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鴻碩精密電工股份有限公司

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.

2023 Annual Report

Printed Date: April 30, 2024

(Translation)

Notice to Readers:

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

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V. Name of the Overseas Securities Exchange Where the Securities Are Listed and Traded, and how to Inquire About the Overseas Securities The way of Information.

None.

VI. Company Website

<http://www.hotron-ind.com/>

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I. Letter to Shareholders

Dear shareholders,

Reviewing 2023, the US Federal Reserve continuously raised interest rates to combat inflation, causing a liquidity crisis in regional US banks. However, due to the swift actions of the US central bank, the financial crisis did not spread further. In mainland China, the real estate crisis continued to trigger events, including the debt defaults of Evergrande and, more recently, Country Garden. This raised market concerns about the deterioration of Chinese property developers' funding chains, interrupted economic recovery, and the impact of defaults, causing liquidity problems. The situation was exacerbated by the trade war between the US and China, as well as the recent ban or restriction on high-tech exports to mainland China's technology sector, which also prompted China to regulate the export of rare earth elements. As for Taiwan, due to weak global demand and industry inventory adjustments in 2023, economic growth momentum slowed down, with weak commodity exports and sluggish corporate investment intentions, causing Taiwan's economic growth to fall short of expected targets.

The Hotron Group, already a market leader in its cable product segment, is actively upgrading its product line and undergoing an industrial transformation to maintain its competitive edge. In addition to the continuous upgrading and development of existing products into more advanced and faster transmission speed cable products, the company is also transforming its industry focus. Apart from products such as charging guns, energy storage cabinets, and solar power plant cables, the company plans to develop peripheral products for charging and energy storage equipment, expanding into the new energy product field.

1. 2023 Business Results

(1) Implementation Results of the Business Plan:

The consolidated revenue for the fiscal year 2023 was NT\$2,159 million, with a net loss after tax of NT\$165 million, and net loss per share after tax of NT\$ -1.58

(2) Budget Execution:

The financial forecast for 2023 was not publicly disclosed, so there is no information on budget achievement.

(3) Financial Income and Expenditure and Profitability Analysis:

(Unit: NT\$)/%

Items		Year	2022 (Group consolidation)	2023 (Group consolidation)
Financial Income and Expenditure	Net operating revenue		3,362,189	2,159,114
	Gross profit		578,812	313,515
	Profit margin		17.21%	14.52%
	Net profit (loss) after tax		65,746	(165,079)
Profitability (%)	Return on assets (%)		1.58%	-2.48%
	Return on Equity (percentage)		3.29%	-7.87%
Profitability (%)	Capital-to-Asset Ratio (%)	Operating profit (loss)	8.82%	-17.76%
		Net profit (loss) before tax	8.32%	-18.72%
	Net profit margin (%)		1.96%	-7.65%
	Basic earnings (deficit) per share (NT\$)		0.71	-1.58

(4) Research and Development Status:

1. Continuously developing advanced digital connectivity cable products:

In the digital cable product segment, to cater to the high transmission demand of 3C products, the company has successively developed and completed high-end digital signal cables, with sales accounting for more than 80% of the total, including 3C high-frequency cables and automotive cables, among other products. The product sales structure is gradually shifting towards high-end products.

2. Develop new customer sources and new markets:

High-end digital connection cable products have a wide range of applications. In addition to existing computer monitor signal cables, our company's shipments of other 3C product digital connection cables, such as for mobile phones, game consoles, TVs, and other 3C devices, have been growing year by year. In the future, we will continue to explore new customer sources. In addition to new customers in the existing fields, we will also expand the product application areas, including wires for solar modules and energy storage equipment. Our company has established a new business unit dedicated to developing new customers in order to expand revenue sources and increase revenue and profits.

3. Expand product range and align with customer deployment:

Based on maintaining corporate advantage, improving industrial competitiveness, expanding market share, and promoting industrial transformation and upgrading, in addition to continuing to upgrade existing products and develop more advanced and

faster transmission products, the company has been developing products with wider application scope, including solar module cables and energy storage cables, and is actively expanding the market. In terms of customer operations, to maintain closer cooperative relationships with existing customers, the company has cooperated with customers' overseas plant expansions, and has officially started mass production. The company will also set up overseas bases according to customers' actual needs to provide nearby services and local supply sources.

4. Actively promote corporate transformation, and venture into the electric vehicle and new energy industries:

Due to rising environmental awareness, coupled with the rise of intelligent and digital technologies, the electric vehicle and renewable energy industries have become an inevitable future development trend globally. Our company has utilized cable expertise and experience to complete the development and shipment of electric vehicle charging guns, entering the electric vehicle market. In the future, we will accompany the development of the electric vehicle industry, developing related charging and energy storage equipment, as well as peripherals for solar power plants.

2. 2024 Business Plan Summary

(1) Business Policy

1. Increase sales volume of high-end products to increase product revenue and improve profitability.
2. Expand into new markets and acquire new customers, enhancing revenue source diversification and implementing a diversified business operation.
3. Meet customers' diverse product needs and maintain stable customer relationships.
4. Seek cross-industry alliances and collaborate along the industry chain, integrating important upstream and downstream components to expand the scale of the group's operations.
5. Actively plan for corporate transformation, accommodate the development trend of electric vehicles, and develop industries related to electric vehicle charging equipment.

(2) Expected Group Sales Volume and its Basis

Main Product Categories	Expected Sales Volume	The Basis for Expected Sales Quantity
Various transmission lines and charging guns	85,932 thousand/year	1. Develop new products, expand customer base 2. Increase market share of charging guns

By adjusting the sales product portfolio, and developing new products and new customers, it is estimated that the sales amount for this year (2024) will grow compared to 2023.

(3) Important Production and Marketing Policies

1. Strengthen and stabilize product quality, enhance product competitive advantage, and solidify market leadership position.
2. Closely track market product trends, meet market demands, and develop new products.
3. Fully supply diverse customer needs, and build solid cooperative relationships.
4. Actively promote automated production to reduce production costs.
5. Diversify the development of equipment and raw material suppliers, and integrate toward upstream key components, to ensure stable supply sources and increase the company's purchasing bargaining power.
6. Actively enter the electric vehicle charging and peripheral equipment industry, accelerating corporate transformation.

3. Future Company Development Strategy

In response to market demand and competitive conditions, our company has formulated the following future development strategies:

- (1) Continuously transform and upgrade the industry, develop towards high-end, high-speed products, and maintain the industry's leading position.
- (2) Develop new markets, new customers, and new products, actively transform and implement diversified operations.
- (3) Implement quality policies, enhance product quality, and strengthen product competitiveness.
- (4) Seek cross-industry and upstream/downstream alliances to gain control over raw material supply autonomy and expand revenue sources.
- (5) Develop diverse new energy products for electric vehicles, such as charging stations and charging equipment, to meet the growing trend of electric vehicle adoption.

4. Affected by External Competitive Environment, Regulatory Environment, and Overall Operating Environment

(1) Impact of External Competitive Environment

Despite our company's leading position in the connectivity product industry, we continue to operate on a solid foundation, accelerating the development of new products, expanding our revenue sources, and accelerating corporate transformation. However, due to the global economic downturn, coupled with the Ukraine-Russia and Israeli-Palestinian conflicts, geopolitical tensions, and high inflation, market trends have become unpredictable and volatile. In addition to closely monitoring economic and market

developments and formulating contingency measures in response to changes in economic conditions and market conditions, we will continue to develop new products and strengthen inventory control to minimize the adverse impact of external competition and environmental factors.

(2) The Impact of Regulatory Environment

A brief description of the changes in regulatory environment and their impact on the company in 2023 is as follows:

1. Regarding the provisions of Article 40 of the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Development of Securities and Futures Markets” by the Financial Supervisory Commission, Directive No. 11203809871 dated March 22, 2023

Our company has overseen and managed the financial and business information of its subsidiaries in accordance with the regulations, and has complied with Paragraph 1, Subparagraph 3 of Article 40 of the “Regulations Governing the Establishment of Internal Control Systems by Public Companies” in handling this matter.

2. Financial Supervisory Commission, Directive No. 1120382845 dated June 30, 2023, provided supplementary clarification on the application of doubts regarding the provisions of Article 157 of the Securities and Exchange Act.

The supplementary regulations regarding the acquisition and disposal of shares by insiders have already been communicated to the company’s directors, managers, and other insiders to prevent violations of the regulations.

3. Presidential Order, Number 11200054051 dated June 28, 2023, hereby amends and announces Articles 14-4, 14-5, 178, and 181-2 of the Securities and Exchange Act.

The company has established an audit committee in accordance with the regulations.

4. Financial Supervisory Commission Order No. 1120384951 dated November 10, 2023, regarding the restriction on trading of cash capital increase shares listed (over-the-counter) in accordance with Article 156 of the Securities and Exchange Act, related regulations on trading restrictions.

The company’s issuance of new shares through a cash capital increase in 2023 was not subject to any trading restrictions.

5. The Financial Supervisory Commission Amended article 10, article 23 of the “Regulations governing information to be published in annual reports of public companies,” Article 10 and article 32, table 6-13-1 of the “Regulations governing information to be published in public offering and issuance prospectuses” in order no. 1120385231 dated November 10, 2023,

Our company operates in accordance with regulations.

6. Regarding the regulations of the Financial Supervisory Commission's Order No. 11203848303 dated November 9, 2023, for public companies to capitalize capital reserves in accordance with Article 241, Paragraph 1, Subparagraph 1 of the Company Act as stipulated in Article 72-1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

In 2024, the company did not have any capitalization of capital reserves.

7. The Financial Supervisory Commission amended the "Regulations Governing the Recording and Handling Procedures for Shareholders' Meetings of Public Companies" on December 8, 2023, with the Order No. 112038566

Our company will act in accordance with the regulations.

8. The Financial Supervisory Commission amended Article 10, Article 11, and Article 31 of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" with the order No. 1120386049 dated November 9, 2023

Our company will act in accordance with the regulations.

9. According to the Order No. 1120386116 issued by the Financial Supervisory Commission on December 29, 2023, listed (over-the-counter) companies and emerging stock companies shall adopt the candidate nomination system for the election of directors and supervisors, and this shall be specified in their articles of incorporation. Shareholders shall elect directors and supervisors from the list of candidates.

Our company will act in accordance with the regulations.

(3) The Impact of the Overall Business Environment

In the past three years, the global economy faced multiple crises, including a devastating pandemic, turmoil in energy and food markets due to the Russia-Ukraine war, and inflation-driven interest rate hikes impacting the global economy. The Fed's continuous interest rate hikes to combat inflation led to a liquidity crisis in regional banks in the United States, while China faced a real estate crisis that sparked concerns about China's economic recovery. Additionally, the trade war and high-tech export restrictions between the U.S. and China prompted China to impose controls on rare earth exports. Taiwan's economy in 2023 was impacted by weak end-market demand and industrial inventory adjustments, leading to a slowdown in economic growth, weak export performance, and subdued corporate investment sentiment, resulting in Taiwan's economic growth falling short of expectations.

In 2024, amid rising geopolitical risks, a spate of wars (including the Russia-Ukraine war, the Gaza Corridor war, the Red Sea crisis, and the conflict between Armenia and Azerbaijan), and the burden of central banks in Europe and America delaying rate cuts to combat inflation, the global economic performance is expected to be more subdued than in 2023. Among them, the United States, the world's largest economy, saw consumer

spending exceed expectations last year, driven by the wealth effect of inverted Treasury yields and constantly challenging new highs in the stock market. However, it is expected that the wealth effect will diminish this year, leading to a reduction in consumer spending and a slowdown in economic growth compared to last year. As for Japan, although the Nikkei 225 index has repeatedly hit new highs recently, the country's economy has experienced negative growth for two consecutive quarters, with declining consumption and investment momentum. Additionally, a potential rate hike in April this year could lead to a stronger yen and reduced exports, suggesting that economic vitality may not match last year's performance. In China, affected by factors such as the decoupling of the Chinese and US economies, capital flight, deepening difficulties in the real estate industry, and weak domestic consumption momentum, the economic outlook for this year is expected to be less favorable than last year.

In 2023, the Hotron Group faced challenges due to global economic instability, slower-than-expected economic recovery, continued sluggish demand in its industry, and the lack of immediate benefits from new factories, leading to unsatisfactory profitability. However, Hotrono Group still insisted on diversified transformation and development for the long-term development of the enterprise, demonstrating a strong growth intention. Looking ahead, despite the uncertain economic and industrial landscape, Hotrono Group remains committed to its core values of integrity, stability, and innovation, aiming to secure steady growth and deliver value to our shareholders.

Hereby I wish all shareholders, ladies and gentlemen

Good health! May all your wishes be fulfilled!

Chairman: Chang, Li-Jung

II. Company Profile

1. **Date of Incorporation:** December 12, 1991

2. **Company History**

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

1992 - (1) Relocated to Far Eastern ABC Industrial Park in Xindian, while introducing automated production equipment.

(2) The production lines of Factory 1 and Factory 2 have been set up and officially started production and delivery.

1993 - Product certified to UL and CSA standard specifications.

1994 - Conducted a cash capital increase of NT\$100 million, increasing the paid-in capital to NT\$150 million.

1995 - The second production line of the second plant was completed and put into production.

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

(2) The third production line at Plant 2 has been expanded and put into production.

1997 - (1) Increased capital by NT\$55,000,000, actual paid-in capital increased to NT\$70,000,000.

