, Yi	377,279

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Loan to Others
For the Year Ended December 31, 2022

Expressed in thousands of New
Taiwan Dollars
(Except as indicated)

Table 1

No. (Not e 1)	Name of lender	Name of borrower	Account name	Related Party	Maximum limit of fund financing	Ending balance	Actual usage amount	Interests rate interval	Nature of financing	Transaction amount		Provision for		Collateral		Total loan		Note
										for business between two parties	Reasons for the necessity of short-term funding;	doubtful accounts	Name	Value	Individual loans	limit		
0	Hotron Precision Electronic Industrial Co., Ltd.	Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	Other receivables-related parties	Yes	\$ 59,880	\$ -	\$ -	By considering the market condition and costs of capital	Short-term financing	\$ -	The need for flexible capital utilization	\$ -	NA	\$ -	\$ 825,132	\$ 825,132	-	
0	Hotron Precision Electronic Industrial Co., Ltd.	Fortuna International Holdings Ltd.	Other receivables-related parties	Yes	6,443	-	-	By considering the market condition and costs of capital	Short-term financing	-	The use of funds for reinvestment	-	NA	-	825,132	825,132	-	
1	Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Other receivables-related parties	Yes	24,722	24,722	24,722	No interests	Business transactions	18,478	Approval by the Board of Directors to classify it as a loan	-	NA	-	45,162	45,162	-	

Note 1: The No. column shall be filled as follows :

- (1). Issuer: 0
- (2). Investees: sequentially numbered from 1.

Note 2: According to the "Operational Procedures for Loaning of Company Funds," when lending funds to other companies or firms with which the Company has business relations, the amount loaned to single recipient may not exceed the amount of the business transacted between the two parties. The "amount of the business transacted between the two parties" means the sales revenue or the amount spent on purchases of goods whichever is higher ;

The total amount loaned companies or firms in need of short-term financing and the amount loaned to a single company or firm shall not exceed 40 percent of the Company's net worth.

Inter-company loans of funds between foreign companies which the Company holds, directly or indirectly, 100% of the voting shares, shall be exempted from the aforementioned restrictions. However, The total amount loaned companies or firms in need of short-term financing and the amount loaned to a single company or firm shall not exceed 100 percent of the Company's net worth.

Note 3: Ending balance is the loaning limit amount approved by the board of directors.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Provision of Endorsements and Guarantees to Others
For the Year Ended December 31, 2022

Table 2

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

No.	Name of guarantor and endorser	Guarantee and endorsee Company name	Relations (Note 2)	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements, end of year	Actual usage amount during the period	Property pledged for guarantee and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements (%)	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantee s to third parties on behalf of parent company	Endorsements/guarantee s to third parties on behalf of companies in Mainland China	Note
0	Hotron Precision Electric Industrial Co., Ltd.	Fortuna International Holdings Ltd.	2	\$ 1,856,548	\$ 128,860	\$ 122,840	\$ -	\$ -	5.95	\$ 2,062,831	Y	N	N	-
0	Hotron Precision Electric Industrial Co., Ltd.	Hontron Precision Electronic Industrial (Vietnam) Co., Ltd.	2	1,856,548	349,763	184,260	107,486	-	8.93	2,062,831	Y	N	N	-
0	Hotron Precision Electric Industrial Co., Ltd.	Hotlink Company Limited	2	1,856,548	36,000	36,000	30,000	-	1.75	2,062,831	Y	N	N	-
0	Hotron Precision Electric Industrial Co., Ltd.	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	2	1,856,548	418,795	399,230	61,420	-	19.35	2,062,831	Y	N	Y	-
1	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	2	1,554,843	220,400	220,400	-	-	12.76	1,727,603	Y	N	Y	-

Note 1: The total amount available for endorsement provided to others shall not exceed Company's total net worth in the period; the total amount for endorsement provided to one entity shall not exceed 10 percent of the Company's net worth; the total amount for endorsement provided to one single foreign subsidiary shall not exceed 90 percent of the Company's net worth. Net worth indicated on the most recent audited or reviewed financial statements prevails.

Note 2: 7 forms of relationships between the guarantor and endorser and the counter-parties are defined as follows:

- (1) Entities have business relations with the Company.
- (2) The Company directly or indirectly holds more than 50% of voting shares of its subsidiaries.
- (3) Investees directly or indirectly own more than 50% of voting shares of the Company.
- (4) The Company directly or indirectly holds 90% of voting shares of its subsidiaries.
- (5) Entities have construction contract agreements with the Company.
- (6) The reason for the Company jointly invested in the entities is to provide proportionate endorsements.
- (7) The Company has contractual pre sold home agreements with its related parties under the Consumer Protection Law.

Note 3: The limitation on amount of guarantees and endorsements for a specific enterprise and highest balance for guarantee and endorsements during the period filled shall be in accordance with the Operational Procedures for Endorsements/Guarantees, and the specific enterprise and the calculation of total limitation shall be explained in the Note column.

Note 4: The maximum balance amount for guarantees and endorsements in current year.

Note 5: The amounts filled in have been approved by the board of directors. If the board of directors authorized the chairman for the approval according to Article 12-8 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by

Note 5: Public Companies, the amounts filled in shall be approved by the chairman.

Note 6: Actual usage amount within the limitation on amount of guarantees and endorsements.

Note 7: Fill in Y, under the circumstances of parent company endorsements/guarantees to third parties on behalf of subsidiary, subsidiary endorsements/guarantees to third parties on behalf of parent company, or endorsements/guarantees to third parties on behalf of companies in Mainland China.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Acquisition of Real Estate Reaching NT\$300 Million or 20% of the Company's Paid-in capital Or More

For the Year Ended December 31, 2022

Expressed in thousands of New Taiwan Dollars

(Except as indicated)

Table 3

<u>Company acquired the real estate</u>	<u>Name of the property</u>	<u>The date of occurrence of the event</u>	<u>Transaction amount (Note 5)</u>	<u>Payment status</u>	<u>Counter-party of the transaction</u>	<u>Where counter-party is a related party, details of prior transactions</u>				<u>Price reference</u>	<u>Purpose of acquisition and status of utilization</u>	<u>Other commitments</u>
						<u>Owner of the property</u>	<u>Relationship with the issuer</u>	<u>Date of transfer</u>	<u>Amount</u>			
Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	Plant construction	April 23, 2020	\$ 875,120	Note 4	The People's Government of Tianmen City, Hubei Province (including Tianmen City Urban Construction Investment Co., Ltd.)	-	-	-	\$ -	Not applicable	For future development	-

Note 1: For assets acquired which shall be appraised based on regulations, the appraisal result shall be filled in the "Price reference" column.

Note 2: Paid-in capital means the paid-in capital of the parent company. If the stock has no par value or the par value per share is other than NT\$10, for the provision of thereof regarding 20 percent or more of paid-in capital, 10 percent of equity attributable to owners of the parent company shall be substituted.

Note 3: The date of occurrence of the event referred means the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of a resolution of the board of directors, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier

Note 4: According to the contract, five years after acquiring the property ownership certificate of the construction with two phases registered under the title of "Hotron Precision Electronic Ind. (Hubei) Co., Ltd." the total amount of the construction contract shall be repaid without bearing interest.

Note 5: The construction cost of the plant of Hotron Precision Electronic Ind. (Hubei) Co., Ltd. amounted to CNY198,530 thousand.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Purchases or Sales of Goods from or to Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More
For the Year Ended December 31, 2022

Table 4

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

The purchase (sales) company	Counter-party	Relationship	Transaction details		The details and reasons for transaction terms and conditions different from ordinary transaction terms and conditions				Notes and accounts receivables (payables)		
			Purchase (sales)	Amount	Percentage accounting for total purchase (sales)	Term	Unit price	Term	Balance	Percentage accounting for total notes and accounts receivables (payables)	Note
Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	The Company	Sub-subsidiary	Sales	(\$ 707,553)	(21%)	Prepayment and month-end 30 days	\$ -	-	\$ -	-	-
Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Hotlink Company Limited	Associate	Sales	(658,476)	(19%)	Prepayment and month-end 150 days	-	-	-	-	-
Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Associate	Sales	(181,310)	(64%)	Prepayment and month-end 150 days	-	-	51,573	38%	-
Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	Associate	Sales	(299,009)	(9%)	Prepayment and month-end 150 days	-	-	299,009	34%	-

Note 1: The information is disclosed in terms of revenue, and the information of relative transactions would not be disclosed.

Note 2: If the transaction terms and conditions of related parties are different from ordinary transaction terms and conditions, the details of differences and reasons shall be filled in the column of unit price and term.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES
 Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More
 December 31, 2022

Table 5

Expressed in thousands of New Taiwan Dollars

(Except as indicated)

<u>The Company with accounts receivables</u>	<u>Counter-party</u>	<u>Relationship</u>	<u>Balance of receivables from related parties</u>	<u>Turnover rate (times)</u>	<u>Overdue receivables from related parties</u>		<u>Amount</u>	<u>Collection status</u>	<u>Amount of receivables from related parties received in subsequent period</u>	<u>Loss allowance</u>
Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	Associate	\$ 299,009	2.00	\$ -	-		\$ 44,030	\$ -	

Note 1:Accounts receivables, notes receivables, and other receivables, etc. from related parties shall be listed separately.

Note 2:Paid-in capital means the paid-in capital of the parent company. If the stock has no par value or the par value per share is other than NT\$10,for the provision of thereof regarding 20 percent or more of paid-in capital, 10 percent of equity attributable to owners of the parent company shall be substituted.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Business Relationships Among the Parent Company and Subsidiaries, and Significant Intercompany Transactions

For the Year Ended December 31, 2022

Expressed in thousands of New
Taiwan Dollars

(Except as indicated)

Table 6

<u>No.</u> <u>(Note 1)</u>	<u>Name of company</u>	<u>Name of counter-party</u>	<u>Relationship</u> <u>(Note 2)</u>	<u>Account name</u>	<u>Amount</u>	<u>Trading terms</u>	<u>Intercompany transactions</u>	<u>Percentage accounting for</u>
								<u>the consolidated total</u> <u>revenue or total assets</u> <u>(Note 3)</u>
0	The Company	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	1	Purchase of goods	\$ 707,553	Note 4		21%
0	The Company	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	1	Prepayments to suppliers	69,675	Note 4		7%
1	Hotlink Company Limited	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	3	Purchase of goods	658,476	Note 5		20%
2	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	3	Purchase of goods	181,310	Note 5		5%
2	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	3	Accounts receivable	299,009	Note 5		6%
3	Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	3	Purchase of goods	299,009	Note 5		9%

Note 1: Business relationships among the parent company and subsidiaries, and significant intercompany transactions shall be filled in the No. column as the way below:

(1) The parent company: 0

(2) Investees: sequentially numbered from 1.

Note 2: There are three types of intercompany relationships. Please indicate the type by numbers (The transactions between the parent company and subsidiaries or among subsidiaries shall not be disclosed repetitively. For example, for a transaction from the parent company to the subsidiaries, if the parent company has disclosed the information, the subsidiaries shall not disclose repetitively. For a transaction between subsidiaries, if only of the subsidiaries has disclosed the information, the other one shall not disclose repetitively.):

(1) Parent company to sub-subsidiary

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3: Concerning the calculation of percentage accounting for the consolidated net revenue or total assets, for assets and liabilities, the percentage shall be calculated by the ending balance accounting for the consolidated total assets. For profit or loss, the percentage shall be calculated by the cumulative amount accounting for consolidated total revenue.

Note 4: The purchase transaction price from the parent company to the sub-subsidiaries is determined by the negotiation between the two parties. The payment terms are prepayment or month-end 30 days.

Note 5: The purchase transaction price from a sub-subsidiary to another sub-subsidiaries is determined by the negotiation between the two parties. The payment terms are prepayment or month-end 150 days.

Note 6: Whether a significant intercompany transaction shall be disclosed or not is determined by the materiality principle of the Company.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

The Information about Company Names, Locations of Investees(Excluding the Investees in Mainland China)

For the Year Ended December 31, 2022

Table 7

Expressed in thousands of New Taiwan Dollars

(Except as indicated)

Investor company	Investee company	Location	Main business	Original investment amount		Number of shares	Percentage of ownership		Profit (loss) of investees in the current period	Gain (loss) of investees recognized in the current period (Note 1)	Note
				December 31, 2022 (Note 2)	December 31, 2021		as of December 31, 2022	Carrying amount			
Hotron Precision Electronic Industrial Co., Ltd.	Fortuna International Holdings Ltd.	Samoa	Investment and trading	\$ 410,825	\$ 410,825	12,466,995	100%	\$ 1,724,313	\$ 2,465	\$ 2,850	Subsidiary
Hotron Precision Electronic Industrial Co., Ltd.	SmartGreen Solution Co., LTD.	Taiwan	Manufacturing charger, high voltage wires of electric vehicles, and new energy materials	50,000	-	5,000,000	100%	46,021	(3,995)	(3,979)	Subsidiary
Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Hotlink Company Limited	Taiwan	Trading	146,880	146,880	-	100%	178,742	(5,185)	(5,185)	Sub-subsiary
Hotlink Company Limited	Hontron Precision Electronic Industrial (Vietnam) Co., Ltd.	Vietnam	Manufacturing of cables and wires of 3C products	146,053	146,053	-	100%	121,392	(19,702)	(19,702)	Sub-subsiary

Note 1: The gains on investment in investees recognized in the current period have been adjusted by the unrealized profit or loss of intercompany transactions among investees.

Note 2: The original investment amount of Hotlink Company Limited amounted to USD4,996 thousand(CNY35,090 thousand) ; The original investment amount of Hontron Precision Electronic Industrial (Vietnam) Co., Ltd. amounted to VND115,288,093 thousand(USD5,000 thousand) °

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Information on investees in Mainland China - Basic Information
For the Year Ended December 31, 2022

Expressed in thousands of New
Taiwan Dollars
(Except as indicated)

Table 8

Investees in Mainland China	Main business	Paid-in capital (Note 2)	Method of investment	Accumulated outward remittance for investment from Taiwan as of January 1, 2022	Remittance of funds in the current period		Accumulated outward remittance for investment from Taiwan as of December 31, 2022	Net income (loss) of investees	Percentage of direct or indirect investments	Gain (loss) of investees recognized in the current period (Note 1)	Carrying amount of investments as of December 31, 2022	Accumulated repatiation of investment as of December 31, 2022	Note
					Outward	Inward							
Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Manufacturing cables and wires of 3C products, charger, high voltage wires of electric vehicles, and new energy materials	\$ 619,607	Investment through a holding company registered in a third region (Fortuna International Holdings Ltd.)	\$ 305,952	\$ -	\$ -	\$ 305,952	(\$ 1,618)	100%	(\$ 1,618)	\$ 1,727,599	\$ 85,235	-
Hontron Electron & Telecommunication (Fuqing) Co., Ltd.	Processing of cables and wires of various 3C products	45,685	Reinvestment in Mainland China by Hotron Precision (Suzhou)	-	-	-	-	945	100%	945	45,162	-	-
Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	Manufacturing copper products, cables and wires of 3C products, charger high voltage wires of electric vehicles, and new energy materials	695,016	Reinvestment in Mainland China by Hotron Precision (Suzhou)	-	-	-	(105,895)	100%	(105,895)		552,278	-	-
Hotron Real Estate Development. (Tianmen) Co., Ltd.	Development, construction, sales, rent of real estate, and real estate agent services	10,192	Reinvestment in Mainland China by Hotron Precision (Suzhou)	-	-	-	(1,095)	100%	(1,095)		5,830	-	-

Note 1: Calculated from the financial statements audited by CPA. °

Note 2: The paid-in capital of Hotron Precision Electronic Ind. (Suzhou) Co., Ltd. amounted to USD20,000 thousand (CNY141,692 thousand). The paid-in capital of Hontron Electron & Telecommunication (Fuqing) Co., Ltd. amounted to USD1,400 thousand (CNY10,709 thousand). The paid-in capital of Hotron Precision Electronic Ind. (Hubei) Co., Ltd. amounted to CNY159,000 thousand. The paid-in capital of Hotron Real Estate Development. (Tianmen) Co., Ltd. amounted to CNY2,300 thousand.

Note 3: According to the regulation of No. Investment-Committee-Auditing-09704604680 released on August 29, 2008, the upper limit is calculated by 60% of the net worth of the Group's consolidated financial statements.

Company name	Accumulated outward remittance for investment in Mainland China as of December 31, 2022	Investment amount authorized by investment commission, MOEA	Upper limit on the
			amount of investment stipulated by investment commission, MOEA (Note 3)
Hotron Precision Electronic Industrial Co., Ltd.	\$ 305,952	\$ 636,262	\$ 1,237,699

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Information on Major Shareholders
December 31, 2022

Table 9

	<u>Name of major shareholders</u>	<u>Number of shares</u>	<u>Shares</u>	<u>percentage of ownership</u>
Chang, Li-Jung		8,305,979		8.90%
Gaopeng Investment Co., Ltd.		7,862,416		8.43%

5. A parent company only financial statement for the most recent fiscal year certified by a CPA

Independent Auditors' Report
(2023) No. Financial-Supervisory-Securities-Auditing-22004209

To Hotron Precision Electronic Industrial Co., Ltd. :

Opinion

We have audited the accompanying parent company only financial statements of Hotron Precision Electronic Industrial Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

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

Investments accounted for using equity method and the recognition of the investment profit or loss

Explanations

For the accounting policies concerning the investments accounted for using equity method, please refer to Note 4(j) to the parent company only financial statements. For the explanation concerning investments accounted for using equity method, please refer to Note 6(d) to the parent company only financial statements.

As of December 31, 2022, the investments accounted for using equity method amounted to NT\$1,770,334 thousands, and the share of the profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT\$(1,129) thousands in the year ended December 31, 2022. The balance of the investment accounted for using equity method is identified as one of the key audit matter, as the aforementioned amounts are material to the financial statements.

Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below :

1. Obtain an understanding of the accounting policies of the investments accounted for using equity method, verify whether the accounting policies are in accordance with the regulations governing the preparation of financial reports, and assess whether the accounting policies are appropriate.
2. Obtain an understanding of the relevant control procedures of the investment accounted for using equity method, test and calculate the accuracy of the recognition of related additions, disposals, investment profit or loss and the share of the profit or loss in other comprehensive income.

Revenue Cut-off of Sales from Hubs

Explanations

For the accounting policies concerning the recognition of revenue, please refer to Note 4(u) to the parent company only financial statements.

There are two main types of sales, including recognizing revenue after shipping from the factory, and recognizing revenue after shipping from hubs. The revenue of the sales from the hubs shall be recognized after the end customers pick up the cargo and the transfer of the risk and reward has been confirmed. The Company recognizes revenue based on the information of actual shipments from the hub to the customers derived from the report or other information provided by the hub's custodian.

The revenue of sales from hubs is recognized based on the report or other information provided by the hub's custodian and the revenue recognition involves numerous manual procedures. As there are numerous sales from hubs, and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, revenue cut-off of sales from hubs has been identified as one of the key audit matters.

Audit procedures in response

The main audit procedures in response to the revenue cut-off of sales from hubs implemented are summarized below :

1. Obtain an understanding of the revenue recognition procedures of the sales from hubs, including obtaining an understanding of the relevant internal control procedures and the information and reports provided by the hub's custodian, to assess the appropriateness of the revenue recognition of sales from hubs.
2. Perform the internal control testing to the revenue from the sales from hubs, to ensure the Company recognized revenue after the end customers pick up the cargo and the transfer of the risk and reward has been confirmed.
3. Perform the revenue cut-off testing to the transactions of sales from hub during a certain period prior and after the balance sheet date, including verifying the supporting documents, shipping certificates, and revenue recognition has been recorded in the appropriate period.
4. Send confirmation letters about the inventory quantities to the hubs, and verify the number with the quantities in the account books.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the parent 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or

error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in 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 auditing standards generally accepted in 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 from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, we are required to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, 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 audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers Taiwan

WU, HAN-CHI

CPA

LIN, YA-HUI

Securities and Futures Bureau

Reference number of the approval letter : (90)No.

Taiwan-Finance-Securities-VI-157088

Financial Supervisory Commission

Reference number of the approval letter : No.

Financial-Supervisory-Securities-Auditing-1070323061

February 24, 2023

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD.

Parent Company Only Balance Sheets

December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Assets	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current Assets						
1100	Cash and cash equivalents	6(a)	\$ 284,284	9	\$ 178,921	6
1170	Accounts receivable, net	6(b)	265,325	8	355,376	12
1180	Accounts receivable – related parties, net	6(b), 7	35,376	1	49,063	2
1200	Other receivables		1,519	-	30	-
1210	Other receivables– related parties	7	-	-	692	-
1220	Current tax assets	6(w)	-	-	225	-
130X	Inventories	6(c)	15,817	1	8,786	-
1410	Prepayments	7	369,880	12	246,006	8
1479	Other current assets– others		91	-	1,435	-
11XX	Total current assets		<u>972,292</u>	<u>31</u>	<u>840,534</u>	<u>28</u>
Non-current Assets						
1550	Investments accounted for using equity method	6(d)	1,770,334	56	1,687,437	57
1600	Property, plant, and equipment	6(e), 8	105,244	3	107,576	4
1760	Investment property, net	6(h), 8	302,961	9	307,695	10
1780	Intangible assets		887	-	111	-
1840	Deferred income tax assets	6(w)	18,008	1	18,763	1
1900	Other non-current assets	6(n)	2,920	-	2,034	-
15XX	Total non-current assets		<u>2,200,354</u>	<u>69</u>	<u>2,123,616</u>	<u>72</u>
1XXX	Total assets		<u>\$ 3,172,646</u>	<u>100</u>	<u>\$ 2,964,150</u>	<u>100</u>

(Continued)

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD.