(2) The Chairman, Mr. Chang, Li-Jung, was awarded the Outstanding Entrepreneur Leadership Award in Taiwan.

(3) The production line at Plant 2 expanded to nine lines.

1998 - (1) Obtained ISO 9002 International Quality Certification.

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

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

(4) Stock approved for public offering.

1999 - (1) Successful development of communication products, launched “Hands-free Car Mobile Phone” product.

(2) Establish a Telecommunications Business Division and a Connectivity Business Division.

- 2000 - Surplus to capital increase of NT\$150 million, paid-in capital increased to NT\$315 million.
- 2002 - Listed on the Emerging Stock Market.
- 2003- Established Fortuna International Holdings Ltd, and indirectly invested in the establishment of Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.
- 2004 - (1) Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. officially began mass production and established a wire and cable business unit to manufacture its own wires.
- (2) Obtained ISO 9001:2008 international standard certification.
- 2005 - (1) Established Hotron Electron & Telecommunication (Fuqing) Co., Ltd. through investment and officially commenced mass production.
- (2) Obtained Samsung ECO-Partner certification and international electrical safety certification.
- 2006 - (1) Hotron Precision Electronic Industrial Co., Ltd.
- (2) The invested company Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. established a copper products business unit and started mass production.
- 2007 - (1) Hotron Precision Electronic Industrial(Suzhou) Co., Ltd., a company invested in, completed an integrated operation process for copper smelting, wire drawing, self-production of wires and cables, electronic assembly, and plastic molding. It is also equipped with new automated large-scale machinery and precision testing instruments.
- (2) The surplus was capitalized with a new capital increase of NT\$47,250 thousand and a cash capital increase of NT\$80,000 thousand, resulting in a paid-in capital of NT\$442,250 thousand.
- (3) Invested in Hotron Precision Electronic Industrial(Suzhou) Co., Ltd., and obtained the High-Tech Product Certification for Aluminum Magnesium Alloy Wire from the Jiangsu Provincial Department of Science and Technology in Mainland China.
- (4) Obtained OHSAS 18001:2007 international standard certification.
- (5) Ranked 228th in Top 5000 Business Performance Ranking by China Credit Information Service, 57th in Revenue Net - Computer Peripheral Equipment Industry, and 146th in Business Performance Ranking in Manufacturing Industry.
- (6) Ranked 109th in revenue growth rate, 232nd in pre-tax profit rate, and 825th in combined revenue among the Top 1000 Taiwanese Businesses in Mainland China by Commercial Times.

- 2008 - (1) Conducted a capitalization of retained earnings of NT\$44,225 thousand, increasing the paid-in capital to NT\$486,475 thousand.
- (2) Ranked 52nd in the Top 5000 Enterprises by Net Revenue - Computer Peripherals Industry by China Credit Information Service.
- (3) Ranked in “Deloitte Asia Pacific Technology Fast 500” Deloitte Technology Fast 500 Asia Pacific
- (4) Obtained IECQ QC080000 international standard certification.
- 2009 - (1) The invested company Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. successfully developed automated connector assembly equipment.
- (2) Processed a capitalization of retained earnings amounting to NT\$24,324 thousand, increasing the paid-in capital to NT\$510,799 thousand.
- (3) The third phase of the plant of the invested company Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. is officially put into operation.
- (4) Subsidiary Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. reinvested in establishing Suzhou Shanghong Electronic Trading Co., Ltd.
- (5) Ranked in the “Deloitte Asia Pacific Technology Fast 500”. Deloitte-Technology Fast 500 Asia Pacific
- (6) Ranked 39th in the Internet and Communications category and 850th in the Manufacturing category in the Forbes Global 2000 list.
- 2010 - (1) Conducted a cash capital increase of NT\$68,110 thousand, increasing the paid-in capital to NT\$578,909 thousand.
- (2) Stock listing and trading on the stock exchange.
- (3) Capitalization of retained earnings amounting to NT\$28,945 thousand, increasing the paid-in capital to NT\$607,854 thousand.
- (4) The head office was relocated to No. 169, Xing'ai Rd., Neihu Dist., Taipei City (Hotron Building).
- 2011 - (1) Performed a capital increase by capitalizing retained earnings of NT\$30,393 thousand, increasing the paid-in capital to NT\$638,247 thousand.
- (2) Ranked 39th in the Internet and Communications category and 728th in the Manufacturing category of the 1000 largest companies by CommonWealth Magazine.
- (3) Obtained ISO 9001:2015 international standard certification.

- 2012 - (1) Established the AC Power Cord Production Division and FFC Cable Production Division.
- (2) Obtain EU and US power cord certifications for the European and American markets.
- (3) Implemented the first repurchase of treasury shares, repurchasing 353,000 shares of the company's common stock.
- (4) Obtained ISO TS16949 international standard certification.
- (5) Obtained ISO 14001:2015 international standard certification.
- (6) Passed the CG6007 Corporate Governance System Assessment and Certification for General Version.
- 2013 - AC power cords and FFC cables began shipping.
- 2014 - (1) Successfully developed high-frequency signal cables and began shipping.
- (2) Completed the development of automotive signal cables.
- 2015 - (1) Conducted the first repurchase and cancellation of treasury shares, reducing the share capital by NT\$3,530 thousand, resulting in a paid-in capital of NT\$634,717 thousand.
- (2) Implement the second share buyback, repurchasing 181,000 shares of the company's common stock.
- 2016 - (1) The USB series products passed the North American automaker's approval certification, officially entering the supply chain of the largest automaker in the United States, focusing on OEM First Tier vehicle audio and video systems.
- (2) The fourth-phase plant of the invested company Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. has officially been put into operation.
- 2017 - (1) Conducted a capitalization of retained earnings of NT\$63,291 thousand, increasing the paid-in capital to NT\$698,008 thousand.
- (2) Obtained the member certificate through HDMI Association certification.
- (3) Ranked 12th in the wire and cable industry by the "Credit Information Service of China".
- (4) Ranked 31st in the "CRIF" 500 large enterprises' comprehensive operational performance indicator for the manufacturing industry.
- (5) Ranked 75st in the "CRIF" 5000 large enterprises' comprehensive operational performance indicator.

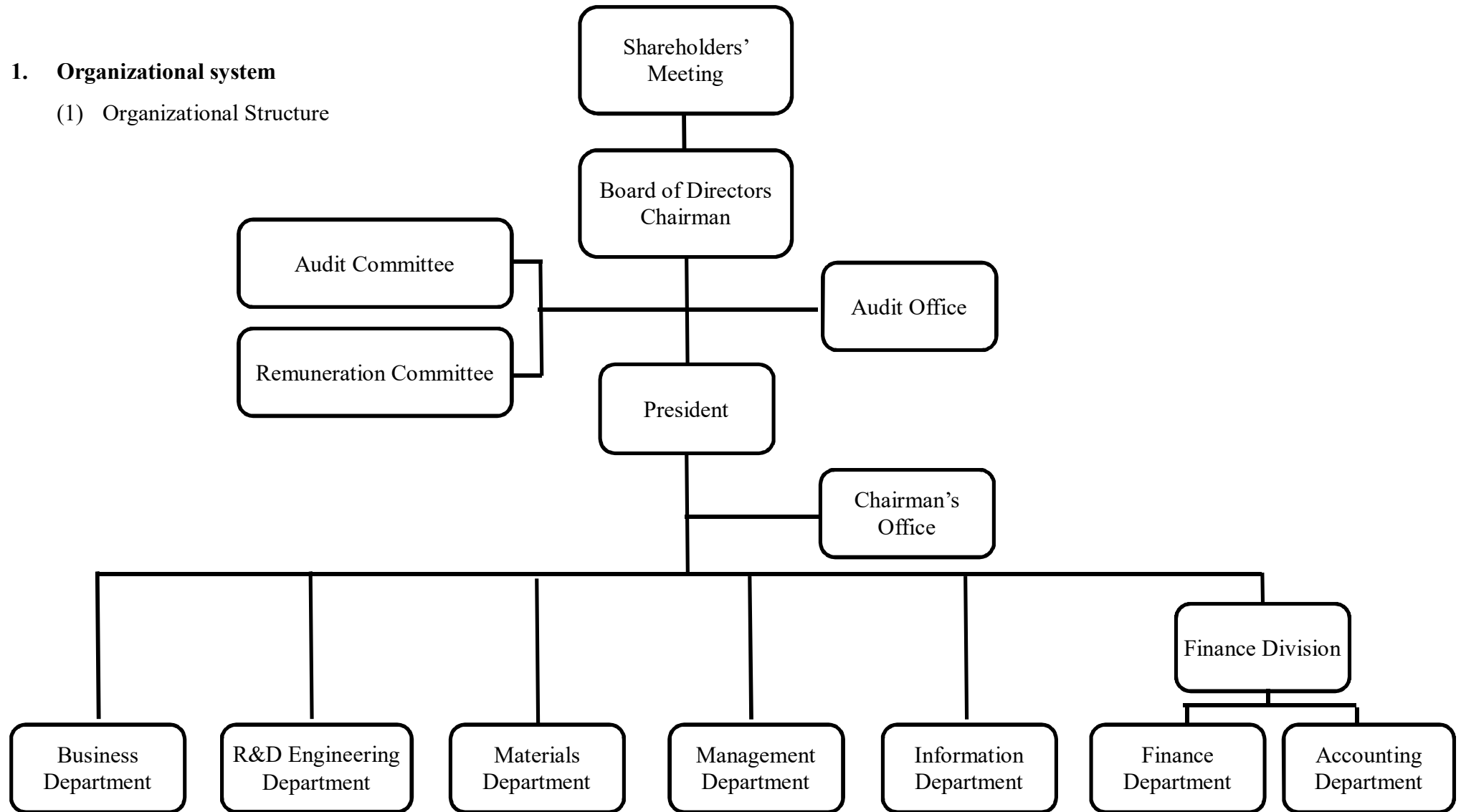
- (6) Chairman Chang, Li-Jung was honored with the “40th Entrepreneurial Model Award of the Republic of China”.
 - (7) Obtained Sony Green Partner certification from Sony Corporation.
 - (8) The invested company Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. obtained the “High-tech Enterprise Certificate”.
- 2018 -
- (1) Conducted a capitalization of retained earnings of NT\$13,924 thousand, increasing the paid-in capital to NT\$711,932 thousand.
 - (2) Processed the second repurchase and cancellation of treasury shares, reducing the paid-in capital by NT\$1,810 thousand, and the actual paid-in capital decreased to NT\$710,122,thousand.
 - (3) Invest in the establishment of Hotlink Company Limited.
 - (4) Obtained IECQ QC080000 international standard certification.
- 2019 -
- (1) Established Hotron Precision Electronic Industrial (HuBei) Co., Ltd. through investment.
 - (2) Reinvesting in the establishment Hotron Real Estate Development (Tianmen) Co., Ltd.
 - (3) Handled surplus to capital increase of NT\$35,506 thousand, with the paid-in capital increased to NT\$745,628 thousand.
 - (4) Established Hotron Precision Electronic Industrial (Vietnam) Co., Ltd. through investment.
 - (5) Obtained IGB/T23331-2020/ISO 50001:2018 international standard certification.
- 2020 -
- (1) Conducted a capitalization of retained earnings of NT\$59,650 thousand, increasing the paid-in capital to NT\$805,278 thousand.
 - (2) Establish the first Audit Committee.
 - (3) The invested company Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. obtained the “High-tech Enterprise Certificate”.
 - (4) Issued Taiwan’s first guaranteed convertible corporate bond (Hotron 1) of NT\$500 million (3-year term).
 - (5) Carried out the first domestic issuance of secured convertible corporate bonds (Hotron 1), resulting in an increase of NT\$27,532 thousand in common share capital from conversion, raising the paid-in capital to NT\$832,810 thousand.
- 2021 -
- (1) On May 13, 2021, the company’s stock was listed on the stock exchange.

- (2) Obtained ISO 45001:2018 international standard certification.
 - (3) For the first time in Taiwan, the conversion of guaranteed convertible corporate bonds (Hotron 1) into common shares increased the paid-in capital by NT\$90,371 thousand, raising the total paid-in capital to NT\$923,181 thousand.
 - (4) Electric vehicle charging guns and high-end connection cables for Japanese game consoles begin shipping.
 - (5) Awarded the “Dun & Bradstreet Third-Party Company Certification”, the Dun & Bradstreet Global Code® (D-U-N-S Number®) is 65-725-6681, and the Dun & Bradstreet Company Certification™ (D-U-N-S® Registered™) electronic seal.
- 2022 -
- (1) For the first time in Taiwan, the convertible bonds (Hotron 1) were converted into ordinary shares, increasing the paid-in capital by NT\$9,029 thousand, bringing the total paid-in capital to NT\$932,210 thousand.
 - (2) Established SmartGreen Solution Co., Ltd through investment, specializing in the production and sales of new energy products.
 - (3) Hotron Precision Electronic Industrial (HuBei) Co., Ltd., an invested company, has obtained ISO 9001:2015 certification, ISO 14001:2015 certification, ISO 45001:2018 certification, and IECQ QC080000 international standard certification.
 - (4) Hotron Precision Electronic Industrial (Vietnam) Co., Ltd., an invested business of the company, has obtained ISO 9001:2015 certification, ISO 14001:2015 certification and ISO 45001:2018 international standard certification.
- 2023 -
- (1) Conducted a cash capital increase of NT\$100,000 thousand, and the actual paid-in capital increased to NT\$1,032,210 thousand.
 - (2) For the first time in Taiwan, the issuance of a convertible bond with a guarantee (Hotron 1) led to an increase of NT\$33,283 thousand in the ordinary share capital, raising the paid-in capital to NT\$1,065,493 thousand.
 - (3) Issued NT\$ 250 million (3-year term) of the second domestic unsecured convertible corporate bonds (Hotron II).
 - (4) Hotron Precision Electronic Industrial(Suzhou) Co., Ltd., an investee company, has obtained the “High-tech Enterprise Certificate”.
- 2024 -
- Domestic second unsecured convertible corporate bonds (Hotron II) were converted into common stock, increasing the paid-in capital by NT\$28 thousand to NT\$1,065,520 thousand.

III. Corporate Governance Report

1. Organizational system

(1) Organizational Structure



(2) Business Operations of Major Departments

1. Audit Office:

- Assist in auditing the implementation of various rules and regulations.
- Provide suggestions for improvement to the management authority.
- Reviewing operational performance, budget execution, and financial condition.
- Formulation and implementation of annual audit plan.
- Coordinate the work of internal and external audits.
- Audit of written procedures for various cyclic operations.
- Update and implement the internal control system.

2. Chairman's Office:

- Assist the Chairman in overseeing the execution and effectiveness of various operations across the entire company.
- Assist the President in executing various investment projects, promoting and formulating plans for various projects, and implementing them.
- Planning and execution of group computerization, as well as promoting and implementing the company's paperless online approval system.
- Carrying out business planning, projects, and work improvement.

3. Business Department:

- Formulation of marketing strategies.
- Formulation and amendment of operating system.
- Customer development and management.
- Full control of orders and accounts.

4. Research and Development Engineering Department:

- Research and development of new products, and improvement of existing products.
- Preparation, establishment, and maintenance of menus.
- Editing technical documents, formulating safety regulations, and planning various projects.
- Product sample approval and production.
- Research and development of new products.
- Process development and new parts collection.
- Mold management, specification verification, and maintenance.
- Management of product specifications and drawings.

5. Materials Department:

- Management of partner vendors.
- Procure materials and components that meet quality standards.
- Management of materials and finished products in and out of storage.

6. Management Department:

- Formulation and implementation of personnel regulations and systems.
- Handling personnel appointments, promotions, salary adjustments, transfers, rewards and punishments, and resignations.
- Planning and implementation of education and training.
- Management of fixed assets.
- Management of general affairs and procurement.

7. Information Department:

- Promote various application systems (e.g. ERP), provide computer operations services for all departments.
- Maintenance and updating of various computer-related software and hardware equipment.
- Maintenance of network connections and computer room management in various factory and office areas.

8. Finance Division:

- Financial management and formulation of financial plans.
- Formulation of budget system and accounting system.
- Raising and application of funds.
- Formulation and control of annual budgets.
- Reporting and settlement of various accounts.
- Preparation, analysis, tracking, and auditing of financial statements.
- Formulate plans for the acquisition, utilization, and allocation of funds in the short, medium, and long term.

2. Information on Directors, President, Vice President, Associate Managers, and Heads of Departments and Branch Offices

(1) Director Information

Director Information (1)

Record Date: April 5, 2024 / Unit: Stock

Job Title	Nationality or Place of Registration	Name	Gender / Age	Date of Election / Appointment to Current Term	Term of Office	Commencement Date of First Term	No. of Shares Held at Time of Election		No. of Shares Currently Held		Shares Currently Held by Spouse and Minor Children		Shares Held Through Nominees		Principal Work Experience and Academic Qualification (Note 1)	Positions Held Concurrently in the Company and/or in any Other Company	Other Officer(s), Director(s), or Supervisor(s) With Which the Person Has a Relationship of Spouse or Relative Within the Second Degree			Remark (Note 2)
							No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio			Job Title	Name	Relationship	
	Taiwan, Republic of China	Gao Peng Investment Co., Ltd.	26	2023.05.30	3 years	2023.05.30	8,494,978	8.23%	8,749,827	8.21%	0	0	0	0	None	None	None	None	None	None
Chairman	Taiwan, Republic of China	Representative: Chang, Li-Jung	Male 62 years old	2023.05.30	3 years	1998.7.15	9,512,228	8.93%	0	0%	1,306,439	1.23%	26,993,641	25.33%	Wu Feng, Department of Mechanical Engineering RD personnel at Siltronic Center, Semiconductor Research Division, Datong University Section Manager of External Operations Division, Hon Hai Precision Industry Co., Ltd.	Chairman, Fortuna International Holdings Ltd Chairman, Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. Chairman, Hotlink Company Limited Chairman, Hotron Precision Electronic Industrial (HuBei) Co., Ltd. Chairman, Hotron Real Estate Development (Tianmen) Co., Ltd. Chairman, SmartGreen Solution Co., Ltd. Chairman, Gao Peng Investment Co., Ltd. Director, Chuan hung Investment Co., Ltd. Chairman, Honglong Investment Co., Ltd. Chairman, Hung Ming Development Co., Ltd. Chairman, Hui Ming Development Co., Ltd. Chairman, Hui Rong Development Corporation	Vice President, SmartGreen Solution Co., Ltd.	Chen Ying-Chen	Spouse	None

Nationality or Place of Registration	Name	Gender / Age	Date of Election / Appointment to Current Term	Term of Office	Commencement Date of First Term	No. of Shares Held at Time of Election		No. of Shares Currently Held		Shares Currently Held by Spouse and Minor Children		Shares Held Through Nominees		Principal Work Experience and Academic Qualification (Note 1)	Positions Held Concurrently in the Company and/or in any Other Company	Other Officer(s), Director(s), or Supervisor(s) With Which the Person Has a Relationship of Spouse or Relative Within the Second Degree			Remark (Note 2)
						No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio			Job Title	Name	Relationship	
Taiwan, Republic of China Director	Lu, I-Hsuan	Male 62 years old	2023.05.30	3 years	1999.6. 1	70,831	0.07%	72,955	0.07%	0	0	0	0	National Chengchi University, Graduate Institute of Business Administration Vice President of Headquarters, Askey Computer Corp. CFO of Finance Center, Tainet Communication System Corp. President, Apex Science & Engineering Corp.	President of this company President, Fortuna International Holdings Ltd Director, Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. Chairman and President, Hotron Electron & Telecommunication (Fuqing) Co., Ltd. Director, Hotron Precision Electronic Industrial (HuBei) Co., Ltd. Director and President, Hotron Real Estate Development (Tianmen) Co., Ltd.	None	None	None	None
Taiwan, Republic of China Director	Chen, Tai-Chung	Male 69 years old	2023.05.30	3 years	2020.6. 5	0	0	0	0	0	0	0	0	Graduated from Annan National Elementary School in Dongshi Township, Yunlin County	Supervisor, Xiang Yang Land Development Co., Ltd. Chairman, Apex Science & Engineering Corp.	None	None	None	N/A
Taiwan, Republic of China Director	Chen, Shuh	Male 70 years old	2023.05.30	3 years	2023.05.30	0	0	0	0	0	0	0	0	PhD in Business Administration, National Taiwan University Passed the Certified Public Accountant Examination of the Examination Yuan of the Republic of China (No. 866 of the 75th Taiwan Inspection Meeting) Passed the Senior Professional and Technical Examination in Accounting of the Examination Yuan of the Republic of China (No. 94 of the 72nd Specialized High Examination) Chairman of the Financial Supervisory Commission, Executive Yuan Chairman of the Taiwan Stock Exchange Corporation Chairman, TPEx Chairman and President of the Taiwan Academy of Banking and Finance Deputy Minister of the Ministry of Finance Chairman of the Securities and Futures Commission, Ministry of Finance Honorary Professor at Chung Yuan Christian University Adjunct Professor at Chinese Culture University	Chairman, Zhong Dao Association of Leadership and Culture Chairman of the Central Investment Company	None	None	None	N/A

Job Title	Nationality or Place of Registration	Name	Gender / Age	Date of Election / Appointment to Current Term	Term of Office	Commencement Date of First Term	No. of Shares Held at Time of Election		No. of Shares Currently Held		Shares Currently Held by Spouse and Minor Children		Shares Held Through Nominees		Principal Work Experience and Academic Qualification (Note 1)	Positions Held Concurrently in the Company and/or in any Other Company	Other Officer(s), Director(s), or Supervisor(s) With Which the Person Has a Relationship of Spouse or Relative Within the Second Degree			Remark (Note 2)
							No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio			Job Title	Name	Relationship	
Independent director	Taiwan, Republic of China	Hsieh, I-Ta	Male 61 years old	2023.05.30	3 years	2017.6. 8	0	0	0	0	0	0	0	0	Bachelor of Laws, College of Law and Business, National Chung Hsing University Clerk, Building Management Office, Taipei City Government	Yicheng United Law Firm person in charge, practicing lawyer	None	None	None	N/A
Independent director	Taiwan, Republic of China	Chu, Yann-Fang	Male 67 years old	2023.05.30	3 years	2020.6. 5	0	0	0	0	0	0	0	0	PhD in Business Administration, National Taiwan University Project Management Professional (PMP), Project Management Institute (PMI) Adjunct Associate Professor, Shih Chien University Adjunct Associate Professor, Soochow University Director of the 5th, 6th and 7th Board of National Project Management Association	National Project Management Association 8th Board of Directors	None	None	None	N/A
Independent director	Taiwan, Republic of China	Chou, Che-Yi	Male 49 years old	2023.05.30	3 years	2020.6. 5	0	0	0	0	0	0	0	0	Master of Accounting, National Taipei University PricewaterhouseCoopers Taiwan, Associate Director of Audit Department	Earnesty & Confidence & Co., CPAs Assistant Vice President, Abico Avy Co., Ltd. Independent director, Nan Yang Dyeing & Finishing Co., Ltd.	None	None	None	N/A

Note 1: Experience relevant to the current position, such as having worked at an auditing certified public accountant firm or related company during the aforementioned period:
N/A.

Note 2: The Chairman of the company and the President or a person of equivalent position (the highest manager) are the same person, or they are spouses or first-degree relatives:
N/A.

Form1: Major Shareholders of Corporate Shareholders

April 5, 2024

Name of Corporate Shareholders	Major Shareholders of Corporate Shareholders	
	Shareholder	Shareholding Ratio
Gao Peng Investment Co., Ltd.	Hung Ming Development Co, Ltd.	50.00%
	Hung Rung Investment Co., Ltd.	50.00%

Form2: Form 1 is a Corporate/Juristic Person, List its Major Shareholders in this Form

April 5, 2024

Name of Corporate Shareholders	Major Shareholders of Corporate Shareholders	
	Shareholder	Shareholding Ratio
Hung Ming Development Co, Ltd.	Chang, Li-Jung	99.99%
Hung Rung Investment Co., Ltd.	Chang, Li-Jung	99.99%

Director Information (2)

A. Disclosure of information on directors' professional qualifications and independence of independent directors:

April 5, 2024

Qualification Name	Professional Qualifications and Experience (Note 1)	Independence Situation (Note 2)	No. of Other Public Companies at Which the Person Concurrently Serves as an Independent Directors
Chairman – Gao Peng Investment Co., Ltd. Representative: Chang, Li-Jung	<ol style="list-style-type: none"> Chairman Chang, Li-Jung founded Hotron Precision in 1991, leading the company's operations, development direction, and innovative business development. With work experience in business, industry, marketing, operations management, and corporate operations as required, please refer to the table above: Directors' information. None of the circumstances set forth in Article 30 of the Company Act. 	N/A.	0
Director: Lu, I-Hsuan	<ol style="list-style-type: none"> With experience in business, finance, accounting, industry, marketing, operations management and the work required for company operations, please refer to the table above: Director Information. None of the circumstances set forth in Article 30 of the Company Act. 	N/A.	0
Director: Chen, Tai-Chung	<ol style="list-style-type: none"> With work experience in business, industry, marketing, operations management, and corporate operations as required, please refer to the table above: Directors' information. None of the circumstances set forth in Article 30 of the Company Act. 	N/A.	0
Director: Chen, Shuh	<ol style="list-style-type: none"> Holds a Certified Public Accountant license. Has relevant work experience in business, finance, accounting, business management, and company operations as required, please refer to the table above: Director information. None of the circumstances set forth in Article 30 of the Company Act. 	N/A.	0

Qualification Name	Professional Qualifications and Experience (Note 1)	Independence Situation (Note 2)	No. of Other Public Companies at Which the Person Concurrently Serves as an Independent Directors
Independent Director: Hsieh, I-Ta	<ol style="list-style-type: none"> 1. Serving as a member of the Audit Committee. 2. Has a lawyer's license. 3. Possesses the necessary work experience in business, law, operational management and corporate affairs, please refer to the table above: Director Information. 4. None of the circumstances set forth in Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Meets the conditions for independence. 2. In the two years prior to appointment and during the term of office, there were no occurrences as described in Article 3, Paragraph 1 of the "Regulations Governing the Appointment and Compliance Matters of Independent Directors of Public Companies". 	0
Independent Director: Chu, Yann-Fang	<ol style="list-style-type: none"> 1. Serving as a member of the Audit Committee. 2. Holds the Project Management Professional (PMP) certification from the United States. 3. Served as a lecturer in business, finance, and accounting at public and private universities and colleges for more than five years. 4. Has relevant work experience in business, finance, accounting, business management, and company operations as required, please refer to the table above: Director information. 5. None of the circumstances set forth in Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Meets the conditions for independence. 2. In the two years prior to appointment and during the term of office, there were no occurrences as described in Article 3, Paragraph 1 of the "Regulations Governing the Appointment and Compliance Matters of Independent Directors of Public Companies". 	0
Independent Director: Chou, Che-Yi	<ol style="list-style-type: none"> 1. Serve as the convener of the Audit Committee. 2. Holds a Certified Public Accountant license. 3. With experience in business, finance, accounting, industry, marketing, operations management and the work required for company operations, please refer to the table above: Director Information. 4. None of the circumstances set forth in Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Meets the conditions for independence. 2. In the two years prior to appointment and during the term of office, there were no occurrences as described in Article 3, Paragraph 1 of the "Regulations Governing the Appointment and Compliance Matters of Independent Directors of Public Companies". 	1

Note 1: Professional Qualifications and Experience: If they are members of the audit committee with accounting or financial expertise, their accounting or financial background and work experience should be stated. It should also be stated whether they have any of the circumstances specified in Article 30 of the Company Act.