Parent Company Only Balance Sheets

December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
Current Liabilities						
2100	Short-term borrowings	6(i), 8	\$ 865,000	27	\$ 732,000	25
2110	Short-term notes payable	6(j)	109,843	4	149,932	5
2120	Current financial liabilities at fair value through profit or loss	6(l)	2,116	-	1,811	-
2200	Other payables	6(k)	13,501	-	14,250	1
2230	Current tax liabilities	6(w)	16,553	1	-	-
2320	Long-term liabilities-current portion	6(m)	8,182	-	42,055	1
2399	Other current liabilities-others		484	-	397	-
21XX	Total current liabilities		<u>1,015,679</u>	<u>32</u>	<u>940,445</u>	<u>32</u>
Non-current Liabilities						
2570	Deferred income tax liabilities	6(w)	92,041	3	91,890	3
2670	Other non-current liabilities-others	7	2,095	-	1,604	-
25XX	Total non-current liabilities		<u>94,136</u>	<u>3</u>	<u>93,494</u>	<u>3</u>
2XXX	Total liabilities		<u>1,109,815</u>	<u>35</u>	<u>1,033,939</u>	<u>35</u>
Equity						
Share capital						
3110	Ordinary share	6(o)	932,210	29	923,181	31
Capital surplus						
3200	Capital surplus	6(p)	641,858	20	616,880	21
Retained earnings						
3310	Legal reserve	6(q)	220,291	7	218,051	7
3320	Special reserve		115,046	4	112,601	4
3350	Unappropriated earnings		236,260	8	174,544	6
Other equity						
3400	Other equity		(82,834)	(3)	(115,046)	(4)
3XXX	Total equity		<u>2,062,831</u>	<u>65</u>	<u>1,930,211</u>	<u>65</u>
Significant contingencies and unrecognized contract commitments						
Significant subsequent events						
3X2X	Total liabilities and equity		<u>\$ 3,172,646</u>	<u>100</u>	<u>\$ 2,964,150</u>	<u>100</u>

Please refer to the accompanying notes as an integral part of the parent company only financial statements.

Chairman: CHANG, LI-JUNG

General Manager: LU, I-HSUAN

Accounting Officer: HSU, KUO-HUANG

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD.
Parent Company Only Statements of Comprehensive Income
As of and For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars
(Earnings per share is expressed in New Taiwan Dollars)

Items	Notes	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	6(r), 7	\$ 778,225	100	\$ 538,469	100
5000 Operating costs	6(c), 7	(700,522)	(90)	(464,068)	(86)
5900 Net gross profit		<u>77,703</u>	<u>10</u>	<u>74,401</u>	<u>14</u>
Operating expenses	6(v), 7				
6100 Selling expenses		(190)	-	(35)	-
6200 Administrative expenses		(50,879)	(6)	(45,914)	(8)
6000 Total operating expenses		(51,069)	(6)	(45,949)	(8)
6500 Other revenue and expenses	6(s)	64,321	8	(8,274)	(2)
6900 Net operating income		<u>90,955</u>	<u>12</u>	<u>20,178</u>	<u>4</u>
Non-operating income and expenses					
7100 Interest revenue	7	3,429	-	1,964	-
7010 Other revenue		704	-	931	-
7020 Other gains and losses	6(t)	(225)	-	(1,228)	-
7050 Finance cost	6(u)	(10,163)	(1)	(7,211)	(1)
7070 Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	6(d)	(1,129)	-	13,596	2
7000 Total non-operating income and expenses		(7,384)	(1)	8,052	1
7900 Profit before tax		83,571	11	28,230	5
7950 Income tax expenses	6(w)	(17,825)	(2)	(5,554)	(1)
8200 Profit		<u>\$ 65,746</u>	<u>9</u>	<u>\$ 22,676</u>	<u>4</u>
Other comprehensive income, net					
Items not to be reclassified into profit or loss					
8311 Remeasurements of defined benefit plans	6(n)	\$ 181	-	(\$ 157)	-
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method-components not to be reclassified to profit or loss		510	-	(154)	-
8349 Income tax related to items of other comprehensive income not to be reclassified to profit or loss	6(w)	(36)	-	31	-
8310 Items not to be reclassified into profit or loss		<u>655</u>	<u>-</u>	<u>(280)</u>	<u>-</u>
Items that may be subsequently reclassified into profit or loss					
8361 Exchange differences on translation of foreign financial statements		32,212	4	(2,445)	-
8360 Items that may be subsequently reclassified into profit or loss		<u>32,212</u>	<u>4</u>	<u>(2,445)</u>	<u>-</u>
8300 Other comprehensive income (loss), net of tax		<u>\$ 32,867</u>	<u>4</u>	<u>(\$ 2,725)</u>	<u>-</u>
8500 Total comprehensive income		<u>\$ 98,613</u>	<u>13</u>	<u>\$ 19,951</u>	<u>4</u>
Basic earnings per share	6(x)				
9750 Basic earnings per share		<u>\$ 0.71</u>		<u>\$ 0.25</u>	
9850 Diluted earnings per share		<u>\$ 0.71</u>		<u>\$ 0.25</u>	

Please refer to the accompanying notes as an integral part of the parent company only financial statements.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD.
Parent Company Only Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Notes	Ordinary Shares	Capital surplus				Retained earnings			Other equity	Total equity
		Capital surplus	Treasury share transactions	Share options	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	
2021										
Balance at January 1, 2021	\$ 832,810	\$ 351,320	\$ 1,615	\$ 13,377	\$ 13	\$ 205,318	\$ 117,252	\$ 285,152	(\$ 112,601)	\$ 1,694,256
Profit	-	-	-	-	-	-	-	22,676	-	22,676
Other comprehensive income	-	-	-	-	-	-	-	(280)	(2,445)	(2,725)
Total comprehensive income	-	-	-	-	-	-	-	22,396	(2,445)	19,951
Appropriation and distribution of 2020 earnings : 6(q)										
Legal reserve	-	-	-	-	-	12,733	-	(12,733)	-	-
Special reserve	-	-	-	-	-	-	(4,651)	4,651	-	-
Cash dividends	-	-	-	-	-	-	-	(124,922)	-	(124,922)
Conversion of convertible bonds 6(m)(o)	90,371	262,477	-	(11,927)	-	-	-	-	-	340,921
Unclaimed dividends overdue transferred to capital surplus	-	-	-	-	5	-	-	-	-	5
Balance at December 31, 2021	\$ 923,181	\$ 613,797	\$ 1,615	\$ 1,450	\$ 18	\$ 218,051	\$ 112,601	\$ 174,544	(\$ 115,046)	\$ 1,930,211
2022										
Balance at January 1, 2022	\$ 923,181	\$ 613,797	\$ 1,615	\$ 1,450	\$ 18	\$ 218,051	\$ 112,601	\$ 174,544	(\$ 115,046)	\$ 1,930,211
Profit	-	-	-	-	-	-	-	65,746	-	65,746
Other comprehensive income	-	-	-	-	-	-	-	655	32,212	32,867
Total comprehensive income	-	-	-	-	-	-	-	66,401	32,212	98,613
Appropriation and distribution of 2021 earnings : 6(q)										
Legal reserve	-	-	-	-	-	2,240	-	(2,240)	-	-
Special reserve	-	-	-	-	-	-	2,445	(2,445)	-	-
Conversion of convertible bonds 6(m)(o)	9,029	26,140	-	(1,171)	-	-	-	-	-	33,998
Unclaimed dividends overdue transferred to capital surplus	-	-	-	-	9	-	-	-	-	9
Balance at December 31, 2022	\$ 932,210	\$ 639,937	\$ 1,615	\$ 279	\$ 27	\$ 220,291	\$ 115,046	\$ 236,260	(\$ 82,834)	\$ 2,062,831

Please refer to the accompanying notes as an integral part of the parent company only financial statements.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD.

Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

	<u>Notes</u>	<u>For the year ended</u> <u>December 31, 2022</u>	<u>For the year ended</u> <u>December 31, 2021</u>
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 83,571	\$ 28,230
Adjustments			
Items of income and expense			
Depreciation expense (including right-of-use assets and investment properties)	6(e)(f)(h)(v)	7,531	7,213
Amortization expense	6(v)	39	15
Interest expense	6(u)	9,958	5,977
Net loss on financial liabilities at fair value through profit or loss	6(l)(m)(t)	225	1,228
Interest revenue		(3,429)	(1,964)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	6(d)	1,129	(13,596)
Bond discount amortization	6(u)	205	1,234
Changes in operating assets and liabilities			
Net changes in operating assets			
Accounts receivable		90,051	(327,154)
Accounts receivable – related parties, net		13,687	26,171
Other receivables		-	12,479
Other receivables– related parties		692	(692)
Inventories		(7,031)	(3,287)
Prepayments		(123,874)	(245,320)
Other current assets		1,351	(994)
Defined benefit assets–non-current		(705)	(840)
Net changes in operating liabilities			
Notes payable		-	(500)
Accounts payable– related parties		-	(10,792)
Other payables		(2,122)	(14,225)
Other current liabilities		87	(203)
Cash inflow (outflow) generated from operations		71,365	(537,020)
Interest received		1,940	2,343
Interest paid		(9,879)	(5,960)
Income taxes paid		(178)	(19,048)
Net cash inflow (outflow) provided by operating activities		<u>63,248</u>	<u>(559,685)</u>
<u>Cash flows from investing activities</u>			
Decrease in financial assets at amortized cost		-	165,184
Acquisition of property, plant and equipment	6(e)	(472)	(6,619)
Acquisition of intangible assets		(815)	(126)
Acquisition of investments accounted for using equity method	6(d)	(50,000)	-
Decrease in refundable deposits		-	420
Net cash inflow (outflow) provided by investing activities		<u>(51,287)</u>	<u>158,859</u>
<u>Cash flows from financing activities</u>			
Increase in short-term borrowings	6(y)	133,000	80,000
Increase (Decrease) in short-term notes payables	6(y)	(40,089)	99,938
Increase in guaranteed deposits received		491	4
Repayments of lease principal	6(y)	-	(435)
Cash dividends paid	6(q)	-	(124,922)
Net cash inflow (outflow) provided by financing activities		<u>93,402</u>	<u>54,585</u>
Net increase (decrease) in cash and cash equivalents		105,363	(346,241)
Cash and cash equivalents at the beginning of period	6(a)	178,921	525,162
Cash and cash equivalents at the end of period	6(a)	<u>\$ 284,284</u>	<u>\$ 178,921</u>

Please refer to the accompanying notes as an integral part of the parent company only financial statements.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD.

Notes to the Parent Company Only Financial Statements

For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

(1) Company history

Hontron Precision Electronic Industrial Co., Ltd. (the “Company”) was established in December, 1991. The original company name was Goldfull Electronics & Telecommunications Corp., and changed to Hontron Precision Electronic Industrial Co., Ltd. in June, 2006. The Company has formally been approved to be listed on the Taipei Exchange on May 11, 2010, and changed to be listed on the Taiwan Stock Exchange on May 13, 2021. The company is principally engaged in the manufacture, and sales of cables and wires of various 3C products.

(2) Approval date and procedures of the parent company only financial statements

The parent company only financial statements were authorized for issue by the Board of Directors on February 24, 2023.

(3) New standards, revisions, amendments and interpretations adopted

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

The following summarizes new, revised, and amended standards and interpretations, which have been endorsed by FSC, effective for annual period beginning on January 1, 2022: :

<u>New, Revised, or Amended Standards or Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

The company assessed that the aforementioned standards and interpretations would not have a significant impact on its financial position and financial performance.

(b) The impact of the IFRSs endorsed by the FSC which have not yet been adopted.

The following summarizes new, revised, and amended standards and interpretations, which have been issued by the IASB, effective for annual period beginning on January 1, 2023: :

<u>New, Revised, or Amended Standards or Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

The company assessed that the aforementioned standards and interpretations would not have a significant impact on its financial position and financial performance.

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

The following new, revised, and amended standards and interpretations, which have been issued by the IASB, but have yet to be endorsed by the FSC :

<u>New, Revised, or Amended Standards or Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”	January 1, 2024
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Non-current Liabilities with Covenants	January 1, 2023

The company assessed that the aforementioned standards and interpretations would not have a significant impact on its financial position and financial performance.

(4) Summary of significant accounting policies

The primary accounting policies adopted by the parent company only financial statements are explained below. Except as otherwise explained, the policies are consistently applicable in all reporting periods.

(a) Statement of compliance

The accompanying parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

1. The accompanying parent company only financial statements have been prepared on the historical cost basis except for defined benefit liabilities, which is recognized by pension plan assets net of present value of defined benefit obligation.

2. Preparing financial statements in accordance with the IFRS, International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) takes significant accounting estimates, requires management to make judgments in applying the accounting policies. As for the items involving a higher degree of judgment or complexity, or significant assumptions and estimates of the parent company only financial statements, please refer to the explanations in Note 5.

(c) Translation of foreign currencies

The items included in the parent company only financial statements are measured by the currency used in the primary economic environment where the Company operates (functional currency). The parent company only financial statements are expressed in the Company’s functional currency, “New Taiwan Dollar.”

1. Foreign currencies transactions and balances

- i. Transactions in foreign currencies are translated by the rate of exchange prevailing at the dates of the transactions or measurement into the functional currency. The exchange differences arising from the translation are recognized in the profit or loss.
- ii. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. The exchange differences are

- recognized in profit or loss in the year in which they arise
- iii. At the balance sheet date, non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value through profit or loss, are retranslated at the rates of exchange prevailing at that date. The exchange differences arising from the retranslation are recognized in the profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value through other comprehensive income, are also retranslated at the rates of exchange prevailing at the balance sheet date. The exchange differences arising from the retranslation are recognized in other comprehensive income. For the non-monetary items not measured at fair value, are measured by the historical cost of the transaction dates.
 - iv. All the profit or losses arising from exchange differences are stated as “other revenue and expenses” on the statements of comprehensive income by nature.
2. The translation of foreign operations
- i. The results and financial position of all entities of the Company whose functional currencies are different from the presentation currency, shall be translated into the presentation currency using the following procedures :
 - A. Assets and liabilities for each balance sheet shall be translated at the closing rate at the balance sheet date ;
 - B. Income and expenses for each statement of comprehensive income shall be translated at the average exchange rates of the period; and
 - C. All resulting exchange differences shall be recognized in other comprehensive income.
 - ii. On the partial disposal of a foreign operation, which is a subsidiary, the Company shall re-attribute the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation. In addition, even when the Company retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions shall be accounted for as disposal of all interest in the foreign operation.

(d) Classification of non-current and current assets and liabilities

1. An asset is classified as current under the conditions below.
 - i. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
 - ii. The Company holds the asset primarily for the purpose of trading;
 - iii. The Company expects to realize the asset within twelve months after reporting period;
 - iv. 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.

For those assets that are not current are classified as non-current.
2. A liability is classified as current under the conditions below.
 - i. The Company expects to settle the liability in normal operating cycle;
 - ii. The Company holds the liability primarily for the purpose of trading;
 - iii. The liability is due to be settled within twelve months after the reporting period;
 - iv. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. 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.

For those liabilities that are not current are classified as non-current.

(e) Cash and cash equivalents

Cash equivalents are highly liquid short-term investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks of changes in value. If time deposits and bond investments with repurchase agreement meet the aforementioned definition, and the Company holds them for the purpose of short-term cash commitment in operation, they are classified as cash equivalents.

(f) Accounts receivable

1. Accounts receivables entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
2. The short-term accounts receivables without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(g) Impairment of financial assets

At each reporting date, the Company shall assess whether the credit risk on financial assets at amortized cost and accounts receivable containing significant financing component have increased significantly since initial recognition. The Company shall consider all the reasonable and provable information, including foreseeing information. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company shall measure the loss allowance for that instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the Company shall measure the loss allowance for that instrument at an amount equal to lifetime expected credit losses. For those accounts receivables not containing significant financing component, the Company shall measure the loss allowance for that instrument at an amount equal to lifetime expected credit losses.

(h) Lease of lessor-operating lease

The Company shall recognize the lease income associated with those leases less any incentives offered to the lessees as profit or loss on a straight-line basis over the lease term.

(i) Inventories

Inventories are measured at the lower of cost and net realizable value item by item, and the calculation of cost is by weighted-average cost. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

(j) Investments accounted for using equity method/subsidiaries

1. Subsidiaries are entities (including structured entities) controlled by the Company. The Company controls an entity when it is exposed, or has right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Unrealized profit or losses on transactions with subsidiaries have been eliminated. Appropriate adjustments of accounting policies of the subsidiaries have been made to be uniform with the accounting policies of the Company.
3. Share of profit or loss of subsidiaries is recognized in profit or loss, and share of other comprehensive income of subsidiaries is recognized in other comprehensive income. If the Company's share of losses of a subsidiary equals or exceeds its interest in the subsidiary, the Company continues recognizing its share of further losses.
4. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers," the profit or loss during the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a

consolidated basis.

(k) Property, plant and equipment

1. Property, plant and equipment are initially recognized by acquisition cost. The relevant borrowing cost during the period of construction shall be capitalized.
2. Subsequent costs shall be recognized in the carrying value of the assets or as an individual asset, only if it's probable that future economic benefits associated with the item are expected to flow to the Company, and the costs can be measured reliably. The carrying value of the replaced items shall be derecognized. Other fix and maintenance cost are recognized in profit or loss.
3. Property, plant and equipment are subsequently measured by cost model. Aside from land, which shall not be depreciated, straight-line method is used to allocate the depreciable amount of an asset over its useful life. 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 shall be depreciated separately.
4. The residual value and the useful life of an asset shall be reviewed at each financial year-end, and if expectations differ from previous estimate, or there's significant change in the consuming way of future economic benefits associated with the asset, the changes shall be accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" since the date of the changes. The useful lives of each asset are listed below:
Buildings and structures 5~50 years, office equipment 3~5 years, and other equipment 3~5 years.

(l) Lease of lessee-right-of-use asset/lease Liabilities

1. At the commencement date, the Company shall recognize a right-of-use asset and a lease liability. If the lease contract is a short-term lease or the underlying assets of the lease if of low value, the Company shall recognize the lease payments associated with those leases as an expense on a straight-line basis over the lease term.
2. At the commencement date, the Company shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the Company's incremental borrowing rate. The lease payments are fixed payments, less any lease incentives receivable. The Company shall amortize the lease liabilities by effective interest rate method, and recognize interest expense over the lease term. If there's change in lease term or lease payments, not due to contract revision, the Company shall remeasure the lease liability and recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.
3. At the commencement date, the Company shall measure the right-of-use asset at cost, which comprises the amount of the initial measurement of the lease liability. After the commencement date, the Company shall measure the right-of-use asset by cost model. The Company shall depreciate the right-of-use asset over the shorter of the useful life or the lease term. If the Company remeasures the lease liability, the Company shall recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

(m) Investment properties

An investment property is measured initially at cost, and subsequently measured by cost model. Except for land, other investment properties shall be depreciated by straight-line method over their useful life of 50 years.

(n) Intangible assets

A computer software is measured initially at cost, and shall be amortized by straight-line method over its useful life of 1~5 years.

(o) Impairment of non-financial assets

The Company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication is present, the Company shall assess the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, impairment loss shall be recognized. Recoverable amount is the higher of the cash-generating unit's net fair value and its value in use. If the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

(p) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowing using the effective interest method.

(q) Convertible corporate bonds payable

The convertible corporate bonds payable issued by the Company are embedded with conversion options (which grant a right to the holders of the bonds to convert them into fixed number of the Company's ordinary shares by fixed price), put options and call options. The issue price of convertible corporate bonds payable shall be classified as financial liabilities or equity based on the issue conditions, when initially issuing the instruments. The instruments are recognized as follows :

1. Embedded put options and call options: Embedded put options and call option shall be initially measured at net fair value and recognized as "financial liabilities at fair value through profit or loss," and subsequently measured at fair value at each balance sheet date, and the differences shall be recognized as "gains or losses on financial assets (liabilities) at fair value through profit or loss".
2. Host contract of the corporate bond : Host contract of the corporate bond shall be initially measured at fair value, and the difference between the fair value and the redemption value shall be recognized as the discount of the bond payable, which shall be amortized in profit or loss as an adjustment to the "financial costs" over the period of bond outstanding using the effective interest method.
3. Embedded conversion option (conforming the definition of equity) : Conversion options shall be initially recognized in the "capital surplus-share options" at the residual amount of total issue price less amounts of the "financial liabilities at fair value through profit or loss" and "bonds payable," and shall not be remeasured subsequently.
4. Any transaction costs directly attributable to the issuance of the convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of initial carrying amount.
5. When bondholders exercise conversion options, the liability component (including "bonds payable" and "financial liabilities at fair value through profit or loss") shall be remeasured at the conversion date. The issue cost of ordinary shares issued due to the conversion shall be measured based on the remeasured carrying amount of the aforementioned liability component plus the carrying amount of the "capital surplus-share options."