Note 2: Independent directors should describe their independence, including but not limited to whether they themselves, their spouses, or relatives within the second degree of kinship serve as directors, supervisors, or employees of the company or its affiliated enterprises; the number and percentage of shares held by themselves, their spouses, or relatives within the second degree of kinship (or using another person's name); whether they serve as directors, supervisors, or employees of companies with specific relationships with the company (as specified in Articles 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and the amount of remuneration received in the past two years for providing the company or its affiliated enterprises with commercial, legal, financial, accounting, or other services.

B. Board Diversity and Independence:

a. Board Diversification

For the fair, just, and open election of directors, this company has formulated the “Directors Election Regulations” in accordance with Article 21 of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”.

The selection of directors of this company takes into account the overall composition of the Board of Directors. The composition of the members of the Board of Directors considers diversity, and formulates appropriate diversity policies based on its own operations, business model, and development needs, which should include but not be limited to the following two major aspects:

- (1) Gender, age, nationality and culture, etc.
- (2) Professional Knowledge and Skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

Members of the Board of Directors should generally possess the knowledge, skills and qualities necessary for the execution of their duties. The overall capabilities they should possess are as follows:

- (1) Operational judgement ability.
- (2) Accounting and financial analysis ability.
- (3) Operating and management ability.
- (4) Crisis management ability.
- (5) Industry knowledge.
- (6) International market perspective.
- (7) Leadership ability.
- (8) Decision-making ability.

The specific goals of our company are to establish an effective corporate governance framework, safeguard shareholders’ rights, strengthen the functions of the Board of Directors, exercise the functions of the Audit Committee, respect the rights and interests of stakeholders, and enhance information transparency. Apart from the directors who also serve as managers of the company not exceeding one-third of the total number of directors, the members of the Board of Directors should be selected based on the principle of diversity according to the company’s operations, business model, and development needs, with at least two-thirds of the directors possessing relevant core competencies.

The current board of directors consists of seven seats, with all directors elected by shareholders. The board is composed of three natural person directors, one corporate director representative, and three independent directors. The independent directors

account for three-sevenths (approximately 43%) of the total number of directors, and none of the independent directors have served for more than three consecutive terms, in compliance with the Company's Articles of Incorporation and Corporate Governance Best Practice Principles. Two members (28.57%) also hold employee positions. All seven members of the Board are male, with no female members. There is one director aged between 40 and 50 years old, and six directors aged between 61 and 70 years old, all of whom are nationals of the Republic of China.

In general, members of the Board of Directors possess experience in business, legal affairs, finance, accounting or corporate operations as required by the industry. Chairman Chang, Li-Jung has an extensive background in the electric machinery industry and corporate organizational management. Lu, I-Hsuan, the director, has extensive expertise in finance and corporate management; Chen, Tai-Chung, the director, has ample experience in construction engineering and operations; Chen, Shuh, the director, has extensive management and financial expertise, having served as the Chairman of the Financial Supervisory Commission, the Taiwan Stock Exchange Corporation, and the GreTai Securities Market.

The independent directors all possess professional knowledge and professional backgrounds. Hsieh, I-Ta, an independent director, is a practicing lawyer with many years of legal professional background. Chou, Che-Yi, an independent director, is an accountant with an accounting professional background. Chu, Yann-Fang, an independent director, holds a Ph.D. from the Graduate Institute of Business Administration at National Taiwan University and is a certified Project Management Professional (PMP) from the United States.

For the academic and professional background of the directors and independent directors, please refer to the Directors' Information on pages 17-20 of the annual report. The diversity implementation and overall capabilities of the members of the Company's Board of Directors are summarized in the following Table 1.

The composition of the members of the company's board of directors includes various professional backgrounds, providing diversified operational guidance recommendations to the company in a timely manner. In the future, at least one female director will be added during the election of the new board of directors according to operational and professional needs, in order to increase female participation in decision-making and improve the structure of the board of directors, as well as strive to maximize the interests of stakeholders.

b. Independence of the Board of Directors

The Company's 10th Board of Directors consists of seven directors, including three independent directors (approximately 43%), and there is no instance of an independent director serving for more than three consecutive terms, which complies with the provisions of the Company's "Articles of Incorporation" and "Corporate Governance Best Practice Principles."

All members of the Board of Directors possess independence and do not have any circumstances stipulated in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act, nor do the directors have any spousal or second-degree kinship relationships with each other. For information on the professional qualifications of directors and the independence of independent directors, please refer to the explanation in the “Directors’ Information (2)” table above.

Table: Summary of the implementation of diversity and overall capabilities possessed by the members of the Board of Directors

Job Title	Directors' Names	Nationality	Gender	Employed by This Company Concurrently	Director's age			Independent Director Term			Operational Judgment	Accounting and Financial Analysis	Business Management	Crisis Management	Industry Knowledge	International Market Perspective	Leadership Skills	Decision-Making Ability	Law
					Under 60 years old	60 to under 70 years old	Over 70 years old	1st session	2nd session	3rd session									
Chairman	Representative: Gao Peng Investment Co., Ltd. Chang, Li-Jung	Taiwan, Republic of China	Male	✓		✓					✓	✓	✓	✓	✓	✓	✓	✓	
Director	Lu, I-Hsuan			✓		✓					✓	✓	✓	✓	✓	✓	✓	✓	
Director	Chen, Shuh					✓					✓	✓	✓	✓	✓	✓	✓	✓	
Director	Chen, Tai-Chung					✓					✓		✓	✓	✓	✓	✓	✓	
Independent director	Hsieh, I-Ta					✓				✓	✓		✓	✓	✓	✓	✓	✓	✓
Independent director	Chu, Yann-Fang					✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
Independent director	Chou, Che-Yi				✓				✓		✓	✓	✓	✓	✓	✓	✓	✓	

C. The Company's Succession Plan and Operations for Members of the Board of Directors and Key Management Personnel

a. Succession Plan and Operations for Board Members

The Company has established a comprehensive director selection system, carefully considering the composition and diversity standards of the Board of Directors. The appointment process for all directors is fair, impartial, and transparent, in accordance with the Company's "Articles of Incorporation" which adopts a candidate nomination system. The term of office is three years, and the election is conducted in accordance with the Company's "Director Election Procedures". In addition to taking into account the results of the annual board performance evaluation as a reference for the selection or nomination of directors, the Company's "Corporate Governance Best Practice Principles" stipulate the capabilities that board members should possess. Based on the Company's own operations, business model, and development needs, appropriate diversity guidelines should be formulated, including but not limited to the following two main aspects: 1. Gender, age, nationality and culture, etc. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or law), professional skills (such as operational judgment ability, accounting and financial analysis ability, business management ability, crisis management ability, industry knowledge, international market perspective, leadership ability, decision-making ability) and industry experience, etc.

In addition to having outstanding strategic thinking skills, the incoming directors should also possess business planning and professional experience in the company's operations. To strengthen the functions of the board of directors, the company arranges training courses for board members covering topics related to corporate governance, such as finance, risk management, business, commerce, legal affairs, accounting, corporate social responsibility, internal control systems, financial reporting responsibilities, etc. This assists directors in acquiring new knowledge, keeping up with the times, and familiarizing themselves with their roles, functions, responsibilities and obligations on the board, effectively implementing the corporate governance system. The company also seeks and evaluates potential suitable candidates to determine their suitability.

b. Important Management Succession Plan and Operation

The company's succession plan first carefully evaluates the current organizational situation, positions, organizational characteristics, and potential future company strategy directions to determine the talent needed for the organization's strategic development and formulate a high-level management succession plan. Important management successors must possess management capabilities and mindset, ability to discern industry changes and respond promptly, and their values must align with the company's corporate culture and business philosophy.

The training plan for important management levels will provide diverse training methods for senior management, including course training to develop leadership, cross-functional management capabilities, and change management abilities. Career development plans

will also be formulated for senior management, through job rotations, external assignments, etc., to improve work development opportunities and enhance leadership abilities. This will enable potential successors to enhance their management capabilities and mindsets, systematically strengthening the future management team.

Every year, review the succession status of the company's senior management. Based on the review results, discuss adjustments to the succession plan, and simultaneously seek external talent to join the company as needed.

(2) Information on President, Vice President, Associate Managers, and Heads of Departments and Branch Offices

Record Date: April 5, 2024 / Unit: Stock

Job Title	Nationality	Name	Gender	Date of Appointment to Position	Shares Held		Shares Held by Spouse and Minor Children		Holding Shares Under Someone Else's Name		Principal Work Experience and Academic Qualifications (Note 2)	Positions Concurrently Held in Other Companies at Present	Other Managerial Officer(s) With Which the Person Has a Relationship of Spouse or Relative Within the Second Degree			Remarks (Note 2)
					No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No of Shares	Shareholding Ratio			Job Title	Name	Relationship	
President	Taiwan, Republic of China	Lu, I-Hsuan	Male	2007.12	72,955	0.07%	0	0	0	0	National Chengchi University, Graduate Institute of Business Administration Vice President of Headquarters, Askey Computer Corp. CFO of Finance Center, Tainet Communication System Corp. President, Apex Science & Engineering Corp. Director of Hotron Precision Electronic Industrial Co., Ltd.	President, Fortuna International Holdings Ltd Director, Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. Chairman and President, Hotron Electron & Telecommunication (Fuqing) Co., Ltd. Director, Hotron Precision Electronic Industrial (HuBei) Co., Ltd. Director and President, Hotron Real Estate Development (Tianmen) Co., Ltd.	None	None	None	None
Chief Financial Officer and Head of Corporate Governance	Taiwan, Republic of China	Hsu, Kuo-Huang	Male	2019.05	0	0	0	0	0	0	Tamkang University Department of Accounting Yuanta Securities Underwriting Department Manager Financial Manager, Coremax Corporation Hotron Precision Electronic Group Audit Supervisor, Financial and Accounting Supervisor, Spokesperson, Corporate Governance Supervisor Financial Manager, Exemt Inc.	Financial supervisor, Fortuna International Holdings Ltd Vice President of Board and General Management Unit, Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. Director and Finance Manager, Hotron Electron & Telecommunication (Fuqing) Co., Ltd. Director and Finance Manager, Hotron Precision Electronic Industrial (HuBei) Co., Ltd. Director and Finance Manager, Hotron Real Estate Development (Tianmen) Co., Ltd.	None	None	None	N/A

Job Title	Nationality	Name	Gender	Date of Appointment to Position	Shares Held		Shares Held by Spouse and Minor Children		Holding Shares Under Someone Else's Name		Principal Work Experience and Academic Qualifications (Note 2)	Positions Concurrently Held in Other Companies at Present	Other Managerial Officer(s) With Which the Person Has a Relationship of Spouse or Relative Within the Second Degree			Remarks (Note 2)
					No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No of Shares	Shareholding Ratio			Job Title	Name	Relationship	
Vice President, Cable Business Unit, Hotlink Company	Taiwan, Republic of China	Kao, I-Hong	Male	2018.07	27,077	0.03%	0	0	0	0	Ming Chi University of Technology, Department of Industrial Management Factory Director of Suros Inc.	President, Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. President, Hotron Precision Electronic Industrial (HuBei) Co., Ltd. Director, Hotron Electron & Telecommunication (Fuqing) Co., Ltd. Legal Representative and President, Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	None	None	None	N/A
CIO, Hotlink Company	Taiwan, Republic of China	Lin, Chao Yin	Female	2022.01	37,080	0.03%	0	0	0	0	Queensland University of Technology Information Technology Department Engineer, Yulon-group	Hotron Precision Electronic Industrial Co., Ltd. Department Manager and Information Security Officer Hotlink Company Limited Department Manager Management Department Supervisor, Chairman, SmartGreen Solution Co., Ltd.	None	None	None	N/A
Vice President, Hotron Vietnam	Taiwan, Republic of China	Yu, Tung-Hua	Male	2022.07	22,000	0.02%	0	0	0	0	Department of Electronic Engineering, Qin Yi Institute of Technology Vice President, Celxpert Energy Corporation Kunshan Plant President, Dexmart Technology Corp. Dongguan Plant Factory Director, Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	None	None	None	None	N/A
Senior Special Assistant to the Chairman's Office	Taiwan, Republic of China	Chen, Yueh-Chin	Female	2022.09	44,568	0.04%	0	0	0	0	Taipei Commercial Vocational Annex Accounting Department Financial Manager and Audit Manager at Hotron Precision Electronic	Vice President of the General Management Unit of Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	None	None	None	N/A

Job Title	Nationality	Name	Gender	Date of Appointment to Position	Shares Held		Shares Held by Spouse and Minor Children		Holding Shares Under Someone Else's Name		Principal Work Experience and Academic Qualifications (Note 2)	Positions Concurrently Held in Other Companies at Present	Other Managerial Officer(s) With Which the Person Has a Relationship of Spouse or Relative Within the Second Degree			Remarks (Note 2)
					No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No of Shares	Shareholding Ratio			Job Title	Name	Relationship	
											Industrial Co., Ltd.					
Vice President, Hotron Hubei	Taiwan, Republic of China	Chuang, Wan-Yu	Male	2023.05	0	0	0	0	0	0	Fu Jen Catholic University Master's Program in Technology Management for Working Professionals (EMBA) Soochow University Department of Economics Factory Director, Prodis Technology Inc. Factory Director, Pegavision Corporation President, Jenn Feng Industrial Tools Co., Ltd.	None	None	None	None	N/A
Vice President, SmartGreen Solution Co., Ltd.	Taiwan, Republic of China	Chen Ying-Chen	Female	2013.07	117,039	0.11%	1,189,400	1.12%	26,993,641	25.33%	National Sun Yat-sen University Executive Master of Business Administration Program (EMBA) Fu Jen Catholic University Department of Spanish Language and Literature Deputy Director of Business Department, Hotron Precision Electronic Industrial Co., Ltd. Director of New Energy Business Department, Hotlink Company Limited	None	Chairman	Chang, Li-Jung	Spouse	None

Note 1: Experience relevant to the current position, such as having worked at an auditing certified public accountant firm or related company during the aforementioned period:

Note 2: The Chairman of the company and the President or a person of equivalent position (the highest manager) are the same person, or they are spouses or first-degree relatives:

- (3) If the Chairman and the President or the person in an equivalent position (the highest managerial officer) are the same person, or are spouses or first-degree relatives, the reasons, reasonableness, necessity, and responsive measures (such as increasing the number of independent directors, and that more than half of the directors should not concurrently serve as employees or managerial officers, etc.) shall be stated. Our company does not have such a situation.