(r) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for that service, and shall be recognized as expenses when the employees have rendered service.

2. Pension

i. Defined contribution plans

For defined contribution plans, the contributions shall be recognized as pension expenses when they are due on the accrual basis. Prepaid contributions shall be recognized that excess as an asset to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

ii. Defined benefit plans

A. Net obligation under a defined benefit plan is accrued from the present value of future benefit that employees have earned in return for their services in the current or prior periods. The Company recognized the present value of the defined benefit obligation deducting the fair value of plan assets at the balance sheet date. Net obligation of the defined benefit is calculated annually by independent actuaries using the projected unit credit method and is discounted by using the market yield on government bonds with consistent denominated currency and duration (at the balance sheet date).

B. Remeasurements arising from defined benefit plans shall be recognized in other comprehensive income in the period in which they arise and shall be recorded in retained earnings.

3. Employees' remuneration and directors' remuneration

Employees' remuneration and directors' remuneration are recognized as expenses and liabilities provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(s) Income tax

1. The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to the items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the entities operate and generate taxable income. Management shall periodically evaluate the tax declaration condition, and estimate the income tax liabilities based on the tax expected to be paid to the taxation authority when applicable. An additional tax on unappropriated earnings is recognized as income tax expenses on unappropriated earnings in the year the shareholders' meeting approves the distribution of earnings based on the actual distribution.
3. Deferred income tax shall be recognized for the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except to the extent that the deferred tax liabilities arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). The Company shall not recognize the deferred tax liabilities for temporary differences associated with investments in subsidiaries, if the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax is 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.
4. Deferred tax assets shall be reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.
5. The Company shall offset current tax assets and current tax liabilities, only if the Company has a legally enforceable right to set off the recognized amount, and intends either to settle on a

net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities may offset each other, only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities, and the deferred income tax assets and liabilities related to the same taxable entity and the same taxation authority, or the deferred income tax assets and liabilities related to different taxable entities, but each entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously

(t) Dividends distribution

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new share issuance.

(u) Revenue recognition

1. Sale of goods

- i. The Company sells cables and wires of various 3C products. The Company shall recognize revenue when the customer obtains control of that asset. It's the time when goods are transferred to a customer, and the customer has the discretion to direct the distribution and price of goods, and there's no remaining obligation that could affect the acceptance of the goods. When goods are delivered to designated place, the risk of obsolescence and lost is transferred to the customer, and the customer has accepted the goods according to sales contract, or there's objective evidence to approve that the standards of acceptance have been fulfilled, the goods are formally transferred to the customer.
- ii. Sales revenue shall be recognized by contract price less business tax, sales return, quantity discounts, and allowances. The revenue shall be recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur, and the Company shall update the estimation on each balance sheets date. As the payment terms of the sales are within 1 year from the date of transferring the control of goods, the Company didn't adjust the transaction prices to reflect the time value of money.
- iii. Accounts receivables shall be recognized at the time when the goods are transferred to the customer, because the Company has the unconditional right to receive the consideration. Only the passage of time is required before payment of that consideration is due.

2. Lease service

The revenue arising from lease operation of offices is recognized in each period during the lease term.

3. Licensing service

The revenue of the royalty arising from licensing for the customers of the Company is recognized by sales base.

(5) Major sources of uncertainty arising from significant accounting judgments, estimates, and assumptions

When preparing the Company's parent company only financial statements, the management has made judgments to determine the account policies adopted, and make accounting estimates and assumptions based on the reasonable exceptions for future events based on the condition at the balance sheet date. However, these estimates and assumptions could differ from the actual result; thus, they could be assessed and adjusted by taking into account historical experiences and other factors. The estimates and assumptions could result in risks that require a material adjustment to the carrying amount of assets and liabilities in the next fiscal year. The uncertainty of significant accounting judgments, estimates and assumptions is as follows :

(a) The significant judgments adopted by the accounting policies

Investment properties are properties held by the Company to earn rentals or for capital appreciation, but some portions of them are owner-occupied. If these portions could not be sold separately or leased out separately under a finance lease, the Company shall account for these properties as investment properties.

(b) Significant accounting estimates and assumptions

None.

(6) Explanation of significant accounting accounts

(a) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 67	\$ 65
Checkings and savings	12,879	20,804
Cash equivalents		
-Time deposits	271,338	45,118
-Bonds with repurchase agreements	-	112,934
	<u>\$ 284,284</u>	<u>\$ 178,921</u>

1. Since the correspondent banks are credible and the Company have several correspondent banks to diversify the credit risk, the probability of default is expected to be very low.

2. The cash and cash equivalents were not pledged as collateral.

(b) Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivables	\$ 265,325	\$ 356,008
Accounts receivable – related parties	35,376	49,063
Less : loss allowance	-	(632)
	<u>\$ 300,701</u>	<u>\$ 404,439</u>

1. The aging analysis of accounts receivables is as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Undue	\$ 300,701	\$ 404,439
Overdue for 91 days	-	632
	<u>\$ 300,701</u>	<u>\$ 405,071</u>

The aging analysis is based on the days of overdue.

2. As of December 31, 2022 and 2021 the balances of accounts receivables are arising from contracts with customers. And as of January 1, 2021, the balance of accounts receivables amounted to NT\$104,088.

3. Without consider the collaterals held and other credit enhancement, as of December 31, 2022 and 2021, the most representative credit risk exposure amounts of accounts receivables are NT\$300,701 and NT\$404,439, respectively.

4. Please refer to Note 12(b) for the credit risk information.

(c) Inventories

December 31, 2022

Cost Allowance for inventory valuation losses Carrying amount

Merchandise inventory \$ 15,826 (\$ _____ 9) \$ 15,817
December 31, 2021

Cost Allowance for inventory valuation losses Carrying amount
Merchandise inventory \$ 8,812 (\$ _____ 26) \$ 8,786

The inventory costs recognized as expenses or losses in current period :

	<u>2022</u>	<u>2021</u>
Cost of inventories sold	\$ 700,539	\$ 464,045
Inventory valuation losses (reversal profits) (Note)	(_____ 17)	_____ 23
	<u>\$ 700,522</u>	<u>\$ 464,068</u>

Note : The reversal profits were arising from destocking in 2022.

(d) Investments accounted for using equity method

Subsidiaries :	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Amount</u>	<u>Percentage of ownership (%)</u>	<u>Amount</u>	<u>Percentage of ownership (%)</u>
Fortuna International Holdings Ltd.	\$1,724,313	100	\$1,687,437	100
SmartGreen Solution Co., LTD.	<u>46,021</u>	100	-	-
	<u>\$1,770,334</u>		<u>\$1,687,437</u>	

1. Please refer to the explanation in Note4(c) to the consolidated financial statements for the year ended December 31, 2022, for the information of subsidiaries.
2. The Company invested and established SmartGreen Solution Co., LTD. on September 7, 2022, with paid-in capital NT\$50,000, and percentage of ownership 100%.
3. Share of profit or loss of subsidiaries accounted for using equity method is calculated based on the financial statements audited by CPA in the same period. The gain or loss on investments recognized are as follows :

	<u>2022</u>	<u>2021</u>
Fortuna International Holdings Ltd.	\$ 2,850	\$ 13,596
SmartGreen Solution Co., LTD.	(_____ 3,979)	\$ _____ -
	<u>(_____ 1,129)</u>	<u>\$ 13,596</u>

(e) Property, plant, and equipment

	2022							
	<u>Land</u>	<u>Buildings and structures</u>	<u>Office equipment</u>		<u>Subtotal</u>	<u>Other equipment</u>		<u>Total</u>
			<u>For self-use</u>	<u>For lease</u>		<u>For self-use</u>	<u>For lease</u>	
January 1								
Cost	\$64,213	\$ 56,857	\$ 677	\$ 2,571	\$ 3,248	\$ 6,007	\$ -	\$ 6,007
Accumulated depreciation	-	(20,117)	(623)	-	(623)	(2,009)	-	(2,009)
	<u>\$64,213</u>	<u>\$ 36,740</u>	<u>\$ 54</u>	<u>\$ 2,571</u>	<u>\$ 2,625</u>	<u>\$ 3,998</u>	<u>\$ -</u>	<u>\$ 3,998</u>
January 1	\$64,213	\$ 36,740	\$ 54	\$ 2,571	\$ 2,625	\$ 3,998	\$ -	\$ 3,998
Additions	-	-	102	-	102	112	258	370
Reclassifications	-	-	-	-	-	(2,493)	2,486	(7)
Depreciation expense	-	(1,682)	(33)	(428)	(461)	(287)	(367)	(654)
December 31	<u>\$64,213</u>	<u>\$ 35,058</u>	<u>\$ 123</u>	<u>\$ 2,143</u>	<u>\$ 2,266</u>	<u>\$ 1,330</u>	<u>\$ 2,377</u>	<u>\$ 3,707</u>
December 31								
Cost	\$64,213	\$ 56,857	\$ 779	\$ 2,571	\$ 3,350	\$ 3,626	\$ 2,744	\$ 6,370
Accumulated depreciation	-	(21,799)	(656)	(428)	(1,084)	(2,296)	(367)	(2,663)
	<u>\$64,213</u>	<u>\$ 35,058</u>	<u>\$ 123</u>	<u>\$ 2,143</u>	<u>\$ 2,266</u>	<u>\$ 1,330</u>	<u>\$ 2,377</u>	<u>\$ 3,707</u>

	2021							
	<u>Land</u>	<u>Buildings and structures</u>	<u>Office equipment</u>		<u>Subtotal</u>	<u>Other equipment</u>		<u>Total</u>
			<u>For self-use</u>	<u>For lease</u>				
January 1								
Cost	\$ 94,500	\$ 75,327	\$ 677	\$ -	\$ 677	\$ 1,959	\$ -	\$ 172,463
Accumulated depreciation	-	(17,978)	(517)	-	(517)	(1,753)	-	(20,248)
	<u>\$ 94,500</u>	<u>\$ 57,349</u>	<u>\$ 160</u>	<u>\$ -</u>	<u>\$ 160</u>	<u>\$ 206</u>	<u>\$ -</u>	<u>\$ 152,215</u>
January 1	\$ 94,500	\$ 57,349	\$ 160	\$ -	\$ 160	\$ 206	\$ -	\$ 152,215
Additions	-	-	-	2,571	2,571	4,048	-	6,619
Reclassifications (Note)	(30,287)	(18,470)	-	-	-	-	-	(48,757)
Depreciation expense	-	(2,139)	(106)	-	(106)	(256)	-	(2,501)
December 31	<u>\$ 64,213</u>	<u>\$ 36,740</u>	<u>\$ 54</u>	<u>\$ 2,571</u>	<u>\$ 2,625</u>	<u>\$ 3,998</u>	<u>\$ -</u>	<u>\$ 107,576</u>
December 31								
Cost	\$ 64,213	\$ 56,857	\$ 677	\$ 2,571	\$ 3,248	\$ 6,007	\$ -	\$ 130,325
Accumulated depreciation	-	(20,117)	(623)	-	(623)	(2,009)	-	(22,749)
	<u>\$ 64,213</u>	<u>\$ 36,740</u>	<u>\$ 54</u>	<u>\$ 2,571</u>	<u>\$ 2,625</u>	<u>\$ 3,998</u>	<u>\$ -</u>	<u>\$ 107,576</u>

Note : mainly transferred to investment properties.

- The useful lives of property, plant, and equipment and the significant components are as follows:

<u>Items</u>	<u>Significant components</u>	<u>Useful life</u>
Buildings and structures	Buildings, etc.	5 ~ 50 years
Office equipment	Computers, etc.	3 ~ 5 years
Other equipment	Air conditioners and decorations, etc.	3 ~ 5 years

- Please refer to Note8 for information of the property, plant, and equipment pledged as collaterals.

(f) Lease transactions-lessee

1. The underlying assets of the lease transactions that the Company involves are mainly company cars. The duration of lease term is usually 1 to 3 years. The lease contracts are negotiated individually and applicable to different terms and conditions. Except for that the lease assets shall not be used as collaterals, there's no other restriction imposed to the lease assets.
2. The carrying value and depreciation expense recognized of right-of-use assets are as follows :

	<u>2022</u>	<u>2021</u>
	<u>Transportation equipment</u>	<u>Transportation equipment</u>
January 1		
Cost	\$ -	\$ 2,293
Accumulated depreciation	-	(1,858)
	<u>\$ -</u>	<u>\$ 435</u>
January 1	\$ -	\$ 435
Additions	-	-
Depreciation expense	-	(435)
December 31	<u>\$ -</u>	<u>\$ -</u>
December 31		
Cost	\$ -	\$ -
Accumulated depreciation	-	-
	<u>\$ -</u>	<u>\$ -</u>

3. The information of the items related to lease contracts which affect the amount of profit or loss is as follows :

	<u>2022</u>	<u>2021</u>
<u>Items affect current profit or loss</u>		
Interest expenses of lease liabilities	\$ -	\$ 3
Expenses arising from short-term lease contracts	23	26

4. The cash outflow incurred by lease amounted to NT\$23 and NT\$464 in 2022 and 2021, respectively.

(g) Lease transactions-lessor

1. The underlying assets of the lease transactions that the Company involves are buildings. The duration of lease term is usually 1 to 5 years. The lease contracts are negotiated individually and applicable to different terms and conditions. In order to guarantee the conditions of the leased assets, the Company usually restricts the lessees from pledging the lease assets as collaterals.
2. The rent incomes recognized based on operating lease contracts amounted to NT\$12,343 and NT\$11,293 in 2022 and 2021, respectively, which include no variable lease payments.
3. The maturity analysis of the lease payments of operating lease is as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Within 1 year	\$ 12,340	\$ 12,394
1 to 5 years	<u>14,939</u>	<u>24,339</u>
	<u>\$ 27,279</u>	<u>\$ 36,733</u>

(h) Investment properties

	<u>2022</u>		
<u>Land</u>		<u>Buildings and structures</u>	<u>Total</u>
	242		

January 1			
Cost	\$ 196,787	\$ 143,990	\$ 340,777
Accumulated depreciation	<u>-</u>	<u>(33,082)</u>	<u>(33,082)</u>
	<u>\$ 196,787</u>	<u>\$ 110,908</u>	<u>\$ 307,695</u>
January 1	\$ 196,787	\$ 110,908	\$ 307,695
Depreciation expense	<u>-</u>	<u>(4,734)</u>	<u>(4,734)</u>
December 31	<u>\$ 196,787</u>	<u>\$ 106,174</u>	<u>\$ 302,961</u>
December 31			
Cost	\$ 196,787	\$ 143,990	\$ 340,777
Accumulated depreciation	<u>-</u>	<u>(37,816)</u>	<u>(37,816)</u>
	<u>\$ 196,787</u>	<u>\$ 106,174</u>	<u>\$ 302,961</u>
		<u>2021</u>	
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
January 1			
Cost	\$ 166,500	\$ 125,520	\$ 292,020
Accumulated depreciation	<u>-</u>	<u>(28,805)</u>	<u>(28,805)</u>
	<u>\$ 166,500</u>	<u>\$ 96,715</u>	<u>\$ 263,215</u>
January 1	\$ 166,500	\$ 96,715	\$ 263,215
Reclassification (Note)	30,287	18,470	48,757
Depreciation expense	<u>-</u>	<u>(4,277)</u>	<u>(4,277)</u>
December 31	<u>\$ 196,787</u>	<u>\$ 110,908</u>	<u>\$ 307,695</u>
December 31			
Cost	\$ 196,787	\$ 143,990	\$ 340,777
Accumulated depreciation	<u>-</u>	<u>(33,082)</u>	<u>(33,082)</u>
	<u>\$ 196,787</u>	<u>\$ 110,908</u>	<u>\$ 307,695</u>

Note : mainly transferred from property, plant and equipment.

1. The rent income and direct operating expense of investment properties :

	<u>2022</u>	<u>2021</u>
Rent income of investment properties	<u>\$ 12,343</u>	<u>\$ 11,293</u>
The direct operating expenses incurred by the investment properties with current rent income	<u>\$ 4,734</u>	<u>\$ 4,277</u>

2. The fair value of the investment properties amounted to NT\$441,266 and NT\$442,610 for the years ended December 31, 2022 and 2021, respectively. The fair value is level 3 of fair value hierarchy, which is the reasonable market price of similar properties under the condition that the buyers and sellers are knowledgeable and willing to enter into the transaction.

3. Please refer to Note 8 for the information of investment properties pledged as collaterals.

(i) Short-term borrowings

<u>Types of borrowing</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank loans		
Unsecured bank loans	\$ 575,000	\$ 732,000
Secured bank loans	<u>290,000</u>	<u>-</u>
	<u>\$ 865,000</u>	<u>\$ 732,000</u>
Interest rate intervals	<u>1.44%~1.78%</u>	<u>0.70%~0.88%</u>

Please refer to Note 8 for details of the assets pledged as collateral for bank borrowings.

(j) Short-term notes payables

<u>Types of borrowing</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial papers payable	\$ 110,000	\$ 150,000
Less : Discount on commercial papers payable	(157)	(68)
	<u>\$ 109,843</u>	<u>\$ 149,932</u>
Interest rate intervals	<u>1.35%~1.89%</u>	<u>0.81%~0.85%</u>

The aforementioned commercial papers payable are guaranteed by Mega Bills Finance Co., Ltd. and China Bills Finance Corporation.

(k) Others payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salary and bonus payable	\$ 4,165	\$ 5,023
Services expense payable	1,526	2,440
Employees' remuneration payable	2,607	2,191
Directors' remuneration payable	3,447	1,579
Interest payable	248	169
Others	<u>1,508</u>	<u>2,848</u>
	<u>\$ 13,501</u>	<u>\$ 14,250</u>

(l) Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items :		
Financial liabilities held for trading		
Put options and call options of the convertible corporate bonds	\$ 3,367	\$ 3,287
Valuation adjustment	(1,251)	(1,476)
	<u>\$ 2,116</u>	<u>\$ 1,811</u>

1. The net loss arising from financial liabilities held for trading recognized amounted to NT\$225 and NT\$1,228 in 2022 and 2021, respectively.

2. Please refer to Note 6(m) for the explanation for the initial domestic secured convertible corporate bonds issuance.

(m) Corporate bonds payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Corporate bonds payable	\$ 8,200	\$ 42,600
Less : Discount on corporate bonds payable	(18)	(545)
	8,182	42,055
Less : the portion of the corporate bonds due within one year or sold back	(8,182)	(42,055)
	<u>\$ -</u>	<u>\$ -</u>

1. The domestic convertible corporate bonds issued by the Company

The issue terms of the first domestic secured convertible corporate bonds issued by the Company are as follows :

- A. The offering and issuance of the first secured convertible corporate bond have been authorized by the competent authority. The total amount issued was NT\$510,000 with par NT\$100 per share, at a coupon rate of 0%, and maturity of 3 years, from September 21, 2020 to September 21, 2023. The principal of the convertible corporate bond will be repaid at maturity by the denomination by cash. The convertible bond is listed for trading on Taipei Exchange on September 21, 2020.
 - B. From the day following the three-month period after the issuance of the convertible bonds (December 22, 2020) to the maturity date (September 21, 2023), the bondholder may request the Company's stock agency for conversion of ordinary shares at any time, except during the period in which transfer is suspended by laws. The rights and obligations of the newly issued shares after conversion are the same as other issue ordinary shares.
 - C. The bondholders have the right to require the Company to repurchase all bonds at the price of the 101.0025% of the bonds' principal amount (annual yield rate of 0.5%), when the convertible corporate bond has been issued for two years.
 - D. The conversion price of the bonds is adjusted based on the pricing model in the terms of the bonds, which was NT\$38.9. As the Company distributed cash dividends subsequently, the conversion price has been adjusted to NT\$38.1.
 - E. From the day following the three-month period after the issuance of the convertible bonds (December 22, 2020) to 40 days before the expiry of the issuance period (August 12, 2023), when the closing price of the Company's ordinary shares exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, or when the outstanding balance of the convertible bonds is lower than 10% of the original total issued amount the Company may, within the next 30 business days, send the "Bond Redemption Notice" by registered mail to the bond holders and a notification letter to the Taipei Exchange for the announcement. The redemption price is set as the denomination of the bonds, and all the bonds will be redeemed in cash. The Company shall redeem the convertible bonds in cash within five business days from the bond redemption base date.
 - F. According to the terms of the bonds, all bonds repurchased (including bonds repurchased from the secondary market), redeemed before or at maturity, or converted by the bondholders are retired, as well as the rights and obligations attached with the corporate bond, and not to be re-sold or re-issued.
2. According to IAS 32 "Financial Instruments: Presentation," the Company shall separate the conversion option of equity nature with equity from the liability components when issuing convertible corporate bond. The capital surplus-share options recognized amounted to NT17,023. According to IFRS 9 "Financial Instruments," as the economic characteristics and risks of embedded call options and put options are not closely related to the economic characteristics and risks of the host contract, they are recognized separately, as "financial assets at fair value through profit or loss" by the net value. The effective interest rate of the host contract after the separation is 0.91%.
 3. As of December 31, 2022, the guaranteed bills issued for the aforementioned convertible corporate bond amounted to NT\$507,538.
 4. As of December 31, 2022, the convertible corporate bonds with par value of NT\$491,800 were converted into 12,693 thousands of ordinary shares, and change of registration has been completed on November 8, 2022.