3. Recent Annual Remuneration Paid to Directors, President, and Vice President

(1) Remuneration to Ordinary Directors and Independent Directors

Unit: NT\$ thousand

Job Title	Name (Note 1)	Remuneration to Directors								Sum of A+B+C+D and Ratio to Net Income (Note 10)	Remuneration Received by Directors for Concurrent Service as an Employee								Sum of A+B+C+D+E+F+G and Ratio to Net Income (Note 10)	Remuneration Received From Investee Enterprises Other Than Subsidiaries or From the Parent Company (Note 11)		
		Base Compensation (A) (Note 2)		Retirement Pay and Pension (B)		Director Profit-Sharing Compensation (C)(Note 3)		Expenses and Perquisites (D)			Salary, Rewards, and Special Disbursements (E) (Note 5)		Retirement Pay and Pension (F)		Employee Profit-Sharing Compensation (G) (Note 6)							
		The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company		All Consolidated Entities (Note 7)		The Company	All Consolidated Entities (Note 7)			
Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock																			
Chairman	Representative: Gao Peng Investment Co., Ltd. Chang, Li-Jung	5,749	5,749	0	0	0	0	20	20	(3.49%)	(3.49%)	0	0	0	0	0	0	0	0	(3.49%)	(3.49%)	None
Director	Lu, I-Hsuan	120	120	0	0	0	0	20	20	(0.08%)	(0.08%)	2,467	2,467	108	108	0	0	0	0	(1.64%)	(1.64%)	None
Director	Hsu, Ting-Jung	50	50	0	0	0	0	6	6	(0.03%)	(0.03%)	0	0	0	0	0	0	0	0	(0.03%)	(0.03%)	None
Director	Chen, Tai-Chung	120	120	0	0	0	0	18	18	(0.08%)	(0.08%)	0	0	0	0	0	0	0	0	(0.08%)	(0.08%)	None
Director	Chen, Shuh	70	70	0	0	0	0	14	14	(0.05%)	(0.05%)	0	0	0	0	0	0	0	0	(0.05%)	(0.05%)	None
Independent Director	Hsieh, I-Ta	120	120	0	0	0	0	20	20	(0.08%)	(0.08%)	0	0	0	0	0	0	0	0	(0.08%)	(0.08%)	None
	Chu, Yann-Fang	120	120	0	0	0	0	18	18	(0.08%)	(0.08%)	0	0	0	0	0	0	0	0	(0.08%)	(0.08%)	None
	Chou, Che-Yi	120	120	0	0	0	0	22	22	(0.09%)	(0.09%)	0	0	0	0	0	0	0	0	(0.09%)	(0.09%)	None

- 1 Please explain the policy, system, standards, and structure for compensating independent directors, and describe the correlation between their responsibilities, risks, time commitment, and the amount of remuneration:
- The policy, system, standards, and structure for compensating directors and independent directors are based on the laws and regulations, Article 13-2 and Article 20 of the Company's Articles of Incorporation, the "remuneration Committee Organization Rules", and the "Regulations for Directors' remuneration" as the basis for formulating the remuneration policy and performance evaluation.
 - Directors' remuneration is determined in accordance with Article 13-2 of the Company's Articles of constitution. The remuneration takes into account the degree of participation in the Company's operations, personal contributions (including responsibilities, risks, and time invested), and industry-standard levels. Additionally, overall operational performance and external market factors are considered. The remuneration Committee and the Board of Directors regularly review and approve reasonable remuneration. The relevant performance evaluations and the reasonableness of remuneration are reviewed by the remuneration Committee and the Board of Directors. The remuneration system is promptly reviewed in light of the actual operating conditions and relevant laws and regulations to strike a balance between the Company's sustainable operations and risk management.
 - Directors' remuneration shall be allocated from the profits of the Company for the current year at a rate not exceeding 3% of such profits in accordance with Article 20 of the Company's Articles of Incorporation.
 - Please refer to page 37 (6) Compare and explain separately the ratio of total remuneration paid by the Company and all companies covered in the consolidated financial statements to directors, supervisors, President, and Vice Presidents of the Company in the last two years to the net income after tax in the individual or separate financial reports. Also explain the policies, standards, and composition for remuneration payments, the procedures for setting remuneration, and the correlation between remuneration and operational performance as well as future risk exposure.
2. Apart from the above disclosure, no remuneration was received by company directors for services provided (such as serving as consultants for the parent company, companies within the financial statements, or invested companies where they are not employees) in the most recent year. N/A

Remuneration Range Table

Ranges of Remuneration Paid to Each of the Company's Directors	Names of Directors			
	Sum of (A+B+C+D)		Sum of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All Consolidated Entities (Note 9) H	The Company (Note 8)	All Consolidated Entities (Note 9) I
Below 1,000,000 yuan	Lu, I-Hsuan, Hsu, Ting-Jung, Chen, Tai-Chung, Chen, Shuh, Hsieh, I-Ta, Chu, Yann-Fang, Chou, Che-Yi	Lu, I-Hsuan, Hsu, Ting-Jung, Chen, Tai-Chung, Chen, Shuh, Hsieh, I-Ta, Chu, Yann-Fang, Chou, Che-Yi	Hsu, Ting-Jung, Chen, Tai-Chung, Chen, Shuh, Hsieh, I-Ta, Chu, Yann-Fang, Chou, Che-Yi	Hsu, Ting-Jung, Chen, Tai-Chung, Chen, Shuh, Hsieh, I-Ta, Chu, Yann-Fang, Chou, Che-Yi
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)			Lu, I-Hsuan	Lu, I-Hsuan
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	Chang, Li-Jung	Chang, Li-Jung	Chang, Li-Jung	Chang, Li-Jung
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)				
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)				
Over NT\$100,000,000				
Total	8	8	8	8

Note 1: If a director concurrently serves as the President or Vice President, fill out this table and the table below.

Note 2: Refers to the remuneration (including directors' salaries, job allowances, various bonuses, and incentives) for directors in the fiscal year 2023.

Note 3: This is the amount of director's remuneration approved by the Board of Directors for distribution. Due to it was a loss-making year in 2023, no director's remuneration was allocated.

Note 4: Refers to the relevant operating expenses (including transportation, various allowances, etc.) for directors in the fiscal year 2023.

Note 5: Refers to the remuneration received by directors who are also employees in the fiscal year 2023, including salaries, job allowances, various bonuses, transportation allowances, various subsidies, provision of company cars, and other benefits etc.

Note 6: Refers to directors who also serve as employees and received employee remuneration (cash) in 2023. The amount of employee remuneration approved by the board of directors for the most recent year should be disclosed. However, as the company suffered a loss in 2023, no employee remuneration was allocated.

Note 7: The total amount of remuneration paid to the directors of the company by all companies (including the company itself) included in the consolidated report.

Note 8: The company discloses the names of directors within the respective remuneration band for the total remuneration paid to each director.

Note 9: In the consolidated report, disclose the full name of each director of the company (including this company) and the total remuneration paid to them by all companies (including this company), with their names disclosed under the applicable remuneration range.

Note 10: Net income after tax refers to the net income after tax in the individual financial statements for the year 2023.

Note 11: The company's directors did 'none' receive any related remuneration from investee companies other than subsidiaries or from the parent company

* The remuneration content disclosed in this table is different from the concept of the Income Tax Act, so the purpose of this table is for information disclosure only, not for taxation purposes.

(2) Remuneration of Supervisors: Not applicable.

(3) Remuneration of the President and Vice President

Unit: NT\$ thousand

Job Title	Name (Note 1)	Salary (A) (Note 2)		Retirement Pay and Pension (B)		Bonuses and Special Allowances, etc. (C)(Note 3)		Employee Remuneration Amount (D) (Note 4)				The Total Amounts and Ratios to net Income After Tax for Items A, B, C, and D(%) (Note 8)		Remuneration Received From Investee Enterprises Other Than Subsidiaries or From the Parent Company (Note 9)
		The Company	All Consolidated Entities (Note 5)	The Company	All Consolidated Entities (Note 5)	The Company	All Consolidated Entities (Note 5)	The Company		All Consolidated Entities		The Company	All Consolidated Entities (Note 5)	
								Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock			
President	Lu, I-Hsuan	2,467	2,467	108	108	147	147	0	0	0	0	(1.65%)	(1.65%)	None

* Regardless of job titles, those whose positions are equivalent to President or Vice President (such as President, Chief Executive Officer, Director-General, etc.) should be disclosed.

Remuneration Range Table

Ranges of Remuneration Paid to Each of the Company's General Manager(s) and Assistant General Manager(s)	Names of General Manager(s) and Assistant General Manager(s)	
	The Company(Note 6)	All Consolidated Entities (Note 7) E
Less than NT\$1,000,000		
NT\$1,000,000 (incl.)~NT\$2,000,000 (excl.)		
NT\$2,000,000 (incl.)~NT\$3,500,000 (excl.)	Lu, I-Hsuan	Lu, I-Hsuan
NT\$3,500,000 (incl.)~NT\$5,000,000 (excl.)		
NT\$5,000,000 (incl.)~NT\$10,000,000 (excl.)		
N T\$10,000,000 (incl.)~NT\$15,000,000 (excl.)		
N T\$15,000,000 (incl.)~NT\$30,000,000 (excl.)		
N T\$30,000,000 (incl.)~NT\$50,000,000 (excl.)		
NT\$50,000,000 (incl.)~NT\$100,000,000 (excl.)		
NT\$100,000,000 or more		
Total	1	1

(Continued from previous page)

Note 1: Directors who also serve as the President or Vice President should fill out this form and the above table (1).

Note 2: Refers to the salary, job allowance, etc. of the President and Vice President for the year 2023

Note 3: Refers to various bonuses, incentives, transportation allowances, various subsidies, company car provisions and other benefits provided to the President and Vice President in the fiscal year 2023.

Note 4: Due to it was a loss-making year in 2023, no employee remuneration was allocated.

Note 5: This is the total amount of all remuneration paid to the President and Vice President of the Company by all companies (including the Company itself) in the consolidated report.

Note 6: The company discloses the total remuneration paid to each President and Vice President within the respective remuneration range, revealing the names of the President and Vice Presidents.

Note 7: In the consolidated report, disclose the total remuneration paid by all companies (including the company itself) to each President and Vice President of the company, along with their names, in the corresponding remuneration bracket.

Note 8: Net income after tax refers to the net income after tax in the individual financial statements for the year 2023.

Note 9: The President of this company “does not” receive any remuneration from invested businesses other than subsidiaries or the parent company.

* The remuneration content disclosed in this table is different from the concept of the Income Tax Act, so the purpose of this table is for information disclosure only, not for taxation purposes.

(4) Remuneration of the top five highest-paid executives

Unit: NT\$ thousand

Job Title	Name	Salary (A) (Note 2)		Retirement Pay and Pension (B)		Rewards and Special Disbursements (C) (Note 3)		Employee Profit-Sharing Compensation (D) (Note 4)				Sum of A+B+C+D and Ratio to Net Income (%) (Note 6)		Remuneration Received From Investee Enterprises Other Than Subsidiaries or From the Parent Company (Note 7)
		The Company	All Consolidated Entities (Note 5)	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
								Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock			
President	Lu, I-Hsuan	2,467	2,467	108	108	147	147	0	0	0	0	(1.65%)	(1.65%)	None
Chief Financial Officer and Head of Corporate Governance	Hsu, Kuo-Huang	1,577	1,577	96	96	111	111	0	0	0	0	(1.08%)	(1.08%)	None
Senior Special Assistant to the Chairman’s Office	Chen, Yueh-Chin	1,691	1,691	107	107	142	142	0	0	0	0	(1.18%)	(1.18%)	None
Hotlink Company Vice President	Kao, I-Hong	0	2,122	0	102	0	159	0	0	0	0	-	(1.44%)	None
Hotlink Company Chief Information Officer	Lin, Chao Yin	0	1,871	0	108	0	164	0	0	0	0	-	(1.30%)	None

(Continued from previous page)

- Note 1: The so-called “top five highest-paid managers” refers to the company’s managers. As for the criteria for identifying managers, it is handled in accordance with the scope of application of “managers” as stipulated in the letter No. Taiwan-Finance-Securities-III-0920001301 issued by the former Securities and Futures Commission, Ministry of Finance on March 27, 2003. As for the principle of identifying the “top five highest paid,” it is calculated by the total remuneration received by the company’s managers from all companies in the consolidated financial statements, including salary, retirement pension, bonus, and special allowances, as well as employee remuneration (i.e., the sum of A+B+C+D). The top five highest paid managers are determined by ranking this total amount. If a director also serves as one of the aforementioned managers, they should be listed in this table and the previous table (1).
- Note 2: List the salaries, job bonuses, and severance pay of the top five highest-paid managers in the most recent year.
- Note 3: The section should list the various bonuses, rewards, transportation fees, special allowances, various subsidies, housing, company cars and other benefits in kind, and other remuneration amounts for the top five highest-paid managers in the most recent year. If housing, cars, and other vehicles or personal expenses are provided, the nature and cost of the assets provided, actual or fair market rental, fuel, and other payments should be disclosed. If a driver is assigned, please note the related remuneration paid by the company to the driver, but do not include it in the remuneration. In addition, salary expenses recognized under IFRS 2 “Share-based Payment”, including employee stock option certificates, restricted new shares for employees, and employee participation in cash capital increase subscriptions, should also be included in the remuneration.
- Note 4: Due to it was a loss-making year in 2023, no employee remuneration was allocated.
- Note 5: The merger report should disclose the total remuneration paid by all companies (including this company) to the top 5 highest-paid executives of this company.
- Note 6: Net income after tax refers to the net income after tax in the individual financial statements for the year 2023.
- Note 7: The company’s directors did ‘none’ receive any related remuneration from investee companies other than subsidiaries or from the parent company
- * The remuneration disclosed in this table is different from the income concept under the Income Tax Act, so the purpose of this table is for information disclosure only, not for taxation purposes.

(5) Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers

Unit: NT\$ thousand

	Job Title (Note 1)	Name (Note 1)	Amount in Stock	Amount in Cash	Total (Note 2)	As a % of Net Profit
Managerial Officer	President	Lu, I-Hsuan	0	0	0	0%
	Chief Financial Officer and Head of Corporate Governance	Hsu, Kuo-Huang				
	Senior Special Assistant to the Chairman’s Office	Chen, Yueh-Chin				
	Vice President, Cable Business Unit, Hotlink Company	Kao, I-Hong				
	CIO, Hotlink Company	Lin, Chao Yin				
	Vice President, Hotron Vietnam	Yu, Tung-Hua				
	Vice President, Hotron Hubei	Chuang, Wan-Yu				
	Vice President, SmartGreen Solution Co., Ltd.	Chen Ying-Chen				

(Continued from previous page)

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

Note 2: Due to it was a loss-making year in 2023, no employee remuneration was allocated.

Note 3: The scope of application for managers, in accordance with the regulations set forth in the letter No. 0920001301 issued by this Council on March 27, 2003, is as follows:

- (1) General manager(s) and equivalent level positions
- (2) Assistant general manager(s) and equivalent level positions
- (3) Deputy assistant general manager(s) and equivalent level positions
- (4) Chief officer of the finance division
- (5) Chief officer of the accounting division
- (6) Other persons who have the power to manage affairs and sign for the Company

- (6) Compare and explain separately the ratio of total remuneration paid by the Company and all companies covered in the consolidated financial statements to directors, supervisors, President, and Vice Presidents of the Company in the last two years to the net income after tax in the individual or separate financial reports. Also explain the policies, standards, and composition for remuneration payments, the procedures for setting remuneration, and the correlation between remuneration and operational performance as well as future risk exposure.

1. Analysis of the ratio of total remuneration paid to the company's directors, independent directors, President, etc. to the after-tax net profit:

The total remuneration paid to directors, independent directors and President by the company as a percentage of after-tax net income for the years 2022 and 2023 is as follows:

Items/ Name	Ratio of Total Remuneration to Net Profit After Tax			
	2022		2023	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities
Director, Independent director	17.52%	17.52%	5.54%	5.54%
President	7.71%	7.71%	1.65%	1.65%

2. Policy, Standards, and Composition of Remuneration

- (1) Director, Independent Director

The Company formulates its remuneration policies and evaluation criteria in accordance with relevant laws and regulations, Article 13-2 and Article 20 of the Company's Articles of Incorporation, the "Organizational Rules of the remuneration Committee," and the "Directors' remuneration Payment Guidelines." The remuneration paid by the Company to directors and independent directors is divided into two categories: directors' remuneration (business execution remuneration) and directors' remuneration.

- A. Directors' remuneration, also known as directors' remuneration for business execution, is determined in accordance with Article 13-2 of the Company's Articles of constitution. Based on the evaluation by the remuneration Committee and the Company's "Directors' remuneration Guidelines," the remuneration takes into account the degree of participation in the Company's operations, personal contributions (including responsibilities, risks, and time invested), and industry-standard levels. Additionally, overall operational performance and external market factors are considered. The remuneration Committee and the Board of Directors regularly review and approve reasonable remuneration. The relevant performance evaluations and the reasonableness of remuneration are reviewed by the remuneration Committee and the Board of Directors. The remuneration system is promptly reviewed in light of the actual operating conditions and relevant laws and regulations to strike a balance between the Company's sustainable operations and risk management.
- B. Directors' remuneration shall be allocated from the profits of the Company for the current year at a rate not exceeding 3% of such profits in accordance with Article 20 of the Company's Articles of Incorporation.

(2) President and Vice President

The remuneration for the Company's President and Vice President includes base salary, allowances, bonuses, and employee remuneration, which is determined based on their level of participation in the Company's operations, individual contributions, and in accordance with the Company's internal "Salary Determination Management Regulations.

3. Procedure for Determining Remuneration

To implement corporate governance and establish a sound remuneration system for the company's directors, independent directors and Managerial officer, the company has established a remuneration Committee in accordance with Article 14-6 of the Securities and Exchange Act and the "Regulations Governing the Appointment and Exercise of Powers by the remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter." The members of this committee possess professionalism and independence, and from an objective and professional standpoint, they evaluate the company's remuneration policies and systems for directors, independent directors and Managerial officer, and provide recommendations to the Board of Directors for decision-making reference.

In accordance with Article 7 of the "Organizational Rules of the remuneration Committee," the responsibilities of the remuneration Committee shall be:

- A. Formulate and regularly review the policies, systems, standards, and structures for evaluating the performance and remuneration of directors and managers.

- B. Periodically evaluate and determine the remuneration for directors and managers.

When performing the duties set forth in the preceding paragraph, the committee shall act in accordance with the following principles:

- A. The performance evaluation and remuneration of directors and managers should refer to the common levels in the same industry, and consider the reasonableness of the connection with individual performance, company operating performance, and future risks.
- B. Directors and managers should not be encouraged to engage in behaviors that exceed the company's risk appetite in pursuit of remuneration and remuneration.
- C. Regarding the proportion of bonuses paid to directors and senior managers for short-term performance and the timing of payment for part of the variable salary remuneration, the industry characteristics and the nature of the company's business should be taken into consideration in making the decision.

The "salaries and remuneration" referred to in the preceding two items includes cash remuneration, stock options, profit-sharing equity, retirement benefits or severance pay, various allowances, and other substantive incentive measures.

When submitting suggestions for salary and remuneration to the board of directors for discussion, factors such as the amount of remuneration, the method of payment, and the company's future risks should be comprehensively considered.

The remuneration for the President and Vice President is determined in accordance with the internal "Salary Determination Management Regulations," and is adjusted based on the achievement of the company's annual operating goals and the individual's annual performance appraisal. Annual salary adjustments are submitted to the Chairman for approval, reviewed by the remuneration Committee, and then proposed to the Board of Directors for approval before disbursement.

4. Relevance to Operational Performance and Future Risks

The various remuneration packages for directors, independent directors and Managerial officer (including President and Vice President) are determined based on their level of participation in the company's operations, individual contributions, and with reference to the company's internal "Salary Determination Management Regulations" and "Directors' remuneration Guidelines," as well as the prevailing standards of listed companies. The remuneration is highly correlated with the company's operational performance and the responsibilities assumed by the directors. The company's management and the remuneration Committee regularly review and make appropriate adjustments to the remuneration policies to ensure the company's

competitive advantage and risk management in terms of human resources at the management level.

4. Operation of Corporate Governance

(1) Operation of the Board of Directors

Information on the Operation of the Board of Directors

The Board of Directors held 10th meetings (A) in the most recent fiscal year (the 10th term), and the attendance of the directors is as follows:

May 30, 2023 to April 10, 2024

Title	Name	No. of Meetings Attended in Person (B)	No. of Meetings Attended by Proxy	In-Person Attendance Rate (%) (B/A)	Remarks
Chairman	Chang, Li-Jung	10	0	100.00 %	Note
Director	Lu, I-Hsuan	10	0	100.00 %	Note
Director	Chen, Tai-Chung	9	0	90.00 %	Note
Director	Chen, Shuh	10	0	100.00 %	Note
Independent director	Hsieh, I-Ta	10	0	100.00 %	Note
Independent director	Chu, Yann-Fang	9	1	90.00 %	Note
Independent director	Chou, Che-Yi	10	0	100.00 %	Note

Note: At the general shareholders' meeting on May 30, 2023, the company elected the 10th Board of Directors (including independent directors) for a term of three years, from May 30, 2023, to May 29, 2026

Other matters required to be recorded:

1. If any of the following situations occurred in the operation of the Board of Directors, the date, term, proposal content, opinions of all independent directors, and the company's handling of the independent directors' opinions should be clearly stated:

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

Board Meeting Date	Session	Content of the Proposal	Opinions From all Independent Directors and the Company's Handling of Opinions From Independent Directors
2023.02. 24	25th meeting by 9th Board of Directors	Distribution of employee remuneration and director remuneration for the 2022 and proposal for remuneration of directors' execution of business.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Appointment of certified public accountants and assessment of their independence and qualifications. (Appointment of Wu, Han-Chi and Lin, Ya-Hui as certified public accountants for the year 2023)	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.

Board Meeting Date	Session	Content of the Proposal	Opinions From all Independent Directors and the Company's Handling of Opinions From Independent Directors
		Proposal to pre-approve the provision of non-assurance services by the accounting firm and related entities to the Company and its subsidiaries.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		According to the "Self-Assessment Report on the Internal Control System for 2022", the "Statement on Internal Control System" of this company has been formulated.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		The 2022 annual report, individual financial statements and consolidated financial statements.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		2022 surplus allocation plan.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		The 2023 retained earnings of the Company's mainland subsidiary "Hotron Precision Electronic Industrial(Suzhou) Co., Ltd." which is 100% reinvested by a third regional business.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Endorsement guarantee case for "Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.", a mainland subsidiary 100% reinvested by the company through a third territory.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Endorsement guarantee case for Hotron Precision Electronic Industrial (Vietnam) Co., Ltd., a subsidiary indirectly owned 100% by the Company.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without

Board Meeting Date	Session	Content of the Proposal	Opinions From all Independent Directors and the Company's Handling of Opinions From Independent Directors
			objection.
		Our company plans to establish a subsidiary in the United States and sign a letter of intent to purchase land.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
2023.04. 17	26th meeting by 9th Board of Directors	2022 surplus allocation plan.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Capital increase by earnings for the year 2022 (3,096,630 common shares)	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Endorsement guarantee case for 'Hotlink Company Limited,' a subsidiary indirectly owned 100% by the company	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
2023.05. 11	27th meeting by 9th Board of Directors	2023 First Quarter Consolidated Financial Statements.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Endorsement guarantee case for Hotron Precision Electronic Industrial (Vietnam) Co., Ltd., a subsidiary indirectly owned 100% by the Company.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Endorsement guarantee case for 'Fortuna International Holdings Ltd,' a subsidiary wholly owned by the Company.	The three independent directors all agreed and had no objections. All attending directors

Board Meeting Date	Session	Content of the Proposal	Opinions From all Independent Directors and the Company's Handling of Opinions From Independent Directors
			unanimously approved the proposal without objection.
		Endorsement guarantee case for 'Hotlink Company Limited,' a subsidiary indirectly owned 100% by the company	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		The company's 100% reinvested subsidiary in Mainland China, "Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.", through its third regional business, has carried out a cash capital reduction for "Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
2023.06. 20	2nd meeting by 10th Board of Directors	Case of a cash capital increase for 'SmartGreen Solution Co., Ltd.,' a subsidiary wholly owned by the Company.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
2023.07. 11	3rd meeting by 10th Board of Directors	Endorsement guarantee case for "Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.", a mainland subsidiary 100% reinvested by the company through a third territory.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Setting relevant dates for the issuance of new shares from the capitalization of earnings and the distribution of cash dividends for the fiscal year 2022	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
2023.08. 09	4th meeting by 10th Board of Directors	2023 Second Quarter Consolidated Financial Statements.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Amend the case of the "Decision Authority Table" of this company.	The three independent directors all agreed and

Board Meeting Date	Session	Content of the Proposal	Opinions From all Independent Directors and the Company's Handling of Opinions From Independent Directors
			had no objections. All attending directors unanimously approved the proposal without objection.
2023.10. 12	5th meeting by 10th Board of Directors	Case of issuing new shares through the conversion of the company's first domestic unsecured convertible corporate bonds (Hotron I). (Number of converted common shares: 231,632 shares).	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Endorsement guarantee case for "Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.", a mainland subsidiary 100% reinvested by the company through a third territory.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Endorsement guarantee case for 'Hotlink Company Limited,' a subsidiary indirectly owned 100% by the company	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Endorsement guarantee case for Hotron Precision Electronic Industrial (Vietnam) Co., Ltd., a subsidiary indirectly owned 100% by the Company.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Amendments to the "Operation Directions for Compliance with the Establishment of Board of Directors and the Board's Exercise of Powers".	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Amendments to the "Regulations Governing Prevention of Insider Trading".	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.