(n) Pension

1. i. The Company has a defined benefit pension plan in accordance with the Labor

Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the "Fund"). Before the end of each year, the Company assesses the balance in the aforementioned Fund. If the balance in the Fund is inadequate to pay the retirement benefits of employees who are eligible for retirement in the following year by the aforementioned method, the Company is required to fund the deficit in one appropriation before the end of next March.

- ii. The amounts recognized in balance sheets are as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of the defined benefit obligations	\$ -	\$ 4,298
Fair value of the plan assets	<u>(2,804)</u>	<u>(6,217)</u>
Net defined benefit assets	<u>(\$ 2,804)</u>	<u>(\$ 1,919)</u>

iii. The changes in net defined benefit liabilities are as follows :

	<u>2022</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>net benefit obligation liabilities</u>
Balance as of January 1	\$ 4,298	(\$ 6,217)	(\$ 1,919)
Interest expense (revenue)	<u>30</u>	<u>(45)</u>	<u>(15)</u>
	<u>4,328</u>	<u>(6,262)</u>	<u>(1,934)</u>
Remeasurement :			
Expected return on plan assets (not including the amount included in interest revenue or expense)	-	(442)	(442)
Amount affected by changes in financial assumptions	(131)	-	(131)
Experience adjustment	<u>392</u>	<u>-</u>	<u>392</u>
	<u>261</u>	<u>(442)</u>	<u>(181)</u>
Funding of retirement benefits	-	(689)	(689)
Benefits paid	<u>(4,589)</u>	<u>4,589</u>	<u>-</u>
Balance as of December 31	<u>\$ -</u>	<u>(\$ 2,804)</u>	<u>(\$ 2,804)</u>

	<u>2021</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>net benefit obligation liabilities</u>
Balance as of January 1	\$ 4,057	(\$ 5,291)	(\$ 1,234)
Interest expense (revenue)	<u>15</u>	<u>(22)</u>	<u>(7)</u>
	<u>4,072</u>	<u>(5,313)</u>	<u>(1,241)</u>
Remeasurement :			
Expected return on plan assets (not including the amount included in interest revenue or expense)	-	(69)	(69)
Amount affected by changes in demographic assumptions	98	-	98
Amount affected by changes in financial assumptions	18	-	18
Experience adjustment	<u>110</u>	<u>-</u>	<u>110</u>
	<u>226</u>	<u>(69)</u>	<u>157</u>
Funding of retirement benefits	-	(835)	(835)
Balance as of December 31	<u>\$ 4,298</u>	<u>(\$ 6,217)</u>	<u>(\$ 1,919)</u>

iv. The employee pension fund defined benefit plan is deposited under a trust administered by the Bank of Taiwan. Bank of Taiwan follows the proportion and amount of operation items designated in the utilization plan of the fund, according to the items designated in Act. 6 of Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (which are deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate and its securitization products, etc.), to operate the commission. The related utilization is supervised by the Bureau of Labor Funds, which also

guarantees the minimum return to be no less than the return attainable from interest rates offered by local banks for two-year time deposits. If the return does not reach the target, after authorized by competent authority, national treasury shall fund the difference. The Company has no right to participate in the operation and administration of the fund; as such, the Company is unable to disclose the classification of fair value of the plan assets based on PAR 142 of IAS 19. For the fair value of the fund assets as of December 31, 2022 and 2021, please refer to the utilization report of labor retirement fund of each year publicly announced by the government.

- v. The principal underlying actuarial assumptions related to pension are as follows :

	<u>2022</u>	<u>2021</u>
Discount rate	<u>1.30%</u>	<u>0.69%</u>
Rate of expected future salary increase	<u>2.50%</u>	<u>2.50%</u>

The mortality assumption is based on ninety percent of the sixth and fifth life insurance mortality table of Taiwan's life insurance industry.

The effects of the present value of defined benefit obligation due to the changes in main actuarial assumptions :

	<u>Discount rate</u>		<u>Rate of expected future salary increase</u>	
	<u>0.25% increase</u>	<u>0.25% decrease</u>	<u>0.25% increase</u>	<u>0.25% decrease</u>
December 31, 2022				
Effects of the present value of defined benefit obligation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Discount rate</u>		<u>Rate of expected future salary increase</u>	
	<u>0.25% increase</u>	<u>0.25% decrease</u>	<u>0.25% increase</u>	<u>0.25% decrease</u>
December 31, 2021				
Effects of the present value of defined benefit obligation	<u>(\$ 55)</u>	<u>\$ 56</u>	<u>\$ 44</u>	<u>(\$ 43)</u>

The sensitivity analyses above have been determined based a method that extrapolates the effects on the net defined obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. Practically, the changes of assumptions may be correlated. The method that the sensitivity analyses adopted is the same as what the calculation of net defined benefit assets do.

The method and assumptions used for the sensitivity analyses in the current period are the same as the prior period.

- vi. The Company expects to make pension fund contribution of NT\$0 in 2023.
- vii. The weighted-average durations of the defined benefit obligation were 0 years as of December 31, 2022. There's no pension to be paid in the future.
2. Since July 1, 2005, based on Labor Pension Act., the Company has defined contribution plan covering regular employees with R.O.C. nationality, and makes monthly contributions of 6% based on each individual employee's salary or wage to employees' pension accounts for employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. The contribution plan accrued dividends from an employee's individual account is paid monthly or in lump sum upon retirement of an employee. Total pension expenses of NT\$629 and NT\$645 were contributed by the Company for the years ended December 31, 2022 and 2021, respectively.

(o) Share capital

1. The Company had 200,000 thousands of ordinary shares (including 30,000 thousands of corporate bonds with equity warrants shares), with authorized capital of NT\$2,000,000 to be issued based on the resolution of shareholders' meeting on May 26, 2022. Of which 93,221 thousands of shares with par value of NT\$10 were issued as of December 31, 2022. All payments of shares have been received.

The outstanding numbers (thousands) of ordinary shares in the beginning and in the end of the period are reconciled as follows :

	<u>2022</u>	<u>2021</u>
January 1	92,318	83,281
Conversion of convertible corporate bond	<u>903</u>	<u>9,037</u>
December 31	<u><u>93,221</u></u>	<u><u>92,318</u></u>

2. Please refer to Note 6(m) for the information about the conversion of convertible corporate bond.

(p) Capital surplus

According to the regulation of the Company Act, where a company incurs no loss, it may distribute the income derived from the issuance of new shares at a premium, and the income from endowments received by the company, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. Based on the relevant regulations of Securities and Exchange Act, where a company intends to capitalize the aforementioned capital surplus, the total amount per year shall not exceed ten percent of paid-in capital. A company shall not use the capital surplus to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

(q) Retained earnings

1. According to the Articles of Incorporation, if there is any net profit after closing of a fiscal year, the Company shall first pay business income tax, offset losses in previous years, set aside a legal capital reserve at 10% of the profits left over, provided that no allocation of legal reserve is required if the accumulated legal reserve is equivalent to the total capital amount of the Corporation; and then set aside or rotate special reserve according to the rule set out by the government authority in charge. If there is still remaining balance, the Corporation shall set aside with accumulated retained earnings-unappropriated for shareholders' dividends. The Board of Directors shall draw up a meeting regarding the issue of profit distribution and report to the shareholders' meeting for the resolution of the distribution of the dividend.

The dividend distribution policies shall be adjusted in consideration of current and future operation, future funding requirements, shareholders' benefit and long-term financial plan of the Company. The dividends may be distributed in cash or in stock, and the ratio of cash dividend shall be no less than ten percent of total distribution.

According to Article 240-5 of the Company Act, the Company authorizes the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

2. The legal reserve shall not be used except for making good the deficit of the company and being distributed by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash, for the portion in excess of 25% of the paid-in capital.

3. According to regulations, the Company is required to appropriate a special reserve in the amount equal to the debit elements under equity at every balance sheet date. If any of the debit elements is reversed, the special reserve in the amount equal to the reversal may be reversed for earnings distribution.

4. The appropriation and distribution of earnings for 2021 was approved by the shareholders' meeting held on May 26, 2022, while the appropriation and distribution of earnings for 2020 was approved by the shareholders' meeting held on August 27, 2021. The details of the appropriation and distribution are as follows :

	<u>2021</u>	<u>2021</u>	<u>2020</u>
	<u>Amount</u>	<u>Amount</u>	<u>Dividend per share (NT\$)</u>
Legal reserve	\$ 2,240	\$ 12,733	
Special reserve	2,445	-	
Cash dividends	<u>-</u>	<u>124,922</u>	\$ 1.38
	<u>\$ 4,685</u>	<u>\$137,655</u>	

The earnings distribution conditions of the earnings in 2021 and 2020 are the same as the board of directors' proposals.

5. As of February 24, 2023, the earnings distribution hasn't been proposed by the board of directors.

(r) Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
-Revenue from sale of goods	\$ 731,384	\$ 472,322
Others		
-Revenue from lease service	12,343	11,293
-Revenue from licensing service	34,498	54,854
	<u>\$ 778,225</u>	<u>\$ 538,469</u>

The revenue of the Company arises from transferring goods at a point in time, and rendering services over time.

(s) Other revenue and expenses, net

	<u>2022</u>	<u>2021</u>
Foreign exchange net gain (loss)	<u>\$ 64,321</u>	<u>(\$ 8,274)</u>

(t) Other gains and losses

	<u>2022</u>	<u>2021</u>
Loss on financial liabilities at fair value through profit or loss	<u>(\$ 225)</u>	<u>(\$ 1,228)</u>

(u) Financial costs

	<u>2022</u>	<u>2021</u>
Interest expenses-bank borrowing	\$ 9,958	\$ 5,974
Interest expenses –lease transaction	-	3
Interest expenses –amortization of discount on corporate bond	<u>205</u>	<u>1,234</u>
	<u>\$ 10,163</u>	<u>\$ 7,211</u>

(v) Employee benefits, depreciation, and amortization expenses

By nature	2022			2021		
	Recognized in cost of revenue	Recognized in operating expenses	Total	Recognized in cost of revenue	Recognized in operating expenses	Total
Employee benefits						
Salaries and wages	\$ -	\$18,666	\$18,666	\$ -	\$19,642	\$19,642
Labor and health insurance	-	988	988	-	1,271	1,271
Pension	-	614	614	-	638	638
Directors' remuneration	-	3,649	3,649	-	1,791	1,791
Other employee benefits	-	810	810	-	645	645
Depreciation expense (Note 1)	-	7,531	7,531	-	7,213	7,213
Amortization expense	-	39	39	-	15	15

Note 1: Including the depreciation expense of investment properties amounting to NT\$4,734 and NT\$4,277 in 2022 and 2021, respectively, and the depreciation expense of right-of-use assets amounting to NT\$0 and NT\$435 in 2022 and 2021, respectively.

Note 2: The average numbers of employees are both 17 as of December 31, 2022 and 2021. Among them, the numbers of directors not serving as employees are 5. The average employee benefit expenses amounted to NT\$1,757 and NT\$1,850 in 2022 and 2021, respectively, and the average salaries and wages amounted to NT\$1,556 and NT\$1,637 in 2022 and 2021, respectively. The rate of changes in average salaries and wages is (5%).

Note 3: The policies of salaries and wages, and remunerations are as follows :

- i. Executive directors, managers, and employees :
 - A. Salary policy : The whole employees' salaries depend on the Company's operation, price-level, and the salary conditions in the industry, etc.
 - B. Bonus policy : Bonus is distributed based on the operating performance of the entire company, and personal performance contribution.
 - ii. Directors' remuneration :
 - A. The Company shall accrue directors' remuneration at the rate of no higher than 3% of net profit before income tax, employees' and directors' remuneration, after making up for losses.
 - B. Directors' remuneration is distributed based on the weighted-average results of the level of operation participant, contribution, and attendance.
 - iii. Employees' remuneration :
 - A. The Company shall accrue employees' remuneration at the rate of no lower than 1% of net profit before income tax, employees' and directors' remuneration, after making up for losses.
 - B. Employees' remuneration depends on employees' ranks, seniority, working performance, performance appraisal, centripetal force, entire contribution, and special achievements, etc., and adjustments to the remuneration amounts shall be approved by the chairman.
1. According to the Company's Articles of Incorporation, the Company shall allocate remuneration to employees and directors at the rate of no lower than 1% and no higher than 3% of annual profits during the period, respectively; provided, however, that when the Company has accumulated losses, the profits shall be preserved to make up

for losses, before distributing to employees and directors.

2. The accrued employees' remunerations are NT\$2,607 and NT\$739 (including the accrued employees' remuneration of sub-subsidiaries amounting to NT\$1,304 and NT\$152 in 2022 and 2021, respectively) in 2022 and 2021, respectively. The accrued directors' remunerations are NT\$2,607 and NT\$739 in 2022 and 2021, respectively. The employees' and directors' remunerations are recognized as salaries and wages. The employees' and directors' remuneration of 2022 depends on the profit, and shall be accrued based on the rules in the Articles of Incorporation. The distributing amount resolved by the board of directors is NT\$2,607, among which, employees' remunerations will be paid in cash. The amounts resolved by the board of directors are the same as the employees' and directors' remunerations amounts recognized in the financial statements of 2021.
3. The information about the employees' and directors' compensation resolved by the board of directors is available at the Market Observation Post System website.

(w) Income tax

1. Income tax expense

- i. The composition of income tax expense:

	<u>2022</u>	<u>2021</u>
Current income tax expense:		
Current income tax charge	\$16,069	\$ -
Surtax of income tax on undistributed earnings of the prior year	886	-
Underestimation of income tax of prior periods	-	7
Deferred income tax :		
The origination and reversal of temporary differences	<u>870</u>	<u>5,547</u>
Income tax expense	<u>\$ 17,825</u>	<u>\$ 5,554</u>

- ii. Income tax expense related to other comprehensive income:

	<u>2022</u>	<u>2021</u>
Remeasurements of defined benefit plan	<u>(\$ 36)</u>	<u>\$ 31</u>

2. The relationship between the income tax expense and accounting profit

	<u>2022</u>	<u>2021</u>
Income tax expense calculated at statutory income tax rate	\$ 16,714	\$ 5,646
Nondeductible items in determining taxable income	225	(2,720)
Surtax of income tax on undistributed earnings of the prior year	886	-
Underestimation of income tax of prior periods	-	7
Unrecognized deferred tax assets arising from tax loss	<u>-</u>	<u>2,621</u>
Income tax expense	<u>\$ 17,825</u>	<u>\$ 5,554</u>

3. The deferred tax assets or liabilities arising from temporary differences are as follows :

	<u>January 1</u>	<u>2022</u>		<u>December 31</u>
		<u>Recognized in Profit or loss</u>	<u>Recognized in other comprehensive income</u>	
Temporary differences:				
-Deferred tax assets :				
Allowance for doubtful debts overrun	\$ 403	\$ -	\$ -	\$ 403
Unrealized inventory valuation losses	5	(3)	-	2
Unrealized exchange losses	1,854	(700)	-	1,154
Unused vacation bonus	145	(52)	-	93
Cumulative translation adjustment	<u>16,356</u>	<u>-</u>	<u>-</u>	<u>16,356</u>
	<u>18,763</u>	<u>(755)</u>	<u>-</u>	<u>18,008</u>
-Deferred tax liabilities :				
Foreign long-term equity investment income	(90,469)	-	-	(90,469)
Unrealized gains or losses from disposal of property, plant and equipment	(460)	290	-	(170)
Pension overrun and actuarial gains or losses	(513)	(141)	(36)	(690)
Book-tax differences of convertible corporate bond	(448)	(264)	-	(712)
	<u>(91,890)</u>	<u>(115)</u>	<u>(36)</u>	<u>(92,041)</u>
	<u>(\$ 73,127)</u>	<u>(\$ 870)</u>	<u>(\$ 36)</u>	<u>(\$ 74,033)</u>

	<u>January 1</u>	<u>2021</u>		<u>December 31</u>
		<u>Recognized in Profit or loss</u>	<u>Recognized in other comprehensive income</u>	
Temporary differences:				
-Deferred tax assets :				
Allowance for doubtful debts overrun	\$ 403	\$ -	\$ -	\$ 403
Unrealized inventory valuation losses	1	4	-	5
Unrealized exchange losses	7,488	(5,634)	-	1,854
Unused vacation bonus	156	(11)	-	145
Cumulative translation adjustment	<u>16,356</u>	<u>-</u>	<u>-</u>	<u>16,356</u>
	<u>24,404</u>	<u>(5,641)</u>	<u>-</u>	<u>18,763</u>
-Deferred tax liabilities :				
Foreign long-term equity investment income	(90,469)	-	-	(90,469)
Unrealized gains or losses from disposal of property, plant and equipment	(754)	294	-	(460)
Pension overrun and actuarial gains or losses	(376)	(168)	31	(513)
Book-tax differences of convertible corporate bond	(416)	(32)	-	(448)
	<u>(92,015)</u>	<u>94</u>	<u>31</u>	<u>(91,890)</u>
	<u>(\$ 67,611)</u>	<u>(\$ 5,547)</u>	<u>\$ 31</u>	<u>(\$ 73,127)</u>

4. As of December 31, 2022 and 2021, the deductible deadline of unused tax loss and amount of the unrecognized deferred tax assets are as follows :

<u>December 31, 2022</u>				
<u>Year of losses incurred</u>	<u>Amount declared</u>	<u>Undeducted losses</u>	<u>Amount of the unrecognized deferred tax assets</u>	<u>Last deductible year</u>
2021	\$ 11,853	\$ 11,853	\$ 11,853	2031

<u>December 31, 2021</u>				
<u>Year of losses incurred</u>	<u>Amount estimated</u>	<u>Undeducted losses</u>	<u>amount of the unrecognized deferred tax assets</u>	<u>Last deductible year</u>
2021	\$ 13,103	\$ 13,103	\$ 13,103	2031

5. The declaration of the Company's income tax has been verified by the tax collection authority until 2020.

(x) Earnings per share

	<u>2022</u>		Earnings per share
	<u>After-tax amount</u>	<u>Weighted-average outstanding shares(thousands)</u>	
<u>Basic earnings per share</u>			
Net income attributable to the parent company's ordinary shareholders	\$ 65,746	92,760	\$ 0.71
<u>Diluted earnings per share</u>			
Net income attributable to the parent company's ordinary shareholders	\$ 65,746	92,760	
Convertible corporate bonds	164	675	
Net income attributable to the parent company's ordinary shareholders	\$ 65,910	93,435	\$ 0.71

	<u>2021</u>		Earnings per share
	<u>After-tax amount</u>	<u>Weighted-average outstanding shares(thousands)</u>	
<u>Basic earnings per share</u>			
Net income attributable to the parent company's ordinary shareholders	\$ 22,676	89,120	\$ 0.25
<u>Diluted earnings per share</u>			
Net income attributable to the parent company's ordinary shareholders	\$ 22,676	89,120	
Convertible corporate bonds	988	4,293	
Net income attributable to the parent company's ordinary shareholders	\$ 23,664	93,413	\$ 0.25

If the employees' remunerations are paid by stock, there would be no significant influence to the parent company only financial statements of 2022 and 2021, and to earnings per

share.

(y) Changes in the liabilities arising from financing activities

	<u>2022</u>				
	<u>Short-term borrowings</u>	<u>Short-term notes payable</u>	<u>Lease liabilities</u>	<u>Corporate bond payable</u>	<u>Liabilities from financing activities</u>
January 1	\$732,000	\$149,932	\$ -	\$42,055	\$ 923,987
Changes in cash flows from financing activities	133,000	(40,089)	-	-	92,911
Other non-cash changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,873)</u>	<u>(33,873)</u>
December 31	<u>\$ 865,000</u>	<u>\$ 109,843</u>	<u>\$ -</u>	<u>\$ 8,182</u>	<u>\$ 983,025</u>

	<u>2021</u>				
	<u>Short-term borrowings</u>	<u>Short-term notes payable</u>	<u>Lease liabilities</u>	<u>Corporate bond payable</u>	<u>Liabilities from financing activities</u>
January 1	\$652,000	\$49,994	\$ 435	\$383,532	\$ 1,085,961
Changes in cash flows from financing activities	80,000	99,938	(435)	-	179,503
Other non-cash changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>(341,477)</u>	<u>(341,477)</u>
December 31	<u>\$ 732,000</u>	<u>\$ 149,932</u>	<u>\$ -</u>	<u>\$42,055</u>	<u>\$ 923,987</u>

(7) Related party transactions

(a) Related party names and relationships

Related party names	Relationships
Fortuna International Holdings Ltd. (Fortuna)	Subsidiary
SmartGreen Solution Co., LTD. (SmartGreen)	Subsidiary
Hotron Precision Electronic Ind. (Suzhou) Co., Ltd. (Hotron (Suzhou))	Sub-subsubsidiary
Hotlink Company Limited (Hotlink)	Sub-subsubsidiary
Hontron Precision Electronic Industrial (Vietnam) Co., Ltd. (Hontron (Vietnam))	Sub-subsubsidiary

(b) Significant transactions with related parties

1. Operating revenue

	<u>2022</u>	<u>2021</u>
Others :		
Hotlink	\$ 40,631	\$ 61,490
Subsidiaries	828	-
	<u>\$ 41,459</u>	<u>\$ 61,490</u>

Others arose from receiving royalty and rent income from the related parties.

2. Purchase

	<u>2022</u>	<u>2021</u>
Purchase of goods:		
Hotron (Suzhou)	\$ 707,553	\$ 257,605
Hotlink	-	209,750
	<u>\$ 707,553</u>	<u>\$ 467,355</u>

The goods were purchased by general commercial terms and conditions from related parties.

3. Accounts receivable – related parties

<u>December 31, 2022</u>	<u>December 31, 2021</u>
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Accounts receivable:

Hotlink	<u>\$ 35,376</u>	<u>\$ 49,063</u>
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The accounts receivable from Hotlink arose from the royalty received Hotlink by selling goods to the Company's customers (the "licensing royalty"). The licensing royalty will be calculated by 4.53% and 7% of the net operating revenue from licensing in 2022 and 2021, respectively. Based on the contract, the licensing royalty shall be calculated since the current year of the transactions with licensed customers, and the royalty shall be collected before Q3 and Q1 in the next year.

4. Prepayments to suppliers (recognized as prepayments)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Hotron (Suzhou)	<u>\$ 369,675</u>	<u>\$ 245,726</u>

5. Guarantee deposits received (recognized as other non-current liabilities)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Hotlink	\$ 500	\$ 500
SmartGreen	<u>500</u>	<u>-</u>
	<u>\$ 1,000</u>	<u>\$ 500</u>

6. Acquisition of financial assets

	<u>Transaction</u>	<u>Underlying</u>	<u>2022</u> <u>Consideration</u>
<u>Line item</u>	<u>shares</u>	<u>target</u>	<u>received</u>
The Company equity method	5,000,000	SmartGreen	<u>\$ 50,000</u>

7. Lending funds to related parties

Lending funds to related parties

i. Ending balance :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fortuna	<u>\$ -</u>	<u>\$ 692</u>

ii. Interest revenue :

	<u>2022</u>	<u>2021</u>
Subsidiaries	<u>\$ 10</u>	<u>\$ -</u>

The terms of the lending to subsidiaries in 2022 and 2021 are repayment after maturity, and the interests are collected by the interest rate of 0.83%~2.00% and 0.83% in 2022 and 2021, respectively.

8. Guarantees and endorsements for related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fortuna	\$ 122,840	\$ 83,040
Hontron (Vietnam)	184,260	348,240
Hotlink	36,000	-
Hontron (Suzhou)	<u>399,230</u>	<u>-</u>

	<u>\$ 742,330</u>	<u>\$ 431,280</u>
(c) <u>Remuneration of the main management</u>		
	<u>2022</u>	<u>2021</u>
Short-term employees benefits	\$ 9,922	\$ 7,728
Business execution costs	840	840
	<u>\$ 10,762</u>	<u>\$ 8,568</u>

(8) Pledged assets

The pledged assets are as follows :

<u>Pledged assets</u>	<u>Carrying value</u>		<u>Object</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Property, plant and equipment			
Land	\$ 64,213	\$ 64,213	Guarantee for credit lines and issuance of corporate bond
Buildings and structures	35,058	36,740	Guarantee for credit lines and issuance of corporate bond
Investment properties			
Land	196,787	196,787	Guarantee for credit lines and issuance of corporate bond
Buildings and structures	106,174	110,908	Guarantee for credit lines and issuance of corporate bond
	<u>\$ 402,232</u>	<u>\$ 408,648</u>	

(9) Significant contingencies and unrecognized contract commitments

(a) Contingencies

None.

(b) Commitments

- As of December 31, 2022 and 2021, guaranteed bills issued for applying for the credit lines of Usance L/C amounted to NT\$100,000.
- As of December 31, 2022 and 2021, the guaranteed bills issued for issuance of the first domestic secured convertible corporate bond amounted to NT\$507,538.
- The amounts of the endorsement and guarantee made for related parties to acquire the credit lines are as follows:

<u>Endorsee/guarantee</u>	<u>December 31, 2022</u>		<u>December 31, 2022</u>	
Fortuna International Holdings Ltd.	\$	122,840	\$	83,040
	(USD	4,000 thousands)	(USD	3,000 thousands)
Hotron Precision Electronic Ind. (Suzhou) Co., Ltd	\$	399,230	\$	-
	(USD	13,000 thousands)		
Hotlink Company Limited	\$	36,000	\$	-
Hontron Precision Electronic Industrial (Vietnam) Co., Ltd.	\$	184,260	\$	348,240

(USD 6,000 thousands) (USD 12,500 thousands)

(10) Losses due to major disasters

None.

(11) Significant subsequent events

1. In response to the operation expansion of the group, development of new energy product business, and local supply, the board of directors resolved on February 24, 2023 to establish a subsidiary in the U.S., and authorized the chairman to handle the relevant affairs of establishing the subsidiary on his own discretion within the limit of the registered capital, USD3 million. The Company has signed the letter of purchase intent of the land with SANTA TERESA INDUSTRIAL DEVELOPMENT COMPANY, LLC. The total amount of purchasing the land is estimated to be USD2,506 thousand.
2. A cash capital increase of 10,000 thousands of shares has been resolved by the board of directors held on December 14, 2022, and on January 30, 2023, the subscription base date of the cash capital increase has been determined to be March 6, 2023.

(12) Others

(a) Capital management

The primary objective of the Company's capital management is to ensure that it operates continuously and maintains optimal capital structure to decrease the cost of capital and maximized the shareholders' equity. The Company manages and adjusts the capital structure, probably by adjusting dividend payment, returning of capital, issuing new shares, or disposing assets to decrease liabilities. Net debt is calculated by the total borrowings less of cash and cash equivalents. And total capital is calculated by "equity" stated on the parent company only balance sheets plus net debt.

The strategy remains unchanged in 2022 and 2021, which is maintaining the debt to capital ratio under 50%. As of December 31, 2022 and 2021, the debt to capital ratios are as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowings	\$ 983,025	\$ 923,987
Less : cash and cash equivalents	<u>(284,284)</u>	<u>(178,921)</u>
Net debt	698,741	745,066
Total equity	<u>2,062,831</u>	<u>1,930,211</u>
Total capital	<u>\$ 2,761,572</u>	<u>\$ 2,675,277</u>
Debt to capital ratio	<u>25.30%</u>	<u>27.85%</u>

(b) Financial instruments

1. Types of financial instruments

As of December 31, 2022 and 2021, the carrying value of financial assets at amortized cost in the scope of IFRS 9 (including cash and cash equivalent, accounts receivables (including related parties), other receivables (including related parties) and refundable deposit) amounted to NT\$586,619 and NT\$584,197, financial liabilities at amortized cost (including short-term borrowings, short-term notes payables, other payables, corporate bonds payable (including the portion due within one year), and guarantee deposits received) amounted to NT\$998,621 and NT\$939,841.

2. Risk management policies

- i. The Company's operation is influence by several financial risks, including market risk (including foreign currency risk and interest rate risk), credit risk, and liquidity risk. The

overall risk management policy puts emphasis on the unpredictable events in the financial market, and decreasing the potential adverse impact on the Company's financial position and financial performance.

- ii. Risk management is implemented by the finance department in accordance with the policies approved by the board of directors. The finance department of the Company identifies, assesses, and avoids financial risks by closely cooperating with operating units. The board of directors provides written principles on overall risk management, and written policies on specific scope and events, such as foreign currency risk, interest rate risk, credit risk, and the investment of surplus working capital.

3. The nature and level of significant financial risk

- i. Market risk

Foreign currency risk

- A. As the business of the Company involves certain non-functional currencies, it's influenced by the fluctuation of exchange rate. The information of financial assets and liabilities in foreign currencies affected by significant exchange rate fluctuation is as follows :

(Foreign currency: functional currency)	<u>Foreign currency</u> <u>(in thousands)</u>	<u>December 31, 2022</u>	
		<u>Exchange rate</u>	Carrying amount <u>(NTD)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 18,817	30.7100	\$ 577,870
<u>Non-monetary items</u>			
<u>Investments accounted for using equity</u>			
<u>method</u>			
USD:NTD	56,148	30.7100	1,724,313
		<u>December 31, 2021</u>	
(Foreign currency: functional currency)	<u>Foreign currency(in</u> <u>thousands)</u>	<u>Exchange rate</u>	Carrying amount <u>(NTD)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 20,884	27.6800	\$ 578,069
<u>Non-monetary items</u>			
<u>Investments accounted for using equity</u>			
<u>method</u>			
USD:NTD	60,962	27.6800	1,687,437

B. The monetary items of the Company are significantly affected by the exchange rate fluctuation. The foreign exchange profit (loss) (including realized and unrealized) amounted to NT\$64,321 and NT\$(8,274) in 2022 and 2021, respectively.

C. The market risk analyses of the foreign currencies affected by significant exchange rate fluctuations are as follows :

	<u>Degree of variation</u>	<u>2022</u> <u>Sensitivity analysis</u>	
		<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 5,779	\$ -
<u>Non-monetary items</u>			
<u>Investments accounted for using equity method</u>			
USD:NTD	1%	-	17,243
<u>2021</u> <u>Sensitivity analysis</u>			
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 5,781	\$ -
<u>Non-monetary items</u>			
<u>Investments accounted for using equity method</u>			
USD:NTD	1%	-	16,874

Interest rate risk for cash flow and fair value

A. The Company's interest rate risk arises from borrowings from bank. Borrowings at floating rates expose the Company to interest rate risk of cash flow, which is partially offset by cash and cash equivalents held at floating rates. The Company is exposed to the interest risk of fair value arising from borrowings at fixed rate.

B. The Company simulated several solutions and analyzed interest rate risk, including consideration of refinancing, extension of current positions, other adoptable financing and hedge, to calculate the effects on profit or loss arising from the variation of specific interest rates. Among all the simulated solutions, all of the currencies adopted the same variation of interest rate. The simulated solutions were only used in significant liabilities positions bearing interests.

C. As of December 31, 2022 and 2021, if the interest rate had increased or decreased by 1%, the Company's net income would have decreased or increased by \$7,799 and \$7,055 for the years ended December 31, 2022 and 2021, assuming all other variable factors remain constant.

ii. Credit risk

A. Credit risk refers to the risk that the customers or the counterparties of financial instruments will default on the contractual obligations resulting in financial losses to the Company. The Company is exposed to credit risks from accounts receivables that the counterparty is unable to pay off by the payment term, and the financial assets at amortized cost.

B. The Company manages credit risk in terms of the Company. The Company only accepts institutions with good credit rating rated by independent credit rating

agencies as correspondent bank or financial institutions. Based on the internal credit policies, for each operating unit, management and credit risk analysis shall be implemented, before determining payment and delivery terms and conditions with new customers. Internal risk control assesses customers' credit quality by considering the financial condition, past experiences, and other factors. Individual risk limitations are determined by the board of directors based on the internal or external ratings, and the credit usages are monitored on regular basis.

- C. The Company adopts the following presumptions in the scope of IFRS9, to determine whether the credit risk of the financial instruments has increased significantly since initial recognition :

The credit risk on financial assets has increased significantly since initial recognition when contractual payments are more than 30 days past due.

- D. The Company adopts the presumptions in the scope of IFRS9. When contractual payments are more than 90 days past due, except for the portion that could recover after recourse or negotiation, the residual portion shall be deemed as that default has occurred.

- E. As the payment recovery conditions of transaction counterparties are good, the Company uses probability of default to estimate expected credit loss.

- F. The Company writes off the amount of financial assets that the Company has no reasonable prospects of recovering after recourse procedures. The Company will keep the recourse procedures to guarantee the creditor's rights.

- G. The Company built the loss rate by forward-looking consideration of historical and current information in specific periods by Directorate General of Budget, Accounting and Statistics, to assess the allowance for loss of accounts and notes receivables. The expected losses as of December 31, 2022 and 2021 are as follows :

	<u>Undue</u>		<u>Overdue for 91 days</u>		<u>Total</u>
<u>December 31, 2022</u>					
Expected loss rate(Note)		0.03%		-	
Total carrying amount	\$	300,701	\$	-	\$ 300,701
Allowance for loss		-		-	-
		<u>Undue</u>		<u>Overdue for 91 days</u>	<u>Total</u>
<u>December 31, 2021</u>					
Expected loss rate(Note)		0.03%		100%	
Total carrying amount	\$	404,439	\$	632	\$ 405,071
Allowance for loss		-		632	632

- H. The Company applies the simplified approach to provide for the changes in allowance for loss of accounts receivables as follows :

	<u>2022</u>
	<u>Accounts receivables</u>
January 1	\$ 632
Uncollectible amount written off	(632)
December 31	<u>\$ -</u>
	<u>2021</u>
	<u>Accounts receivables</u>
January 1 (that is also December 31)	<u>\$ 632</u>

iii. Liquidity risk

- A. The cash flow forecast is implemented by each operating unit of the Company and summarized by the financial department. The financial department monitors the forecast of working capital requirement, ensures there's enough capital to

support the operating requirements, and maintains enough unused credit lines of borrowings at any time, to prevent the Company from breaching related credit lines of borrowings or terms.

B. The residual cash held by each operating unit exceeding the requirement of working capital management shall be transferred to the financial department. The financial department shall invest the residual capital in demand deposits and time deposits bearing interests. The instruments selected shall be with appropriate maturity or enough liquidity, to provide enough funds.

C. The unused credit lines are as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating rate		
Due within one year	<u>\$ 1,028,225</u>	<u>\$ 1,013,096</u>

D. The table below analyzed the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities.

As of December 31, 2022 and 2021, the date to the contractual maturity date for non-derivative financial liabilities (including short-term borrowings and short-term notes payables) are within one year, except for corporate bonds payable and guarantee deposits received as follows. The contractual cash flows in the table below are not discounted.

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Within 1 year</u>	<u>Over 1 year</u>	<u>Within 1 year</u>	<u>Over 1 year</u>
Corporate bonds payable	\$ 8,200	\$ -	\$ 42,600	\$ -
Guarantee deposits received	-	2,095	-	1,604

E. The Company doesn't expect the time point of the cash flow would be significantly moved up or the actual amount of the cash flow would be significantly different.

(c) Fair value information

1. The definitions of each level in valuation techniques used to measure the fair value of financial and non-financial instruments are as below :

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company 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. The fair value of the convertible corporate bonds issued by the Company belongs to the level.

Level 3 : unobservable inputs for the assets or liabilities.

2. Please refer to Note 6(h) for the fair value information of the investment properties measured at cost.

3. Financial instruments no measured at fair value

i. Except for those listed below, the carrying amount of cash and cash equivalents, accounts receivables (including related parties), other receivables (including related parties), short-term borrowings, short-term notes payables, and other payables is the reasonable approximation of fair value :

	<u>Carrying amount</u>	<u>December 31, 2022</u>		
		<u>Level 1</u>	<u>Fair value</u>	<u>Level 3</u>
			<u>Level 2</u>	
Financial liabilities :				
Convertible corporate bonds	<u>\$ 8,182</u>	<u>\$ -</u>	<u>\$ 8,122</u>	<u>\$ -</u>

payable

	<u>December 31, 2021</u>			
	<u>Carrying amount</u>	<u>Fair value</u> <u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities :				
Convertible corporate bonds payable	<u>\$ 42,055</u>	<u>\$ -</u>	<u>\$ 42,238</u>	<u>\$ -</u>

- ii. The method and assumptions used for fair value estimation are as follows :
- Convertible corporate bonds payable : According to the twAAA corporate bond yield released by Taipei Exchange, interpolate the average interest rate of the convertible corporate bonds in the duration, and calculate the fair value by using the average interest rate as the reference value of the risk discount rate.
4. For the financial and non-financial instruments at fair value, the assets and liabilities are categorized by the nature, characteristics, risk, and fair value hierarchy as follows :
- i. The relevant information of assets and liabilities categorized by characteristics is as follows :

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
<u>Fair value on a recurring basis</u>				
Financial liabilities at fair value through profit or loss				
Embedded put options and call options of convertible corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,116</u>	<u>\$ 2,116</u>
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
<u>Fair value on a recurring basis</u>				
Financial liabilities at fair value through profit or loss				
Embedded put options and call options of convertible corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,811</u>	<u>\$ 1,811</u>

- ii. The method and assumptions used for measuring fair value are as follows :
- A. When assessing non-standard and low-complexity financial instruments, such as liability instruments without an active market, the Company adopts valuation techniques that are widely used by market participants. The variables used in the valuation model are normally the observable information in the market.
- B. The output of the valuation models are estimated values and the valuation techniques may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated values derived by the valuation models would be adjusted accordingly based on additional variables, such as model risk or liquidity risk, etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management of the Company is convinced that adjustments to valuation is necessary in order to reasonably represent the fair value of the financial and non-financial instruments on the parent company only balance sheets. The variables and pricing information used in the valuation are carefully assessed and adjusted based on current local market conditions.
5. During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

6. Changes in Level 3 for the years ended December 31, 2022 and 2021 are as follows :

	<u>2022</u>	<u>2021</u>
	<u>Derivative instruments</u>	<u>Derivative instruments</u>
January 1	(\$ 1,811)	\$ 1,207
Transfers in current period	(80)	(1,790)
Gains or losses recognized in profit or loss	(225)	(1,228)
December 31	<u>(\$ 2,116)</u>	<u>(\$ 1,811)</u>
The variation of unrecognized gains or losses included in profit or loss of assets and liabilities held in the end of the period(Note)	<u>(\$ 225)</u>	<u>(\$ 1,228)</u>

Note : recognized as other gains and losses.

7. During the years ended December 31, 2022 and 2021, there were no transfers into or out from Level 3 fair value measurements.

8. The valuation procedures of level 3 fair value measurement are adopting valuation report from external experts, and ensuring the valuation results are reasonable by applying independent information to make the valuation results close to current market conditions, and confirming the source of information is independent, reliable, in accordance with other resources, and representing the exercisable price.

9. The sensitivity analyses of quantitative information and variation of significant unobservable inputs used in level 3 fair value measurement are as follows :

	<u>December 31, 2022</u>	<u>Valuation</u>	<u>Significant</u>	<u>Intervals</u>	<u>Relationship</u>
	<u>Fair value</u>	<u>technique</u>	<u>unobservable</u>	<u>(weighted-average)</u>	<u>between the</u>
			<u>inputs</u>		<u>inputs and the</u>
					<u>fair values</u>
Embedded put options and call options of convertible corporate bonds	(\$ 2,116)	Binomial tree valuation model	Volatility of stock price	47.15%	The higher the volatility of stock price is, the higher the fair value is determined.

	<u>December 31, 2021</u>	<u>Valuation</u>	<u>Significant</u>	<u>Intervals</u>	<u>Relationship</u>
	<u>Fair value</u>	<u>technique</u>	<u>unobservable</u>	<u>(weighted-average)</u>	<u>between the</u>
			<u>inputs</u>		<u>inputs and the</u>
					<u>fair values</u>
Embedded put options and call options of convertible corporate bonds	(\$ 1,811)	Binomial tree valuation model	Volatility of stock price	53.87%	The higher the volatility of stock price is, the higher the fair value is determined.

10. The Company carefully assessed and selected the valuation model and valuation parameters. However, different valuation model or parameter may result in different valuation results. For the financial assets categorized within level 3, the effects on current profit or loss, or other comprehensive income is the valuation parameter changes are as follows :

		<u>December 31, 2022</u>			
		<u>Recognized in profit or</u>		<u>Recognized in other comprehensive</u>	
		<u>loss</u>		<u>income</u>	
<u>Inputs</u>	<u>Variation</u>	<u>Favorable</u>	<u>Adverse</u>	<u>Favorable changes</u>	<u>Adverse changes</u>

			<u>changes</u>		<u>changes</u>	
Financial liabilities						
Embedded put options and call options of convertible corporate bonds	Volatility	±5	\$ -	(\$ 1)	\$ -	\$ -

			<u>December 31, 2021</u>			
			<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
			<u>Favorable changes</u>	<u>Adverse changes</u>	<u>Inputs</u>	<u>Variation</u>
Financial assets						
Embedded put options and call options of convertible corporate bonds	Volatility	±5	\$ 64	(\$ 89)	\$ -	\$ -

(13) Other disclosures

The relevant information about investees is disclosed for reference, which has been written off in preparing the consolidated financial statements.

(a) Information on significant transactions

- 1.Loans to others : Please refer to Table 1.
- 2.Provision of endorsements and guarantees to others : Please refer to Table 2.
- 3.Holding of marketable securities at the end of the period (excluding investment in subsidiaries) : None.
- 4.Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital or more : None.
- 5.Acquisition of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more : Please refer to Table 3.
6. Disposal of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more : None.
7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more : Please refer to Table 4.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more : Please refer to Table 5.
9. Trading in derivative instruments : None.
10. Business relationships among the parent company and subsidiaries, and significant intercompany transactions : Please refer to Table 6.