Board Meeting Date	Session	Content of the Proposal	Opinions From all Independent Directors and the Company's Handling of Opinions From Independent Directors
2023.11. 13	6th meeting by 10th Board of Directors	2023 Third Quarter Consolidated Financial Statements.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
2023.12.21	7th meeting by 10th Board of Directors	Formulating the audit plan for the fiscal year 113 (2024) of the Republic of China era. Total of seventy-two items.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Endorsement guarantee case for Hotron Precision Electronic Industrial (Vietnam) Co., Ltd., a subsidiary indirectly owned 100% by the Company.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
2024.01.11	8th meeting by 10th Board of Directors	Case of annual bonus distribution for directors and managers in the execution of business operations in the company's 2023	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Case of issuing new shares through the conversion of the company's second domestic unsecured convertible corporate bonds (Hotron II). (Number of converted common shares: 2,777 shares)	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Real estate acquisition case by the Company. (Counterparty: Tung Hsing Technology Corporation)	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
2024.02.27	9th meeting by 10th Board of Directors	Appointment of certified public accountants and assessment of their independence and qualifications. (Appointment of CPAs LIN, YA-HUI and CPAs Juanlu, Man-Yu for the year 2024)	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without

Board Meeting Date	Session	Content of the Proposal	Opinions From all Independent Directors and the Company's Handling of Opinions From Independent Directors
			objection.
		According to the “Self-Assessment Report on the Internal Control System for 2023”, the “Statement on Internal Control System” of this company has been formulated.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Amended the “Directions for the Implementation of Continuing Education for Directors” case.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Correction of the “Organizational Rules of the Audit Committee” case.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Amendment to the “Rules of Procedure for Board of Directors Meetings”.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		The 2023 Annual Report, Individual Financial Statements, and Consolidated Financial Statements.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
		Deficit Compensation for the 2023	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.
2024.04.10	10th meeting by 10th Board of Directors	Endorsement guarantee case for ‘Hotlink Company Limited,’ a subsidiary indirectly owned 100% by the company	The three independent directors all agreed and had no objections. All attending directors

Board Meeting Date	Session	Content of the Proposal	Opinions From all Independent Directors and the Company's Handling of Opinions From Independent Directors
			unanimously approved the proposal without objection.
		The subsidiary, SmartGreen Solution Co., LTD. plans to conduct a cash capital increase in the future, and the Company may waive its right to participate in the cash capital increase plan.	The three independent directors all agreed and had no objections. All attending directors unanimously approved the proposal without objection.

- (2) In addition to the aforementioned items, any other matters resolved by the Board of Directors that were opposed or reserved by the independent directors and were recorded or issued in a written statement.

At the board meetings convened by the Company in recent years, the independent directors have not expressed any dissenting or reserved opinions.

2. The performance of directors in recusing themselves from proposals involving conflicts of interest should state the names of the directors, the content of the proposals, the reasons for recusal, and their participation in voting:

Board Meeting Date	Directors' Names	Content of the Proposal	Reasons for Recusal due to Conflict of Interest	Voting Situation
2023.08.09	Chang, Li-Jung Lu, I-Hsuan	This company's proposal for salary adjustments of directors and managers in the year 2023	The two directors are the parties concerned	The two directors did not participate in the discussion and voting due to a conflict of interest.
2024.02.27	Chang, Li-Jung	Proposal to remove the non-competition restrictions on the company's directors and their representatives	The director is the party concerned	The director did not participate in the discussion and voting due to a conflict of interest.

3. Listed companies should disclose information about the self (or peer) evaluation cycle and period, scope, methods, and content of the board of directors' evaluation, and complete the following table on the implementation of the board evaluation:

Performance of the Board of Directors' evaluation:

Assessment Cycle (Note 1)	Assessment Period (Note 2)	Assessment Scope (Note 3)	Assessment Method (Note 4)	Assessment Content (Note 5)
Run once a year	2023.01.01-2023.12.31	Board of directors	Board of Directors Internal Self-Assessment	A. Degree of participation in company operations B. Enhancing the quality of board decisions C. Composition and structure of the board of directors D. Selection and continuing education of directors E. Internal control F. Other items
Run once a year	2023.01.01-2023.12.31	Individual board members	Board members' self-assessment	A. Understanding of the company's goals and tasks B. Awareness of directors' responsibilities C. Degree of participation in company operations D. Internal relationship management and communication E. Directors' professionalism and continuing education F. Internal control G. Other items
Run once a year	2023.01.01-2023.12.31	Remuneration Committee	Self-evaluation of the remuneration Committee members	A. Degree of participation in company operations B. Understanding of the responsibilities of functional committees C. Enhancing the decision-making quality of functional committees D. Composition and selection of functional committee members E. Internal control F. Other items

Note 1: To fill in the evaluation cycle for the Board of Directors, for example: Run once a year.

Note 2: The following is the evaluation period covered by the Board of Directors, for example: Evaluate the performance of the Board of Directors from January 1 to December 31, 2023

Note 3: The scope of evaluation includes the performance evaluation of the Board of Directors,

individual directors and functional committees.

Note 4: The evaluation methods include self-evaluation by the board of directors, self-evaluation by board members, peer assessment, appointment of external professional institutions, experts or other appropriate methods for performance evaluation.

Note 5: The evaluation content shall include at least the following items based on the scope of evaluation:

- (1) Board of Directors Performance Assessment: It includes at least the degree of participation in the company's operations, the quality of board decisions, the composition and structure of the board, the selection and continuing education of directors, internal control, etc.
- (2) Individual director performance evaluation: It includes at least comprehending the company's goals and missions, understanding directors' responsibilities, participating in the company's operations, managing and communicating internal relationships, directors' professionalism and continuous learning, and internal control.
- (3) Assessment of Functional Committee Performance: The degree of participation in company operations, awareness of the responsibilities of functional committees, quality of functional committee decisions, composition and appointment of functional committee members, internal control, etc.

4. Objectives for strengthening the functions of the Board of Directors in the current and recent years (e.g. establishing an Audit Committee, enhancing information transparency, etc.) and assessment of their implementation:

1. Enhance information transparency: Our company has formulated the "Board of Directors Meeting Rules" in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" for compliance purposes. We have also entered the attendance of directors at board meetings on the Market Observation Post System, and disclosed material resolutions of the board of directors on our company website.
2. Establish a remuneration committee: The company's Board of Directors passed the appointment of the first remuneration Committee members on December 27, 2011, with a re-election every three years. Currently, it is the fifth remuneration Committee. The committee is composed of three independent directors, with one serving as the convener, and operates in accordance with the "remuneration Committee Organization Rules." The committee meets at least twice a year and may convene additional meetings as needed. The members of the committee possess professionalism and independence, and are responsible for making recommendations, evaluating and supervising the company's overall remuneration policy, manager remuneration levels, employee profit-sharing plans, or other employee incentive plans from a professional and objective position. The term of office of the remuneration Committee members is the same as that of the appointing Board of Directors, with a three-year term for each term. The company convenes a Board of Directors meeting in accordance with the regulations to appoint the members of the new remuneration Committee after the re-election of directors at the shareholders' meeting.
3. Establish an Audit Committee: Our company established the first Audit Committee after the shareholders' meeting on June 5, 2020, which is re-elected every three years. Currently, it is the second Audit Committee. The committee is composed of three independent directors, one of whom is the convener, and

at least one member has accounting or financial expertise. The committee members shall perform their duties stipulated in the Organizational Rules with the due care of a good administrator, act faithfully, and be responsible to the Board of Directors, and submit their proposals to the Board of Directors for resolution. The committee meets at least once every quarter and may call additional meetings as needed. The term of office of the Audit Committee members is the same as the term of the Board of Directors that appointed them, which is three years. The company establishes a new Audit Committee in accordance with regulations after the directors are re-elected at the shareholders' meeting. The main purpose of the committee's operations is to supervise the following matters:

- (1) The proper presentation of the company's financial statements.
- (2) Selection of auditors (solution) duty and independence and performance.
- (3) Effective implementation of internal controls within the company.
- (4) The company complies with relevant laws and regulations.
- (5) Control of existing or potential risks of the company.

4. Performance Assessment:

- (1) To enhance the operational efficiency of the Board of Directors, the Company formulated the "Performance Assessment Rules for the Board of Directors" on August 29, 2012, which was most recently amended and approved by the Board of Directors on July 10, 2020. This amendment is in accordance with the announcement issued by the Taiwan Stock Exchange Corporation on June 3, 2020 (Ref. No. Taiwan-Stock-Governance-1090009468) to revise certain provisions of the Company's "Performance Assessment Rules for the Board of Directors," "Performance Assessment Indicators for the Board of Directors," "Board Member Self-Assessment Form," and "Performance Self-Assessment Form for Functional Committees," with the aim of improving the operational efficiency of the Board of Directors.
- (2) The indicators for evaluating the performance of the Board of Directors shall be regularly reviewed and recommended by the remuneration Committee. The Company shall determine the evaluation criteria for the performance of the Board of Directors, taking into account the Company's circumstances, which shall include at least the following five aspects:
 - A. The degree of participation in the company's operations.
 - B. Enhance the quality of board decision-making.
 - C. Composition and structure of the board of directors.
 - D. Appointment and continuing education of directors.

E. Internal control.

The Performance Assessment Indicators for Directors (self or peer) are detailed in the attached table, measuring at least the following six aspects:

- A. Understanding of the company's goals and tasks.
- B. Awareness of directors' responsibilities.
- C. The degree of participation in the company's operations.
- D. Internal relationship management and communication.
- E. Professional and continuing education of directors.
- F. Internal control.

The performance evaluation measures for functional committees should include at least the following five aspects:

- A. The degree of participation in the company's operations.
- B. Understanding of the functional committee's responsibilities.
- C. Enhance the decision-making quality of functional committees.
- D. Composition and selection of members of functional committees.
- E. Internal control.

The "Board of Directors Performance Assessment Measures" formulated by our company have been fully disclosed on the Public Information Observatory and the company's website for reference.

- (3) According to the "Board Performance Assessment Measures", before the end of the first quarter of the following year, each execution unit shall collect information related to the activities of the board of directors and each functional committee, and distribute the "Board Performance Self-Assessment Questionnaire", "Director Member Performance Self-Assessment Questionnaire" and "Functional Committee Performance Self-Assessment Questionnaire" for completion. Finally, the coordinating execution unit (the Company's Finance Department) will collect the data uniformly, record the evaluation results report according to the scoring criteria of the evaluation indicators, and submit it to the board of directors for review and improvement. The execution evaluation results for the year 2023 have been reported to the board of directors on January 11, 2024, and simultaneously disclosed on the Company's website for reference.
- (4) The Company participated in the 10th (2023) Corporate Governance Assessment, conducted a self-evaluation according to the evaluation indicators of the Corporate Governance Center, and will actively improve on the items that did not score, continuously enhancing the level of

corporate governance and fulfilling corporate social responsibility. The areas for improvement and reinforcement identified in the Corporate Governance Assessment were reported to the Board of Directors on February 27, 2024, and have been simultaneously disclosed on the Company's website for reference.

(2) Operation of the Audit Committee

Information on the Operation of the Audit Committee

The Audit Committee held 9 meetings in the recent year (the 2nd term) (A), and the attendance of independent directors is as follows:

May 30, 2023 to April 10, 2024

Job Title	Name	Actual Attendance Count (B)	Proxy Attendance Count	Actual Attendance Rate (%) (B/A)	Remarks
Independent director	Hsieh, I-Ta	9	0	100.00 %	Note
Independent director	Chu, Yann-Fang	8	1	88.89 %	Note
Independent director	Chou, Che-Yi	9	0	100.00 %	Note

Note: This company elected 3 independent directors at the annual shareholders' meeting on May 30, 2023, and the audit committee of this company was established by these 3 independent directors in accordance with the law. According to the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies" and the "Organizational Rules of the Audit Committee" of this company, the term of office for the independent directors of the audit committee is clearly defined as three years (from May 30, 2023 to May 29, 2026), which is the same as the term of office of the current board of directors.

Other matters required to be recorded:

1. If any of the following situations occur in the operation of the Audit Committee, the date, period, agenda items, dissenting opinions, reservations or major recommendations of the independent directors, resolutions of the Audit Committee, and the company's handling of the Audit Committee's opinions should be stated:

(1) Article 14-5 of the Securities and Exchange Act lists the following matters.