(b) Information on investees

The information about company names, locations of investees (excluding the investees in Mainland China) : Please refer to Table 7.

(c) Information on Investees in Mainland China

- 1.Basic information : Please refer to Table 8.
- 2.Significant transactions with investee companies in Mainland China, either directly or indirectly through a third party : None.

(d) Information on major shareholders

Information on major shareholders : Please refer to Table 9.

(14) Segment information
Not applicable.

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HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
Loan to Others
For the Year Ended December 31, 2022

Expressed in thousands of New
Taiwan Dollars
(Except as indicated)

Table 1

No. (Note)	Name of lender	Name of borrower	Account name	Related Party	Maximum limit of fund financing	Ending balance	Actual usage amount	Interests rate interval	Nature of financing	Transaction amount for business between two parties	Reasons for the necessity of short-term funding:	Provision for doubtful accounts	Collateral		Individual loans	Total loan limit	Note
													Name	Value			
0	Hotron Precision Electronic Industrial Co., Ltd.	Hontron Precision Electronic Industrial (Vietnam) Co., Ltd.	Other receivables-related parties	Yes	\$ 59,880	\$ -	\$ -	By considering the market condition and costs of capital	Short-term financing	\$ -	The need for flexible capital utilization	\$ -	NA	\$ -	\$ 825,132	\$ 825,132	-
0	Hotron Precision Electronic Industrial Co., Ltd.	Fortuna International Holdings Ltd.	Other receivables-related parties	Yes	6,443	-	-	By considering the market condition and costs of capital	Short-term financing	-	The use of funds for reinvestment	-	NA	-	825,132	825,132	-
1	Hontron Electron & Telecommunication (Fuqing) Co., Ltd.	Hontron Precision Electronic Ind. (Suzhou) Co., Ltd.	Other receivables-related parties	Yes	24,722	24,722	24,722	No interests	Business transactions	18,478	Approval by the Board of Directors to classify it as a loan	-	NA	-	45,162	45,162	-

Note 1: The No. column shall be filled as follows :
(1).Issuer: 0
(2).Investees: sequentially numbered from 1.

Note 2: According to the "Operational Procedures for Loaning of Company Funds," when lending funds to other companies or firms with which the Company has business relations, the amount loaned to single recipient may not exceed the amount of the business transacted between the two parties. The "amount of the business transacted between the two parties" means the sales revenue or the amount spent on purchases of goods whichever is higher ;
The total amount loaned companies or firms in need of short-term financing and the amount loaned to a single company or firm shall not exceed 40 percent of the Company's net worth.
Inter-company loans of funds between foreign companies which the Company holds, directly or indirectly, 100% of the voting shares, shall be exempted from the aforementioned restrictions. However, The total amount loaned companies or firms in need of short-term financing and the amount loaned to a single company or firm shall not exceed 100 percent of the Company's net worth.

Note 3: Ending balance is the loaning limit amount approved by the board of directors.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
Provision of Endorsements and Guarantees to Others
For the Year Ended December 31, 2022

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Table 2

No.	Name of guarantor and endorser	Guarantee and endorsee Company name	Relationship (Note 2)	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements, end of year	Actual usage amount during the period	Property pledged for guarantee and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements (%)	Maximum amount for guarantees and endorsements	Parent company	Subsidiary	Endorsements/guarantees	Note
											endorsements/guarantees to third parties on behalf of subsidiary	endorsements/guarantees to third parties on behalf of parent company	to third parties on behalf of companies in Mainland China	
0	Hotron Precision Electric Industrial Co., Ltd.	Fortuna International Holdings Ltd.	2	\$ 1,856,548	\$ 128,860	\$ 122,840	\$ -	\$ -	5.95	\$ 2,062,831	Y	N	N	-
0	Hotron Precision Electric Industrial Co., Ltd.	Hontron Precision Electronic Industrial (Vietnam) Co., Ltd.	2	1,856,548	349,763	184,260	107,486	-	8.93	2,062,831	Y	N	N	-
0	Hotron Precision Electric Industrial Co., Ltd.	Hotlink Company Limited	2	1,856,548	36,000	36,000	30,000	-	1.75	2,062,831	Y	N	N	-
0	Hotron Precision Electric Industrial Co., Ltd.	Hontron Precision Electronic Ind. (Suzhou) Co., Ltd.	2	1,856,548	418,795	399,230	61,420	-	19.35	2,062,831	Y	N	Y	-
1	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Hontron Precision Electronic Ind. (Hubei) Co., Ltd.	2	1,554,843	220,400	220,400	-	-	12.76	1,727,603	Y	N	Y	-

Note 1 : The total amount available for endorsement provided to others shall not exceed Company's total net worth in the period; the total amount for endorsement provided to one entity shall not exceed 10 percent of the Company's net worth; the total amount for endorsement provided to one single foreign subsidiary shall not exceed 90 percent of the Company's net worth
Net worth indicated on the most recent audited or reviewed financial statements prevails.

Note 2 : 7 forms of relationships between the guarantor and endorser and the counter-parties are defined as follows :

(1) Entities have business relations with the Company.

(2) The Company directly or indirectly holds more than 50% of voting shares of its subsidiaries.

(3) Investees directly or indirectly own more than 50% of voting shares of the Company.

(4) The Company directly or indirectly holds 90% of voting shares of its subsidiaries.

(5) Entities have construction contract agreements with the Company.

(6) The reason for the Company jointly invested in the entities is to provide proportionate endorsements.

(7) The Company has contractual pre sold home agreements with its related parties under the Consumer Protection Law.

Note 3 : The limitation on amount of guarantees and endorsements for a specific enterprise and highest balance for guarantee and endorsements during the period filled shall be in accordance with the Operational Procedures for Endorsements/Guarantees, and the specific enterprise and the calculation of total limitation shall be explained in the Note column.

Note 4 : The maximum balance amount for guarantees and endorsements in current year.

Note 5 : The amounts filled in have been approved by the board of directors. If the board of directors authorized the chairman for the approval according to Article 12-8 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the amounts filled in shall be approved by the chairman.

Note 6 : Actual usage amount within the limitation on amount of guarantees and endorsements.

Note 7 : Fill in Y, under the circumstances of parent company endorsements/guarantees to third parties on behalf of subsidiary, subsidiary endorsements/guarantees to third parties on behalf of parent company, or endorsements/guarantees to third parties on behalf of companies in Mainland China.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.

Acquisition of Real Estate Reaching NT\$300 Million or 20% of the Company's Paid-in capital Or More

For the Year Ended December 31, 2022

Table 3

Expressed in thousands of New Taiwan Dollars

(Except as indicated)

<u>Company acquired the real estate</u>	<u>Name of the property</u>	<u>The date of occurrence of the event</u>	<u>Transaction amount (Note 5)</u>	<u>Payment status</u>	<u>Counter-party of the transaction</u>	<u>Where counter-party is a related party, details of prior transactions</u>				<u>Price reference</u>	<u>Purpose of acquisition and status of utilization</u>	<u>Other commitments</u>	
						<u>Relationship</u>	<u>Owner of the property</u>	<u>Relationship with the issuer</u>	<u>Date of transfer</u>				<u>Amount</u>
Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	Plant construction	April 23, 2020	\$ 875,120	Note 4	The People's Government of Tianmen City, Hubei Province (including Tianmen City Urban Construction Investment Co., Ltd.)	-	-	-	-	\$ -	Not applicable	For future development	-

Note 1 : For assets acquired which shall be appraised based on regulations, the appraisal result shall be filled in the "Price referece" column.

Note 2 : Paid-in capital means the paid-in capital of the partent company. If the stock has no par value or the par value per share is other than NT\$10,for the provision of thereof regarding 20 percent or more of paid-in capital, 10 percent of equity attributable to owners of the parent company shall be substituted.

Note 3 : The date of occurrence of the event referred means the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of a resolution of the board of directors, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier

Note 4 : According to the contract, five years after acquiring the property ownership certificate of the construction with two phases registered under the title of "Hotron Precision Electronic Ind. (Hubei) Co., Ltd." the total amount of the construction contract shall be repaid without bearing interest.

Note 5 : The construction cost of the plant of Hotron Precision Electronic Ind. (Hubei) Co., Ltd. amounted to CNY198,530 thousand.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
Purchases or Sales of Goods from or to Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More
For the Year Ended December 31, 2022

Table 4

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

<u>The purchase (sales) company</u>	<u>Counter-party</u>	<u>Relationship</u>	<u>Transaction details</u>			<u>Percentage accountingn for total purchase (sales)</u>	<u>The details and reasons for transaction terms and conditions different from ordinary transaction terms and conditions</u>			<u>Notes and accounts receivables (payables)</u>		
			<u>Purchase (sales)</u>	<u>Amount</u>			<u>Term</u>	<u>Unit price</u>	<u>Term</u>	<u>Balance</u>	<u>Percentage accounting for total notes and accounts receivables (payables)</u>	<u>Note</u>
Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	The Company	Sub-subsidiary	Sales	(\$ 707,553)	(21%)	Prepayment and month-end 30 days	\$ -	- \$	-	-	-	-
Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Hotlink Company Limited	Associate	Sales	(658,476)	(19%)	Prepayment and month-end 150 days	-	-	-	-	-	-
Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Associate	Sales	(181,310)	(64%)	Prepayment and month-end 150 days	-	-	51,573	-	38%	-
Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	Associate	Sales	(299,009)	(9%)	Prepayment and month-end 150 days	-	-	299,009	-	34%	-

Note 1 : The information is disclosed in terms of revenue, and the information of relative transactions would not be disclosed.

Note 2 : If the transaction terms and conditions of related parties are different from ordinary transaction terms and conditions, the details of differences and reasons shall be filled in the column of unit price and term.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.

Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More

December 31, 2022

Table 5

Expressed in thousands of New Taiwan Dollars

(Except as indicated)

<u>The Company with accounts receivables</u>	<u>Counter-party</u>	<u>Relationship</u>	<u>Balance of receivables from related parties</u>	<u>Turnover rate (times)</u>	<u>Overdue receivables from related parties</u>		<u>Amount of receivables from related parties received in subsequent period</u>	<u>Loss allowance</u>
					<u>Amount</u>	<u>Collection status</u>		
Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	Associate	\$ 299,009	2.00	\$ -	-	\$ 44,030	\$ -

Note 1 : Accounts receivables, notes receivables, and other receivable

Note 2 : Paid-in capital means the paid-in capital of the parent company. If the stock has no par value or the par value per share is other than NT\$10, for the provision of thereof regarding 20 percent or more of paid-in capital, 10 percent of equity attributable to owners of the parent company shall be substituted.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.

Business Relationships Among the Parent Company and Subsidiaries, and Significant Intercompany Transactions

For the Year Ended December 31, 2022

Expressed in thousands of New Taiwan Dollars

(Except as indicated)

Table 6

<u>No.</u> (Note 1)	<u>Name of company</u>	<u>Name of counter-party</u>	<u>Relationship</u> (Note 2)	<u>Intercompany transactions</u>		<u>Trading terms</u>	<u>Percentage</u> <u>accounting for the</u> <u>consolidated total</u> <u>revenue or total</u> <u>assets</u> (Note 3)
				<u>Account name</u>	<u>Amount</u>		
0	The Company	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	1	Purchase of goods	\$ 707,553	註 4	21%
0	The Company	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	1	Prepayments to suppliers	369,675	註 4	7%
1	Hotlink Company Limited	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	3	Purchase of goods	658,476	註 5	20%
2	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	3	Purchase of goods	181,310	註 5	5%
2	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	3	Accounts receivable	299,009	註 5	6%
3	Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	3	Purchase of goods	299,009	註 5	9%

Note 1 : Business relationships among the parent company and subsidiaries, and significant intercompany transactions shall be filled in the No. column as the way below :

- (1). The parent company:0
- (2). Investees: sequentially numbered from 1.

Note 2 : There are three types of intercompany relationships. Please indicate the type by numbers (The transactions between the parent company and subsidiaries or among subsidiaries shall not be disclosed repetitively. For example, for a transaction from the parent company to the subsidiaries, if the parent company has disclosed the information, the subsidiaries shall not disclose repetitively. For a transaction between subsidiaries, if only one of the subsidiaries has disclosed the information, the other one shall not disclose repetitively.) ;

- (1). Parent company to sub-subsidiary
- (2). Subsidiary to parent company
- (3). Subsidiary to subsidiary

Note 3 : Concerning the calculation of percentage accounting for the consolidated net revenue or total assets, for assets and liabilities, the percentage shall be calculated by the ending balance accounting for the consolidated total assets. For profit or loss, the percentage shall be calculated by the cumulative amount accounting for consolidated total revenue.

Note 4 : The purchase transaction price from the parent company to the sub-subsidiaries is determined by the negotiation between the two parties. The payment terms are prepayment or month-end 30 days.

Note 5 : The purchase transaction price from a sub-subsidiary to another sub-subsidiaries is determined by the negotiation between the two parties. The payment terms are prepayment or month-end 150 days.

Note 6 : Whether a significant intercompany transaction shall be disclosed or not is determined by the materiality principle of the Company.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.

The Information about Company Names, Locations of Investees (Excluding the Investees in Mainland China)

For the Year Ended December 31, 2022

Table 7

Expressed in thousands of New Taiwan Dollars

(Except as indicated)

Investor company	Investee company	Location	Main business	Original investment amount		Number of shares	Percentage of ownership		Profit (loss) of investees in the current period	Gain (loss) of investees recognized in the current period (Note 1)	Note
				December 31, 2022 (Note 2)	December 31, 2021		as of December 31, 2022	Carrying amount			
Hotron Precision Electronic Industrial Co., Ltd.	Fortuna International Holdings Ltd.	Samoa	Investment and trading	\$ 410,825	\$ 410,825	12,466,995	100%	\$ 1,724,313	\$ 2,465	\$ 2,850	Subsidiary
Hotron Precision Electronic Industrial Co., Ltd.	SmartGreen Solution Co., LTD.	Taiwan	Manufacturing charger, high voltage wires of electric vehicles, and new energy materials	50,000	-	5,000,000	100%	46,021	(3,995)	(3,979)	Subsidiary
Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Hotlink Company Limited	Taiwan	Trading	146,880	146,880	-	100%	178,742	(5,185)	(5,185)	Sub-subsidiary
Hotlink Company Limited	Hontron Precision Electronic Industrial (Vietnam) Co., Ltd.	Vietnam	Manufacturing of cables and wires of 3C products	146,053	146,053	-	100%	121,392	(19,702)	(19,702)	Sub-subsidiary

Note 1 : The gains on investment in investees recognized in the current period have been adjusted by the unrealized profit or loss of intercompany transactions among investees.

Note 2 : The original investment amount of Hotlink Company Limited amounted to USD4,996 thousand(CNY35,090 thousand) ; The original investment amount of Hontron Precision Electronic Industrial (Vietnam) Co., Ltd. amounted to VND115,288,093 thousand(USD5,000 thousand) .

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
Information on investees in Mainland China - Basic Information
For the Year Ended December 31, 2022

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Table 8

Investees in Mainland China	Main business	Paid-in capital (Note 2)	Method of investment	Remittance of funds in the current period			Accumulated outward remittance for investment from Taiwan as of December 31, 2022	Net income (loss) of investees	Percentage of ownership of direct or indirect investments	Gain (loss) of investees recognized in the current period (Note 1)	Carrying amount of investments as of December 31, 2022	Accumulated repatriation of gain on investment as of December 31, 2022	Note
				Accumulated outward remittance for investment from Taiwan as of January 1, 2022	Outward	Inward							
Hotron Precision Electronic Ind. (Suzhou) Co., Ltd.	Manufacturing cables and wires of 3C products, charger, high voltage wires of electric vehicles, and new energy materials	\$ 619,607	Investemtns through a holding company registered in a third region(Fortuna International Holdings Ltd.)	\$ 305,952	\$ -	\$ -	\$ 305,952	(\$ 1,618)	100%	\$ 1,618	\$ 1,727,599	\$ 85,235	-
Hontron Electron & Telecommunication (Fuqing) Co., Ltd.	Processing of cables and wires of various 3C products	45,685	Reinvestment in Mainland China by Hotron Precision (Suzhou)	-	-	-	-	945	100%	945	45,162	-	-
Hotron Precision Electronic Ind. (Hubei) Co., Ltd.	Manufacturing copper products, cables and wires of 3C products, charger high voltage wires of electric vehicles, and new energy materials	695,016	Reinvestment in Mainland China by Hotron Precision (Suzhou)	-	-	-	-	(105,895)	100%	(105,895)	552,278	-	-
Hotron Real Estate Development. (Tianmen) Co., Ltd.	Development, construction, sales, rent of real estate, and real estate agent services	10,192	Reinvestment in Mainland China by Hotron Precision (Suzhou)	-	-	-	-	(1,095)	100%	(1,095)	5,830	-	-

Note 1 : Calculated from the financial statements audited by CPA. °

Note : The paid-in capital of Hotron Precision Electronic Ind. (Suzhou) Co., Ltd. amounted to USD20,000 thousand (CNY141,692 thousand). The paid-in capital of Hontron Electron & Telecommunication (Fuqing) Co., Ltd. amounted to USD1,400 thousand (CNY10,709 thousand). The paid-in capital of Hotron Precision Electronic Ind. (Hubei) Co., Ltd. amounted to CNY159,000 thousand. The paid-in capital of Hotron Real Estate Development. (Tianmen) Co., Ltd. amounted to CNY2,300 thousand.

Note 3 : According to the regulation of No. Investment-Committee-Auditing-09704604680 released on August 29, 2008, the upper limit is calculated by 60% of the net worth of the Group's consolidated financial statements.

Company name	Accumulated outward remittance for investment in Mainland China as of December 31, 2022	Investment amount authorized by investment commissino, MOEA	Upper limit on the amount of investment stipulated by investment commission, MOEA (Note 3)
			\$
Hotron Precision Electronic Industril Co., Ltd.	\$ 305,952	\$ 636,262	\$ 1,237,699

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
Information on Major Shareholders
December 31, 2022

Table 9

	<u>Name of major shareholders</u>	<u>Number of shares</u>	<u>Shares</u>	<u>percentage of ownership</u>
Chang, Li-Jung		8,305,979		8.90%
Gaopeng Investment Co., Ltd.		7,862,416		8.43%

6. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

VII. Review and Analysis of the Financial Position and Financial Performance and Risk Assessment

1. Financial Position

The main reasons for significant changes in assets, liabilities, and equity in the past two years, and their impact. If there are significant effects, the future response plan should be explained.

Unit: NT\$ Thousand Dollars

Item \ Fiscal Year	2021	2022	Increase/Decrease Changes	
			Amount	%
Current Assets	2,716,442	2,728,549	12,107	0.45
Property, Plant and Equipment	1,790,292	2,313,052	522,760	29.2
Right-of-Use Assets	97,518	97,533	15	0.02
Other Assets	236,079	99,755	(136,324)	(57.75)
Total Assets	5,005,518	5,422,823	417,305	8.34
Current Liabilities	2,049,806	2,254,428	204,622	9.98
Non-current liabilities	1,025,501	1,105,564	80,063	7.81
Total Liabilities	3,075,307	3,359,992	284,685	9.26
Share Capital	923,181	932,210	9,029	0.98
Capital Surplus	616,880	641,858	24,978	4.05
Retained Earnings	505,196	571,597	66,401	13.14
Total Equity	1,930,211	2,062,831	132,620	6.87

(1) Main reasons for significant changes in assets, liabilities, and equity in the past two years:

1. Real estate, plant, and equipment have increased mainly due to the completion of the Hubei and Vietnam plants in 2022, resulting in an increase in real estate and plant facilities.
2. Other assets have decreased mainly because the Hubei plant in 2022 transferred the prepayment for equipment to real estate, plant, and equipment, resulting in a decrease in prepayment for equipment.
3. Current liabilities have increased mainly due to an increase in short-term borrowings.

(2) Impact: No significant impact.

(3) Future Response Plan: Not applicable.

2. Financial Performance:

The main reasons for significant changes in business revenue, operating net profit, and pre-tax net profit in the last two years, as well as the expected sales volume and its basis, the possible impact on the company's future financial operations and response plan.

Unit: NT\$ Thousand Dollars

Item	Fiscal Year	2021	2022	Increase/Decrease Changes	
				Amount	%
Operating Revenue		3,006,985	3,362,189	355,204	11.81
Operating Cost		2,516,502	2,783,377	266,875	10.60
Gross Profit		490,483	578,812	88,329	18.01
Operating Expenses		444,914	560,793	115,879	26.05
Net Amount of Other Income and Expenses		(18,707)	64,237	82,944	(443.38)
Operating Profit		26,862	82,256	55,394	206.22
Non-operating Income and Expenses		(379)	(4,680)	(4,301)	1134.83
Profit Before Income Tax		26,483	77,576	51,093	192.93
Income Tax Benefit (Expense)		(3,807)	(11,830)	(8,023)	210.74
Net Profit for the Period		22,676	65,746	43,070	189.94

(1) The main reasons for significant changes in business revenue, operating net profit, and pre-tax net profit in the last two years:

1. The main reasons for the increase in operating net profit compared to the same period last year:

- (1) The increase in gross profit is mainly due to the fact that the group is undergoing business transformation and diversified operations, actively developing towards electric vehicles, green energy, and energy storage industries, which has increased overall business revenue and consequently increased gross profit.
- (2) The increase in operating expenses is mainly due to the Hubei factory officially starting production in 2022 which led to an increase in miscellaneous expenses and depreciation expenses of managerial fixed assets required for related operations.
- (3) The decrease in net losses from other income and expenses is mainly due to the fluctuation of the US dollar and the RMB exchange rate in 2022, which resulted in exchange gains in 2022, while there were exchange losses in 2021.

In summary, the operating profit in 2022 increased by NT\$ 55,394,000 compared to the same period last year.

2. The main reasons for the increase in net profit for the current period compared to the same period last year:

- (1) The increase in operating profit is mainly due to the increase in gross profit and the increase in the net amount of other income and expenses in 2022
- (2) The increase in income tax expense is mainly due to the increase in pre-tax net profit in 2022, which led to a relative increase in the calculated income tax expense.

In summary, the net profit for the current period in 2022 increased by NT\$ 43,070,000 compared to the same period last year.

(2) Group consolidated expected sales volume and its basis:

Main Product Type	Expected Sales Volume	Basis for Expected Sales Volume
Various transmission lines and charging guns	107,145 thousand pieces/year	1. Development of new products, addition of new customer groups 2. Expand market share to over 60%

Note: The above-mentioned expected sales volume and its basis are estimates of the total number of this company and 100% reinvestment businesses. Through adjusting the sales product mix, and developing new products and new customers, it is expected that sales in 2023 will significantly grow compared to 2022.

(3) Possible impact on the company's future financial operations: No significant impact.

(4) Future Response Plan: Not applicable.

3. Cash Flow

Analysis and explanation of the changes in cash flow in the most recent year, the improvement plan for liquidity deficiency, and the analysis of cash liquidity for the next year.

(1) Analysis of the changes in cash flow this year:

Unit: NT\$ Thousand Dollars

Beginning Cash Balance	Net Cash Flow from Operating Activities in 2022	Cash Flow (Out) In Amount in 2022	Cash Surplus (Deficiency) Amount in 2022	Remedial Measures for Expected Cash Deficiency	
				Investment Plan	Financial Management Plan
(1)	(2)	(3)	(1)+(2)+(3)		
371,589	(24,508)	219,866	566,947	-	-

1. Operating Activities:

The net cash outflow from operating activities is NT\$24,508,000, mainly due to an increase in inventory and accounts payable at the end of the fourth quarter of 2022 which caused the net cash outflow from operating activities.

2. Investing Activities and Financing Activities:

(1) The net cash outflow from investing activities is NT\$258,404,000, mainly due to the purchase of machinery and equipment at the Hubei factory in 2022, which increased other payables and thus led to the net cash outflow from investing activities.

(2) The net cash inflow from financing activities is NT\$485,417,000, mainly due to an increase in bank borrowings in 2022.

(2) Improvement Plan for Liquidity Shortage:

1. Our company did not have a cash shortage in 2022

2. Cash flow analysis for the most recent two years.

Item/Fiscal Year	2021	2022	Increase (Decrease) Ratio %
Cash Flow Ratio	-17.90%	-1.09%	(93.91)%
Adequacy Ratio of Cash Flow	55.63%	29.20%	(47.51)%
Cash Reinvestment Ratio	-13.46%	-0.61%	(95.47)%

Explanation of the Analysis of Changes in Percentage Ratios:

(1) Cash Flow Ratio: This is mainly due to the net cash outflow from operating activities decreasing in 2022.

(2) Adequacy Ratio of Cash Flow: This is mainly due to the increase in inventory over the last five years.

(3) Cash Reinvestment Ratio: This is mainly due to the net cash outflow from operating activities decreasing in 2022.

(4) Improvement Plan for Liquidity Shortage: Our company will actively expand the business of various products and develop new customers. In the future, depending on the operational status, we will increase the financing limit from banks, or conduct fundraising at an appropriate time.

(3) Analysis of Cash Liquidity in the Coming Year:

Unit: NT\$ Thousand Dollars

Beginning Cash Balance	Expected Net Cash Flow from Operating Activities for the Whole Year	Expected Cash Inflow (Outflow) for the Whole Year	Expected Cash Surplus (Shortage) Amount for the Whole Year	Remedial Measures for Expected Cash Deficiency	
				Investment Plan	Financial Management Plan
(1)	(2)	(3)	(1)-(2)+(3)		
566,947	121,794	(193,361)	495,380	-	-

Analysis of the changes in cash flow in the coming year:

1. Net cash flow from operating activities: An estimated net cash inflow of NT\$ 121,794,000 is mainly due to the continued stable growth in the company's revenue, leading to a net cash inflow from operating activities.

2. Expected total cash outflow for the year: An estimated net cash outflow of NT\$ 193,361,000 is mainly due to the expansion of new purchases of machinery and equipment in Hubei, China and Vietnam.

3. Remedial measures for the expected cash shortage and liquidity analysis: Not applicable.

4. Effect upon financial operations of any major capital expenditures during the most recent fiscal year: None.
5. Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year
- (1) Investment policy in the recent year
- The company's investment policy is mainly based on operational needs for investment planning. Before making an investment, a comprehensive evaluation is conducted on items such as investment purpose, location, market conditions, business development, potential joint venture partners, shareholding ratios, reference prices, and financial status. This provides the decision-making authorities with a basis for decision-making. The company keeps track of the operational status of its investments at all times, analyzes investment effectiveness, and facilitates decision-making authorities in post-investment management and evaluation.
- (2) The company profited in the recent year, and the main reasons are as follows:
1. Rise in raw material and labor costs led to a decline in profits
In recent years, with the rapid development of networking products and consumer electronics, the demand for related products such as signal connectors has grown rapidly. This has intensified competition in the industry. Additionally, the rise in raw material and mainland China's labor wages, as well as the development of electric vehicle charging guns and the entry into the electric vehicle industry, have led to significant investments in equipment and professional personnel training. This has substantially increased costs and resulted in a significant decline in profitability compared to the previous year.
 2. Introduction of high-end products and new customers
Due to the rapid changes in the 3C industry, such as the gradual popularity of 4K ultra-high-definition TVs and the constant innovation of high-end mobile phones, as well as the increasingly booming gaming console market, the demand for signal transmission speed and capacity is getting higher and higher. The company has responded to this trend by developing high-end signal cables to expand new customers and increase the shipment of high-end products, which has directly become a source of profit.
 3. Implement cost-saving measures
Due to the substantial annual increase in labor wages in mainland China and the high labor costs, the company has actively developed automated production equipment to save labor costs and reduce the number of direct laborers. In addition, the company strictly controls the purchase price and procurement process of raw materials to ensure timely supply of raw materials, reduce inventory, and improve profitability.
- (3) Future One-Year Investment Plan:
1. Hotron Precision Electronic Industrial's New Factory in Hubei
Our company has established Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. (hereinafter referred to as "Hotron Suzhou") in the high-tech zone, Huqiu District of Suzhou City, Jiangsu Province, China. It is 100% owned and serves as the main production base and the group's supply center. Considering long-term development needs, in 2019, we invested to set up Hotron Precision Electronic Industrial (HuBei) Co., Ltd. (hereinafter referred to as "Hotron Hubei") through 100% shareholding in Hotron Suzhou. We purchased land in Tianmen City, Hubei, to build a new factory in Hubei, and began trial production in January 2022. The newly built factory was established through an investment agreement signed by Hotron Hubei and the People's Government of Tianmen City, Hubei Province. The Tianmen municipal government was responsible for building the new Hubei factory. After completion and acceptance in March 2022, it was bought back by Hotron Hubei for RMB 198,530,000. The factory payment is expected to be paid in four installments over two years within the next five years.
Hotron Hubei's new factory has completed various international certifications and customer audit procedures. It officially began operations and mass production in July 2022.
 2. Hotron Precision Electronic Industrial's New Factory in Vietnam
To cope with the impact of the China-US trade war and meet customer needs for overseas factories, our company established Hotron Precision Electronic Industrial (Vietnam) Co., Ltd. (hereinafter referred to as " Hotron Vietnam") through 100% shareholding in our great-grandson company Hotlink Company Limited. We purchased

land lease rights in the fourth phase of Tongwen Industrial Zone, Henan Province, Vietnam, to set up a new factory in Vietnam. It began official operations and mass production in July 2022.

6. Risk analysis in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

(1) Impact of Interest Rate, Exchange Rate Fluctuations, and Inflation on the Company's Profit and Loss and Future Response Measures:

1. Impact of Interest Rate Fluctuations on the Company's Profit and Loss and Future Response Measures:

As of the end of 2022, the company's consolidated bank loans (including short-term Notes payable) amounted to NT\$ 1,527,543,000, and the consolidated interest expense was NT\$ 20,440,000, representing 0.61% of the consolidated net operating revenue. The proportion of interest expense is not high, so the impact of interest rate changes on the company's profit and loss is limited. To reduce the risk of interest rates, the company maintains close contact with financial institutions, always pays attention to the state of the financial market, in order to obtain lower bank preferential financing rates to support the funds needed for operations, and to reduce interest expenses.

2. Impact of Exchange Rate Fluctuations on the Company's Profit and Loss and Future Response Measures:

The net exchange (loss) gains of the group for the 2022 and 2021 were NT\$ 64,237,000 and NT\$ (18,707,000), respectively, representing 1.91% and (0.62)% of the consolidated net operating revenue. The proportion of exchange gain or loss is not high, and as the company's purchases and sales are mainly quoted in US dollars and RMB, some of the purchases and sales can offset each other, so the overall impact of exchange factors on the company is not significant.

The measures the company has taken to reduce the impact of exchange rate fluctuations on profit and loss are as follows:

(1) The company continuously collects relevant information on exchange rate changes, refers to financial and economic information provided by banks and investment institutions, maintains close contact with banks, fully grasps the trend of the foreign exchange market, and takes measures to exchange foreign currency items in a timely manner, adjusting foreign exchange positions to reduce foreign exchange risk.

(2) By using natural hedging, the foreign currency assets from export income are offset against the foreign currency liabilities arising from overseas procurement. In terms of foreign exchange fund adjustment, for confirmed foreign currency assets or liabilities, the company chooses an appropriate time to carry out hedging operations or spot selling and buying to achieve the purpose of natural hedging, reducing the impact on profit and loss.

(3) Sales quotations consider exchange rate factors to protect the company's reasonable profits.

(4) The group's financial staff update the fund planning estimate table for the next three months of each related enterprise every two weeks, so as to grasp the fund situation at any time, reduce the idle funds, and the funds that can be used on ordinary days are controlled according to the fund planning estimate table for the next three months. After each monthly closing, considering the overall economic environment at that time and observing the changes in market exchange rates, the accounts receivable and bank pre-financing are used as needed to reduce the risk of exchange rate fluctuations.

3. Impact of Inflation Changes on the Company's Profit and Loss and Future Response Measures:

In recent years, international raw material prices have fluctuated dramatically. The company always pays attention to changes in the raw material market, purchases raw materials needed for production according to actual production needs, and strengthens inventory control to reduce the impact of raw material price changes on the company's profit and loss.

(2) Policies, Major Reasons for Profit or Loss, and Future Response Measures for Engaging in High-risk, High-leverage Investment, Lending to Others, Endorsements and Guarantees, and Derivative Transactions:

1. Policies for Engaging in High-risk, High-leverage Investment, the Main Reasons for Profit or Loss, and Future Response Measures:
The company has long been focused on operating and developing its core business and has not engaged in high-risk, high-leverage investments.
 2. Policies for Lending to Others and Engaging in Endorsements and Guarantees, the Main Reasons for Profit or Loss, and Future Response Measures:
The company's engagement in lending to others and endorsement and guarantee transactions are all with 100% of the company's investee companies. The purpose of endorsements and guarantees is to respond to the business needs of each subsidiary. The transaction process is carried out according to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".
 3. Policies for Engaging in Derivative Transactions, the Main Reasons for Profit or Loss, and Future Response Measures:
The company is currently not engaged in derivative transactions. If needed in the future, it will also comply with the relevant provisions of the company's "Procedure for Acquiring or Disposing of Assets" for engaging in derivative transactions.
- (3) Future Research and Development Plans and Expected R&D Expenses:
1. Future Research and Development Plans:
The company's future R&D plans focus on the following:
 - (1) Develop high-end 3C products:
To keep up with the high-speed and high-definition trends of the 3C industry, the company continues to devote itself to the development of high-end signal cables, including high-frequency consumer cables and car cables, among other high-definition signal cables.
 - (2) Develop new customers and products for new application areas:
The company has established a new business unit to develop other new customers beyond the existing customer base, aiming to increase new revenue sources. In addition, it is developing products for applications such as car and game console cables, and electric vehicle charging guns, to expand product application areas and increase revenue and profit sources.
 - (3) Continuous development of automation production technology:
In response to the annual increase in wages in mainland China, the company is actively developing process automation equipment to reduce production costs and ensure product quality, and to improve production efficiency. In recent years, automation has made progress and gradually introduced visual recognition, combined with mechanical design, it can significantly reduce the demand for a large number of manual checks and measurements, improving product quality and production efficiency.
 - (4) Develop towards high transmission, low attenuation, high bandwidth, and high definition
In line with the development focus of the information industry connectors (cables) technology, future products will develop towards high transmission, low attenuation, high bandwidth, and high definition. The company is committed to developing high-end high-frequency transmission lines, such as USB3.0 and above, TYPE C, high-frequency consumer cables, and car cables, etc., to meet market demands.
 - (5) Enter the electric vehicle market
Electric cars have become an inevitable global development trend. The company has completed the development of electric car charging guns and has begun mass production and delivery, formally entering the electric car market. It will expand the application range of electric vehicle wires along with the development of electric vehicles.
 2. Expected R&D Expenses:
The group's expected R&D expenses for 2023 fiscal year are approximately NT\$142,211,000, accounting for about 4% of the net operating income of the group. The company will continue to invest in key R&D projects, continuously innovate in manufacturing technology, improve product quality and production efficiency, develop various high-end products towards high transmission, low attenuation, high bandwidth, and high definition, and increase the development of new products to enhance the

- company's industry competitiveness.
- (4) Impact and Measures in Response to Significant Changes in Domestic and Foreign Policies and Laws on the Company's Financial Business:
The changes in the Taiwan regulatory environment in 2022 and their impact on the company are briefly described as follows:
1. The Financial Supervisory Commission of the Republic of China issued the order No. 1110380465 on January 28, 2022, to amend the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
The company passed the amendment to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" at the shareholders' meeting on May 26, 2022.
 2. The Financial Supervisory Commission of the Republic of China issued the order No. 1110380914 on March 4, 2022, to amend the "Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies".
The company has executed as required.
 3. The Financial Supervisory Commission of the Republic of China issued the order No. 1110383263 on August 5, 2022, to amend the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".
The company passed the amendment to the "Board of Directors Meeting Regulations" at the board of directors meeting on October 13, 2022.
 4. The Financial Supervisory Commission of the Republic of China issued the order No. 1110383480 on August 17, 2022, to amend the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies".
The company has executed as required.
 5. The Financial Supervisory Commission of the Republic of China issued the order No. 1110383772 on November 24, 2022, to revise the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".
The company has executed as required.
 6. The Financial Supervisory Commission of the Republic of China issued the order No. 1110384934 on November 25, 2022, to revise the "Regulations Governing Information to be Published in Annual Reports of Public Companies".
The company will execute as required.
 7. The Financial Supervisory Commission of the Republic of China issued the order No. 1110384934 on November 25, 2022, to revise the "Regulations Governing Information to be Published in Public Offering and Issuance Prospectuses".
The company will execute as required.
 8. The Taiwan Stock Exchange Corporation issued letters No. 1110023245 on November 25, 2022, and No. 1110024366 on December 23, 2022, concerning the "Corporate Governance 3.0 - Sustainable Development Roadmap" plan.
The company passed the amendment to the "Corporate Governance Practice Code", "Merger Information Disclosure Self-discipline Code", "Sustainable Development Practice Code", and "Director Training Implementation Points" at the board of directors meeting on February 14, 2023, and formulated the "Operational Rules for Financial Business between Related Enterprises".

- (5) Impact of technological changes and industry trends on the company's financial business and measures in response:

The connectors produced by our company have expanded to all 3C products, apart from monitor connectors. Due to rapid technological advancements, the demand for related 3C products has increased. Furthermore, high-frequency, high-transmission, and high-definition products are becoming increasingly popular. In response to these technological and industrial trends, our company has increased the shipment of high-end products. Additionally, the electric vehicle charging gun developed by our company has been mass-produced and shipped, officially entering the electric vehicle industry. Electric vehicles are the future trend of the industry, and our company has actively undergone corporate transformation. Along with the development trend of electric vehicles, the application scope of related charging products and cables is expanding. Therefore, the changes in technology and industry will continue to present a growing trend in the company's future market sales, and the impact on the company's finance and business is still positive.

Our company will always pay attention to the impact of technological changes and industry trends on our company, accelerate the development of new products, improve product quality, and speed up automation production technology. We are dedicated to the diversification of market business development and adopt a robust financial management strategy.

- (6) Impact of changes in corporate image on crisis management and measures in response:

Our company has always had a good corporate image. Up to now, there have been no incidents of significant changes in corporate image leading to a corporate crisis.

- (7) Expected benefits, potential risks, and measures in response to mergers and acquisitions:

As of the date of publication of the annual report, our company does not have a merger and acquisition plan, so this does not apply.

- (8) Expected benefits, potential risks, and measures in response to expanding factories:

1. New Hubei Factory

(1) Expected benefits

Due to the still robust demand for 3C products, the constant innovation of new products, and the company's expansion of product application areas, including the market demand for automotive, gaming, and medical connectors, and in response to the gradual increase in the number of electric vehicles, the development of electric vehicle charging cables will be invested. The current capacity of the existing Suzhou factory is insufficient. Therefore, through 100% shareholding of Hotron Suzhou, a 100% shareholding of Hotron Hubei was established. The new Hotron Hubei factory officially started mass production in July 2022. Together with the capacity of Hotron Suzhou, it is sufficient to meet the demand for capacity.

(2) Possible risks and measures

The greatest risk for the new Hubei factory, due to its significantly increased capacity, lies in overcapacity. However, the new Hubei factory plans to aim for automated production. Therefore, even if there is a risk of overcapacity, because it uses relatively fewer human resources, the loss to operations is limited.

2. New Vietnam Factory

(1) Expected benefits

The new Vietnam factory is established in response to the impact of the China-US trade war, and it serves as a production base established in line with customer's offshore production lines. It can serve customers nearby and supply goods, maintaining a closer cooperative relationship with customers.

(2) Possible risks and measures

The new Vietnam factory is a newly established production base. The factory officially started mass production in July 2022 to meet local customer needs, and the related operating costs have increased, mainly logistics management costs. However, due to

the influence of the China-US trade war and the lockdown due to the pandemic, more and more electronics factories originally established in mainland China have moved to Vietnam, leading to an expanding trend of potential demand in Vietnam. Therefore, the company estimates that the operation of Hotron Vietnam will be more optimistic than the original plan, thus the increased management costs will relatively reduce the risk to operations.

(9) Risks and response measures faced due to the concentration of procurement or sales:

1. Risks and response measures faced due to the concentration of procurement

The main product of our company is signal cables, and the main raw materials involved are copper rods, PVC powder, tin wire and tin rods, connectors, tinplate, magnetic rings, and screws. The total amount of procurement in 2021 and 2022 was NT\$ 1,884,437,000 and NT\$ 1,813,069,000, respectively; the top ten procurement suppliers accounted for 54% and 47% of the procurement, respectively. Among them, the largest procurement supplier accounted for 17% and 13% of the total procurement amount, respectively, and the second-largest procurement supplier accounted for 11% and 8% of the total procurement amount, respectively. Overall, our company does not have a concentration of procurement. Moreover, the main raw materials of our products are common component products in the market, and there are many suppliers, so there is no concern about supply.

2. Risks and response measures faced due to the concentration of sales:

Our company and our wholly-owned subsidiary, Hotron Suzho, mainly sell to internationally well-known manufacturers, all of whom hold significant positions in the global market. Therefore, our company's risk of concentrated sales of cables is not high. However, we still actively maintain customer relationships to prevent new competitors from easily entering, and continue to develop new products to expand our business scale, aiming to diversify product development and reduce the risk of sales being overly concentrated on a single product.

(10) The impact, risks, and response measures of the substantial transfer or change of equity by directors, supervisors, or major shareholders with over ten percent of shares:

In the fiscal year 2022 and as of the date of publication of the annual report, there have been no substantial transfers or changes of equity in our company by any director, supervisor, or major shareholders owning over ten percent of shares.

(11) The impact, risks, and response measures of changes in control of the company:

There have been no factual changes or plans for changing the control of the company; therefore, there is no impact on the company's operations.

(12) Litigation or non-litigation events:

1. For any litigation, non-litigation, or administrative litigation cases that have been conclusively adjudicated or are currently in process over the past two years and up until the date of publication of the annual report, which may have a significant impact on shareholder rights or securities prices, including the facts of the dispute, the amount at stake, the date the litigation started, the main parties involved, and the current status:

There are no litigation or non-litigation cases that could significantly impact shareholder rights or securities prices in our company.

2. For any major litigation, non-litigation, or administrative litigation cases that have been conclusively adjudicated or are currently in process over the past two years and up until the date of publication of the annual report, involving the company's directors, supervisors, general manager, actual responsible person, major shareholders with over ten percent of shares, and subsidiaries, which may have a significant impact on shareholder rights or securities prices, including the facts of the dispute, the amount at stake, the date the litigation started, the main parties involved, and the current status:

There are no such cases in our company.

(13) Other important risks and response measures:

1. Interest rate fluctuation risks and response measures:

The main source of risk comes from bank loans generated to support operational activities. To reduce interest rate risk, the company primarily uses operational cash income, and issues corporate bonds or conducts cash capital increases in a timely manner to provide the funds needed for operations, thereby reducing the burden of interest caused by interest rate changes.

2. Exchange rate fluctuation risks and response measures:

The company's sales amount and manufacturing costs are mainly denominated in currencies other than the New Taiwan Dollar. The company adopts a natural hedging approach by offsetting foreign currency income and expenditure, and adjusts the amount of foreign currency assets and liabilities in a timely manner to reduce the impact of exchange rate risk.

3. Inflation and deflation risks and response measures:

Inflation and deflation often have a significant impact on the global economy. Whether it's high inflation or deflation, both will reduce market efficiency and have adverse effects on the overall and individual economies. The company constantly monitors changes in the prices of upstream raw materials to reduce the impact of inflation or deflation on the company's earnings.

4. Financing risks and response measures:

Given the rapid changes and increasingly short cycles in the electronics industry, there is relative uncertainty in planning for capital needs. To meet customer and market demand, the company will need more operating funds in the coming years, but financing includes many uncertain factors:

- (1) The future financial condition, operational performance, and cash flow of the company,
- (2) The financing conditions in domestic and international markets (especially China),
- (3) The interaction trend between Taiwan's economy and the international economic climate.

The company has a good credit standing and stable operating conditions, and its financing quota is still ample. However, if it fails to obtain sufficient and lower-cost funds in a timely manner, it will consider raising funds from the market according to the scale of the company's operations.

5. Risk of declining market demand and average selling price, and response measures

The company's revenue mainly comes from the sale of high-definition signal cables and connecting cables for 3C products. After the launch of new electronic products, it's difficult to increase prices, and they tend to decline as products mature. If product demand drops, the company's revenue may be impacted, and due to a decrease in sales volume, the allocation of fixed costs per unit will rise, inevitably affecting the company's profitability. Conversely, when product demand increases, the allocation of fixed costs per unit will decrease, benefiting the company's profitability. Therefore, in addition to increasing sales volume to existing customers, the company is committed to developing new customers and expanding into new application areas for its products to boost sales volume. Additionally, efforts are also being made to reduce product costs.

6. Information security risk management and response measures

To establish a secure information security environment and strengthen the internal information security management system of the group, the company has formulated an information security management regulation. This is done to maintain the confidentiality, integrity, and availability of the company's information assets, and to protect user data privacy. The company conducts information security education and training, promotes employee awareness of information security, and strengthens their understanding of related responsibilities. An information security risk assessment mechanism is implemented to enhance the effectiveness and timeliness of information

security management. And an information security internal audit system is implemented to ensure the actual execution of information security management. Considering that cybersecurity risk is still an emerging risk, involving cybersecurity level testing institutions, claim identification institutions, and conditions for not making claims, the company is currently evaluating and planning. For the company's information security management regulations, please refer to the company's website <http://www.hotron-ind.com/>

7. Other Important Matters: None.

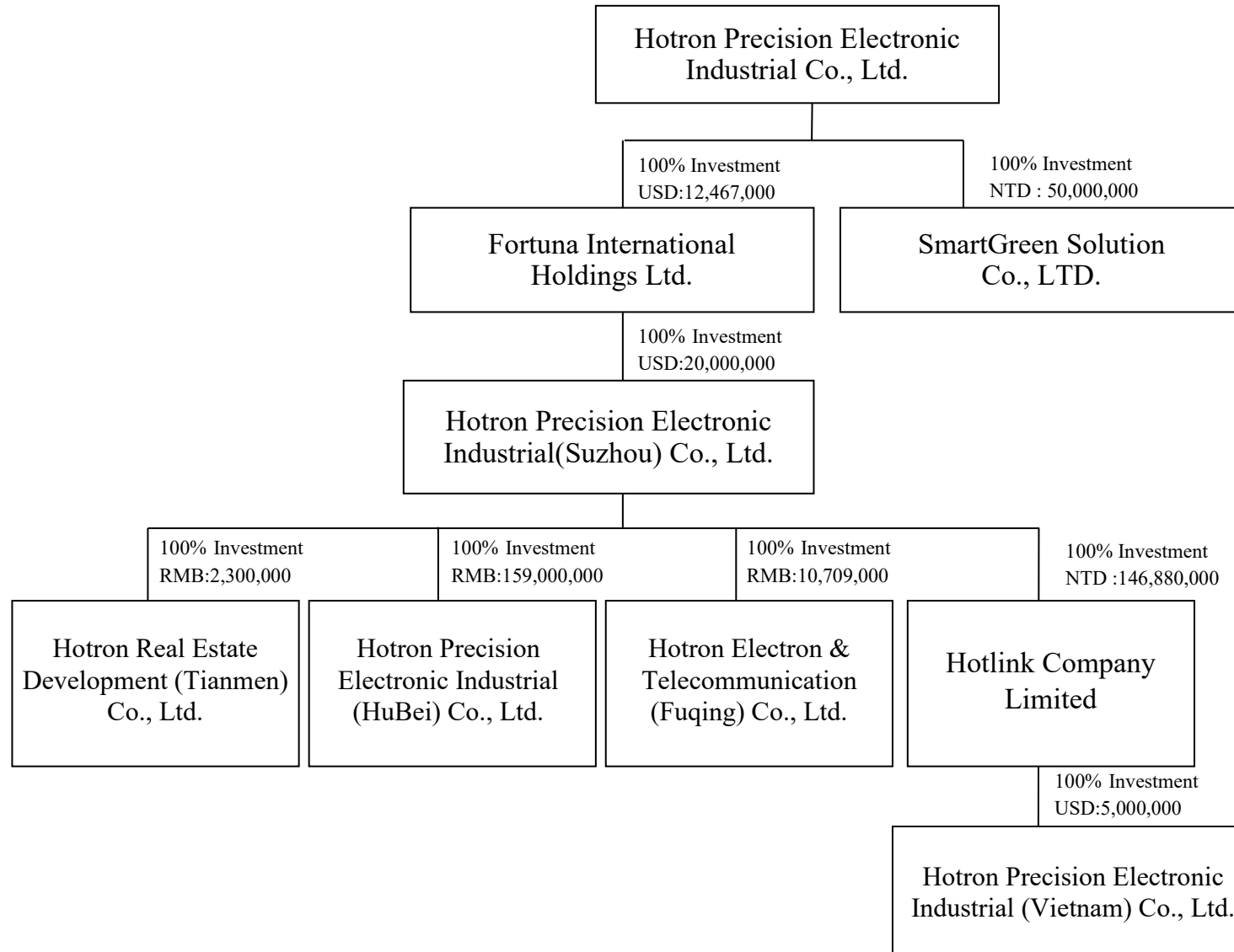
VIII. Special Disclosure

1. Information on Affiliates

(1) Consolidated Business Report of Affiliates:

1. Organizational Chart of Affiliates

Date: 2022.12.31



2. Names, establishment dates, addresses, paid-in capital, and main business operations of each affiliates

As of 2022.12.31

Name of Affiliates	Establishment Date	Address	Paid-in Capital	Main Business or Production Operations
SmartGreen Solution Co., LTD.	2022.09	4F., No. 169, Xing'ai Rd., Neihu Dist., Taipei City	NTD 50,000,000	Production and sales of automobile and its parts manufacturing industry, solar thermal equipment installation engineering industry, renewable energy self-generation equipment industry, energy technology services industry, charging guns for electric vehicles, high-voltage lines for vehicles, and new energy materials, etc.
Fortuna International Holdings Ltd.	2002.12	P.O. Box 217, Apia, Samoa	USD 12,467,000	Investment business and commodity trading
Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	2003.09	No. 128, Lushan Road, High-tech Zone, Suzhou City, Jiangsu Province	USD 20,000,000	Production and operation of 3C product connectors, signal lines, charging guns for electric vehicles, high-voltage lines, and new energy materials
Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	2004.10	High-tech Industrial Zone, Yuanhong Investment Zone, Fuqing City, Fuzhou City, Fujian Province	RMB 10,709,000	Processing of various 3C product connectors and signal lines
Hotlink Company Limited	2018.05	5F., No. 169, Xing'ai Rd., Neihu Dist., Taipei City	NTD 146,880,000	Commodity trading
Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	2019.02	No. 168, Hongshuo Avenue, Tianmen Industrial Park, Tianmen City, Hubei Province	RMB 159,000,000	Production and operation of copper products, 3C product connectors, signal lines, charging guns for electric vehicles, high-voltage lines, and new energy materials
Hotron Real Estate Development (Tianmen) Co., Ltd.	2019.05	No. 168, Fuxian Avenue, Tianmen Industrial Park, Tianmen City, Hubei Province	RMB 2,300,000	Real estate development, construction, sales, leasing, and real estate intermediary services, etc.
Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	2020.02	No. 4, National Highway 38, Tongwen Industrial Zone, Henan Province, Vietnam	USD 5,000,000	Production and operation of 3C product connectors and signal lines, etc.

3. According to Article 369-3 of the Company Act, it is presumed to have control and subordination relationships, and the items to be disclosed are: None.

4. Industries covered by the overall business operations of affiliates

Name of Affiliates	Business Scope	Division of Labor in Transactions
SmartGreen Solution Co., LTD.	Production and sales of automobile and its parts manufacturing industry, solar thermal equipment installation engineering industry, renewable energy self-generation equipment industry, energy technology services industry, charging guns for electric vehicles, high-voltage lines for vehicles, and new energy materials, etc.	Production and operation of charging guns for electric vehicles, high-voltage lines, and new energy materials
Fortuna International Holdings Ltd.	Investment business and commodity trading	Investment Holding
Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	Production and operation of 3C product connectors, signal lines, charging guns for electric vehicles, high-voltage lines, and new energy materials	Production and operation of copper products, 3C product connectors, signal lines, charging guns for electric vehicles, high-voltage lines, and new energy materials
Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	Processing of various 3C product connectors and signal lines	Processing of various 3C product connectors and signal lines
Hotlink Company Limited	Commodity trading	Trade in buying and selling of various 3C product connectors, signal lines, and computer peripheral products
Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Production and operation of copper products, 3C product connectors, signal lines, charging guns for electric vehicles, high-voltage lines, and new energy materials	Production and operation of copper products, 3C product connectors, signal lines, charging guns for electric vehicles, high-voltage lines, and new energy materials
Hotron Real Estate Development (Tianmen) Co., Ltd.	Real estate development, construction, sales, leasing, and real estate intermediary services, etc.	Real estate development, construction, sales, leasing, and management of self-built commodity housing and supporting facilities, property management, real estate brokerage services, interior and exterior decoration design and construction, etc.
Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	Production and operation of 3C product connectors and signal lines, etc.	Production and sales of 3C product connectors and signal lines, etc.

5. Names of the directors, supervisors, and general managers of each affiliates, and their shareholding or investment in the company

Information of the directors, supervisors, and general managers of each affiliates

Units: Thousand shares, %

Name of Affiliates	Position	Name or Representative	Shareholding or investment in the company (As of 2022.12.31)	
			Number of Shares	Percentage of Shareholding
SmartGreen Solution Co., LTD.	Chairman	CHANG, LI-JUNG	0	0
	General Manager	CHANG, LI-JUNG	0	0
Fortuna International Holdings Ltd.	Chairman	CHANG, LI-JUNG	0	0
	General Manager	LU, I-HSUAN	0	0
Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	Chairman	CHANG, LI-JUNG	0	0
	Director	LU, I-HSUAN	0	0
	Director	HSU, KUO-HUANG	0	0
	Supervisor	CHANG,I-HSUAN	0	0
	General Manager	KAO, I-HONG	0	0
Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	Chairman	LU, I-HSUAN	0	0
	Director	KAO, I-HONG	0	0
	Director	HSU, KUO-HUANG	0	0
	Supervisor	CHANG,I-HSUAN	0	0
	General Manager	LU, I-HSUAN	0	0
Hotlink Company Limited	Chairman	CHANG, LI-JUNG	0	0
	General Manager	CHANG, LI-JUNG	0	0
Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Chairman	CHANG, LI-JUNG	0	0
	Director	LU, I-HSUAN	0	0
	Director	HSU, KUO-HUANG	0	0
	Supervisor	CHANG,I-HSUAN	0	0
	General Manager	KAO, I-HONG	0	0
Hotron Real Estate Development (Tianmen) Co., Ltd.	Chairman	CHANG, LI-JUNG	0	0
	Director	LU, I-HSUAN	0	0
	Director	HSU, KUO-HUANG	0	0
	Supervisor	CHANG,I-HSUAN	0	0
	General Manager	LU, I-HSUAN	0	0
Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	Legal Representative	KAO, I-HONG	0	0
	General Manager	KAO, I-HONG	0	0

6. Operating status of affiliates

Year:2022 Unit: NT\$ Thousand Dollars

Name of Affiliates	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit	Net Profit After Tax	Earnings Per Share (in currency)
SmartGreen Solution Co., LTD.	NTD 50,000 thousand dollars	57,371	11,366	46,005	2,555	(5,018)	(3,995)	(0.80)
Fortuna International Holdings Ltd.	USD 12,467 thousand dollars	1,727,767	0	1,727,767	894	859	2,465	0.06
Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	USD 20,000 thousand dollars	2,905,973	1,178,370	1,727,603	3,440,377	140,731	1,618	0.03
Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	USD 1,400 thousand dollars	53,500	8,338	45,162	13,163	1,228	945	0.20
Hotlink Company Limited	USD 4,996 thousand dollars	429,073	250,330	178,743	792,767	(2,368)	(5,185)	(0.35)
Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	RMB 159,000 thousand dollars	2,203,226	1,650,948	552,278	284,857	(234,993)	(105,895)	(1.51)
Hotron Real Estate Development (Tianmen) Co., Ltd.	RMB 2,300 thousand dollars	6,065	235	5,830	0	(1,097)	(1,095)	(1.08)
Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	USD 5,000 thousand dollars	258,634	137,242	121,392	5,984	(15,584)	(19,702)	(1.31)

7. Information on endorsements, guarantees, lending funds to others, and derivative transactions of affiliates

(1) Endorsement guarantees by affiliates:

As of 2022.12.31

Unit: NT\$ Thousand Dollars

Name of the Company Giving the Guarantee	Endorsement Guarantee Target		Limit of Guarantee for a Single Company	Maximum Guarantee Balance for the Period	End-of-period Guarantee Balance	Actual Amount Spent	Amount of Guarantees Secured by Assets	Ratio of Cumulative Guarantees to Net Value of the Most Recent Financial Statement (%)	Maximum Limit of Endorsement Guarantee	Endorsement Guarantees from Parent Company to Subsidiary	Endorsement Guarantees from Subsidiary to Parent Company	Endorsement Guarantees in Mainland China	Note
	Company Name	Relation (Note 2)											
Hotron Precision Electronic Industrial Co., Ltd.	Fortuna International Holdings Ltd.	2	\$ 1,856,548	\$128,860	\$122,840	\$ -	\$ -	5.95	\$ 2,062,831	Y	N	N	-
Hotron Precision Electronic Industrial Co., Ltd.	Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	2	\$ 1,856,548	\$349,763	\$184,260	\$107,486	-	8.93	\$ 2,062,831	Y	N	N	-
Hotron Precision Electronic Industrial Co., Ltd.	Hotlink Company Limited	2	\$ 1,856,548	\$36,000	\$36,000	\$30,000	-	1.75	\$ 2,062,831	Y	N	N	
Hotron Precision Electronic Industrial Co., Ltd.	Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	2	\$ 1,856,548	\$418,795	\$399,230	\$61,420	-	19.35	\$ 2,062,831	Y	N	Y	
Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	2	\$ 1,554,843	\$220,400	\$220,400	\$ -	-	12.76	\$1,727,603	Y	N	Y	

Note 1: The total amount of the company's external endorsement guarantee shall not exceed the net value of the current period. The endorsement guarantee limit for a single enterprise shall not exceed ten percent of the current net value, and for a single overseas affiliate, it shall not exceed ninety percent of the current net value. The net value is based on the most recent financial statement audited or reviewed by the CPA.

Note 2: There are six types of relationships between the guarantor and the guarantee target, and the type can be indicated:

1. Companies with business transactions.
2. Companies in which the company directly or indirectly holds more than fifty percent of voting shares.
3. Companies that directly or indirectly hold more than fifty percent of the company's voting shares.
4. Companies in which the company directly or indirectly holds more than ninety percent of voting shares.

5. Companies that mutually guarantee each other due to the needs of contract works or co-construction as stipulated in contracts.
6. Companies that are endorsed and guaranteed by all shareholders according to their shareholding ratios due to joint investment relationships.
7. Joint guarantees for the performance of pre-sale housing sales contracts between the same industry in accordance with the regulations of the Consumer Protection Act.

Note 3: The company should fill in the limit and maximum limit of endorsement guarantee for individual targets set according to the endorsement guarantee operation procedure for others, and explain the calculation method of the individual target and total limit of endorsement guarantee in the remarks column.

Note 4: The highest balance of the endorsement guarantee for others in the current year.

Note 5: The amount approved by the board of directors should be filled in. However, if the chairman of the board of directors is authorized to carry out the operation according to the 12th article, paragraph 8 of the Standards for the Handling of Fund Lending and Endorsement Guarantees by Publicly Issued Companies, it refers to the amount carried out by the chairman of the board of directors.

Note 6: The actual amount of expenditure within the range of the endorsement guarantee balance used by the company being endorsed should be entered.

Note 7: Only those who belong to the parent company's endorsement guarantees to the subsidiary listed on the counter, the subsidiary's endorsement guarantees to the parent company listed on the counter, and those who belong to Mainland China's endorsement guarantees need to fill in "Y".

(2) Funds lent by affiliates to others:

As of 2022.12.31 Unit: NT\$ Thousand Dollars

Company lending the funds	Lending target	Maximum balance in this period	End-of-period balance (Note 2)	Actual expenditure	Interest rate range %	Nature of the loan	Amount of business transactions	Reason for the necessity of short-term financing	Amount provided for bad debt allowance	Collateral		Limit of funds loaned to individual targets (Note 1)	Total limit on loans (Note 1)	Note
										Name	Value			
Hotron Precision Electronic Industrial Co., Ltd.	Fortuna International Holdings Ltd.	\$6,443	-	-	Considering market conditions and cost of capital	Short-term financing	-	For the use of re-investment funds	-	None	-	\$825,132	\$825,132	-
Hotron Precision Electronic Industrial Co., Ltd.	Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	\$59,880	-	-	Considering market conditions and cost of capital	Short-term financing	-	Due to the need for flexible use of funds	-	None	-	\$825,132	\$825,132	-
Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	\$24,722	\$24,722	\$24,722	Interest-free	Business transactions	\$18,478	Approved by the board of directors as a loan	-	None	-	\$45,162	\$45,162	-

Note 1: According to the company's "Procedure for Lending Money to Others," when lending to companies or firms with business transactions, the total loan amount and individual loan amounts should not exceed the amount of business transactions between the two parties in the most recent year. The so-called amount of business transactions refers to the higher amount of purchases or sales between the two parties; the total amount of short-term financing loans should not exceed 40% of the company's net value; individual loan amounts should not exceed 40% of the company's net value. When the company directly and indirectly holds 100% of the voting shares in foreign companies, it is not subject to the aforementioned restrictions for lending money, but the total amount of short-term financing loans should not exceed 100% of the company's net value; individual loan amounts should not exceed 100% of the company's net value.

Note 2: The end-of-period balance refers to the limit of loans approved by the board of director

(3) Information on derivative transactions by affiliates: Not applicable.

(2) Consolidated Financial Statements of affiliates:

For the year 2022, our company has included the same companies in the preparation of consolidated financial statements of affiliates in accordance with the "Guidelines for the Preparation of Consolidated Financial Statements and Related Reports of Affiliates" and in accordance with IFRS 10 for the preparation of consolidated financial reports of parent and subsidiary companies. All related information that should be disclosed in the consolidated financial statements of affiliates has been disclosed in the aforementioned consolidated financial reports of the parent and subsidiary companies, so there is no need to prepare separate consolidated financial statements of affiliates.

(3) Related Report: Not applicable.

2. Private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.
3. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.
4. Other matters that require additional description: None.

IX. Situations that might materially affect shareholders' or the price of the company's securities

In the most recent year and up to the date of publication of the annual report, there have been no matters having a significant impact on shareholders' rights or securities prices as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act: None.

Company Name: Hotron Precision Electronic Industrial Co., Ltd.

Person in Charge: CHANG, LI-JUNG