Date of Audit Committee Meeting	Session	Content of the Proposal	Content of Dissenting Opinions, Reservations, or Major Recommendations From Independent Directors	Resolutions of the Audit Committee and the Company's Handling of the Audit Committee's Opinions
2023.02. 24	23rd meeting by 1st Audit Committee	Appointment of certified public accountants and assessment of their independence and qualifications.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Proposal to pre-approve the provision of non-assurance services by the accounting firm	No such situation.	The members of the Audit Committee had no comments.

Date of Audit Committee Meeting	Session	Content of the Proposal	Content of Dissenting Opinions, Reservations, or Major Recommendations From Independent Directors	Resolutions of the Audit Committee and the Company's Handling of the Audit Committee's Opinions
		and related entities to the Company and its subsidiaries.		All attending members unanimously approved the proposal without objection.
		According to the "Self-Assessment Report on the Internal Control System for 2022", the "Statement on Internal Control System" of this company has been formulated.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		The 2022 annual report, individual financial statements and consolidated financial statements.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		2022 surplus allocation plan.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		The 2023 retained earnings case of the Company's mainland subsidiary "Hotron Precision Electronic Industrial(Suzhou) Co., Ltd." which is 100% reinvested by a third regional business.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Endorsement guarantee case for "Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.", a mainland subsidiary 100% reinvested by the company	No such situation.	The members of the Audit Committee had no comments. All attending members

Date of Audit Committee Meeting	Session	Content of the Proposal	Content of Dissenting Opinions, Reservations, or Major Recommendations From Independent Directors	Resolutions of the Audit Committee and the Company's Handling of the Audit Committee's Opinions
		through a third territory.		unanimously approved the proposal without objection.
		Endorsement guarantee case for Hotron Precision Electronic Industrial (Vietnam) Co., Ltd., a subsidiary indirectly owned 100% by the Company.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Our company plans to establish a subsidiary in the United States and sign a letter of intent to purchase land.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
2023.04. 17	24th meeting by 1st Audit Committee	2022 surplus allocation plan.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Capital increase by earnings for the year 2022 (3,096,630 common shares)	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Endorsement guarantee case for 'Hotlink Company Limited,' a subsidiary indirectly owned 100% by the company	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the

Date of Audit Committee Meeting	Session	Content of the Proposal	Content of Dissenting Opinions, Reservations, or Major Recommendations From Independent Directors	Resolutions of the Audit Committee and the Company's Handling of the Audit Committee's Opinions
				proposal without objection.
2023.05. 11	25th meeting by 1st Audit Committee	2023 First Quarter Consolidated Financial Statements.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Endorsement guarantee case for Hotron Precision Electronic Industrial (Vietnam) Co., Ltd., a subsidiary indirectly owned 100% by the Company.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
2023.05. 11	25th meeting by 1st Audit Committee	Endorsement guarantee case for 'Fortuna International Holdings Ltd,' a subsidiary wholly owned by the Company.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Endorsement guarantee case for 'Hotlink Company Limited,' a subsidiary indirectly owned 100% by the company	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		The company's 100% reinvested subsidiary in Mainland China, "Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.", through its third regional business, has carried out a cash capital reduction for "Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.

Date of Audit Committee Meeting	Session	Content of the Proposal	Content of Dissenting Opinions, Reservations, or Major Recommendations From Independent Directors	Resolutions of the Audit Committee and the Company's Handling of the Audit Committee's Opinions
2023.06. 20	1st meeting by 2nd Audit Committee	Case of a cash capital increase for 'SmartGreen Solution Co., Ltd.,' a subsidiary wholly owned by the Company.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
2023.07. 11	2nd meeting by 2nd Audit Committee	Endorsement guarantee case for "Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.", a mainland subsidiary 100% reinvested by the company through a third territory.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
2023.08. 09	3rd meeting by 2nd Audit Committee	2023 Second Quarter Consolidated Financial Statements.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Amend the case of the "Decision Authority Table" of this company.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
2023.10. 12	4th meeting by 2nd Audit Committee	Case of issuing new shares through the conversion of the company's first domestic secured convertible corporate bonds (Hotron I). (Number of converted common shares: 231,632 shares).	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Endorsement guarantee case for "Hotron Precision Electronic	No such situation.	The members of the Audit Committee

Date of Audit Committee Meeting	Session	Content of the Proposal	Content of Dissenting Opinions, Reservations, or Major Recommendations From Independent Directors	Resolutions of the Audit Committee and the Company's Handling of the Audit Committee's Opinions
		Industrial(Suzhou) Co., Ltd.”, a mainland subsidiary 100% reinvested by the company through a third territory.		had no comments. All attending members unanimously approved the proposal without objection.
		Endorsement guarantee case for ‘Hotlink Company Limited,’ a subsidiary indirectly owned 100% by the company	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Endorsement guarantee case for Hotron Precision Electronic Industrial (Vietnam) Co., Ltd., a subsidiary indirectly owned 100% by the Company.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Amendments to the “Operation Directions for Compliance with the Establishment of Board of Directors and the Board’s Exercise of Powers”.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Amendments to the “Regulations Governing Prevention of Insider Trading”.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
2023.11. 13	5th meeting by 2nd Audit Committee	2023 Third Quarter Consolidated Financial Statements.	No such situation.	The members of the Audit Committee had no comments. All attending

Date of Audit Committee Meeting	Session	Content of the Proposal	Content of Dissenting Opinions, Reservations, or Major Recommendations From Independent Directors	Resolutions of the Audit Committee and the Company's Handling of the Audit Committee's Opinions
				members unanimously approved the proposal without objection.
2023.12.21	6th meeting by 2nd Audit Committee	Formulating the audit plan for the fiscal year 113 (2024) of the Republic of China era. Total of seventy-two items.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Endorsement guarantee case for Hotron Precision Electronic Industrial (Vietnam) Co., Ltd., a subsidiary indirectly owned 100% by the Company.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
2024.01.11	7th meeting by 2nd Audit Committee	The Company's second domestic unsecured convertible bonds are as follows: (Hotron II) Conversion to issue new shares. (Number of converted common shares: 2,777 shares)	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Real estate acquisition case by the Company. (Counterparty: Tung Hsing Technology Corporation)	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
2024.02.27	8th meeting by 2nd Audit Committee	Appointment of certified public accountants and assessment of their independence and qualifications. (Appointment of CPAs LIN, YA-HUI and CPAs Juanlu,	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously

Date of Audit Committee Meeting	Session	Content of the Proposal	Content of Dissenting Opinions, Reservations, or Major Recommendations From Independent Directors	Resolutions of the Audit Committee and the Company's Handling of the Audit Committee's Opinions
		Man-Yu for the year 2024)		approved the proposal without objection.
		According to the "Self-Assessment Report on the Internal Control System for 2023", the "Statement on Internal Control System" of this company has been formulated.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Amended the "Directions for the Implementation of Continuing Education for Directors" case.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Correction of the "Organizational Rules of the Audit Committee" case.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		Amendment to the "Rules of Procedure for Board of Directors Meetings".	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		The 2023 Annual Report, Individual Financial Statements, and Consolidated Financial Statements.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without

Date of Audit Committee Meeting	Session	Content of the Proposal	Content of Dissenting Opinions, Reservations, or Major Recommendations From Independent Directors	Resolutions of the Audit Committee and the Company's Handling of the Audit Committee's Opinions
				objection.
		Deficit Compensation for the 2023	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
2024.04.10	9th meeting by 2nd Audit Committee	Endorsement guarantee case for 'Hotlink Company Limited,' a subsidiary indirectly owned 100% by the company	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.
		The subsidiary, SmartGreen Solution Co., LTD. plans to conduct a cash capital increase in the future, and the Company may waive its right to participate in the cash capital increase plan.	No such situation.	The members of the Audit Committee had no comments. All attending members unanimously approved the proposal without objection.

(2) Except for the aforementioned matters, there were no other matters resolved by more than two-thirds of all directors without being approved by the Audit Committee: None.

2. The implementation of independent directors' recusal from interested party proposals should state the names of the independent directors, the contents of the proposals, the reasons for recusal, and their participation in voting: No such situation.
 3. Communication between independent directors, the head of internal auditing, and accountants (should include major matters, methods, and results of communication regarding the company's financial and business conditions).
- (1) After the shareholders' meeting on May 30, 2023, the company established an Audit Committee. The members of this committee, with the care of good

administrators, faithfully fulfill the responsibilities stipulated in the “Audit Committee Organization Rules.”

- (2) The audit supervisor prepares a monthly report on the audit results for review by the independent directors.
- (3) For major financial and business matters, the audit supervisor will immediately contact the independent directors and report the cause of the incident and how the company is handling it.
- (4) Prior to the issuance of each quarterly financial report, the accountant shall convene a meeting with the directors, independent directors, chief internal auditor, and chief financial officer to report on the audit of the quarterly financial statements, discuss any improvements or communications needed, and address the impact of new bulletins or laws on the company.

From the fiscal year 2023 to February 27, 2024, the key communication points from the meetings between the accountants, independent directors, and audit supervisors are summarized in the following table:

Meeting Date	Key Points of Communication	Handling of Company's Response	Suggestions and Corrections From Independent Directors
2023.02.24	<ol style="list-style-type: none"> 1. Audit results of the consolidated financial statements and individual financial statements for the fiscal year 2022, as well as the report and discussion on the internal control audit. 2. The auditors issued an unqualified (including other matters section) audit report on February 24, 2023 3. Recent tax laws and regulations promotion. 	Improvements or implementation have been carried out according to the key points of communication.	The three independent directors have no objection.
2023.05.11	<ol style="list-style-type: none"> 1. Report and discussion on the review results of the consolidated financial report for the first quarter of fiscal year 2023 by the accountant. 2. Recent tax laws and regulations promotion. 3. Promotion of sustainability action plans for listed and over-the-counter companies. 	Improvements or implementation have been carried out according to the key points of communication.	The three independent directors have no objection.
2023.08.09	<ol style="list-style-type: none"> 1. Review report and discussion on the consolidated financial statements for the second quarter of fiscal year 2023 by the certified public accountant. 2. Recent tax laws and regulations promotion. 3. Recent promotion of securities and futures regulations. Communication and promotion of corporate governance practices for the year 2024 	Improvements or implementation have been carried out according to the key points of communication.	The three independent directors have no objection.

Meeting Date	Key Points of Communication	Handling of Company's Response	Suggestions and Corrections From Independent Directors
2023.11.13	<ol style="list-style-type: none"> 1. Report on the review results of the accountant for the consolidated financial statements of the third quarter of fiscal year 2023 and discussion. 2. Communication and promotion of important sustainability development timelines. 	Improvements or implementation have been carried out according to the key points of communication.	The three independent directors have no objection.
2024.02.27	<ol style="list-style-type: none"> 1. Audit results of the consolidated financial statements and individual financial statements for the fiscal year 2023, as well as the report and discussion on the internal control audit. 2. The auditors issued an unqualified (including other matters section) audit report on February 27, 2024 3. Recent tax laws and regulations promotion. 	Improvements or implementation have been carried out according to the key points of communication.	The three independent directors have no objection.

- (5) Periodically review the implementation status and internal control deficiencies of internal audits, and the internal audit supervisor regularly holds meetings with independent directors and accountants, and keeps records.

From the fiscal year 2023 to February 27, 2024, a summary of the communication items between the internal audit supervisors, independent directors, and accountants is as follows:

Date of Discussion	Key Points of Communication	Handling of Company's Response	Accountant, Independent Director Recommendations and Corrections
2023.02.24	<ol style="list-style-type: none"> 1. The improvement status of previous internal control system deficiencies and abnormalities (including subsidiaries). 2. Internal control system deficiencies and abnormalities that have not been improved as of January 31, 2023 3. Routine reporting of internal audit operations. 	The necessary processing measures or improvement plans have been implemented accordingly.	The accountant and independent directors have no objection.
2023.05.11	<ol style="list-style-type: none"> 1. Follow-up on the deficiencies and abnormalities in the previous internal control system and their improvements (including subsidiaries). 2. Deficiencies and abnormalities in the internal control system that have not been improved as of April 30, 2023. These issues remain unimproved. 3. Routine reporting of internal audit operations. 	The necessary processing measures or improvement plans have been implemented accordingly.	The accountant and independent directors have no objection.

Date of Discussion	Key Points of Communication	Handling of Company's Response	Accountant, Independent Director Recommendations and Corrections
2023.08.09	<ol style="list-style-type: none"> Follow-up on the deficiencies and abnormalities in the previous internal control system and their improvements (including subsidiaries). As of July 31, 2023, deficiencies and abnormalities in the internal control system. These issues remain unimproved. 	The necessary processing measures or improvement plans have been implemented accordingly.	The accountant and independent directors have no objection.
2023.11.13	<ol style="list-style-type: none"> Follow-up on the deficiencies and abnormalities in the previous internal control system and their improvements (including subsidiaries). As of October 31, 2023, deficiencies and abnormalities in the internal control system. These issues remain unimproved. 	The necessary processing measures or improvement plans have been implemented accordingly.	The accountant and independent directors have no objection.
2024.02.27	<ol style="list-style-type: none"> The improvement status of previous internal control system deficiencies and abnormalities (including subsidiaries). As of January 31, 2024, deficiencies and abnormalities in the internal control system. These issues remain unimproved. Routine reporting of internal audit operations. 	The necessary processing measures or improvement plans have been implemented accordingly.	The accountant and independent directors have no objection.

(3) Operation of Corporate Governance and its Deviation From the Corporate Governance Best Practice Principles for Listed Companies and Reasons

Items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
1. Has the company formulated and disclosed a corporate governance best practice principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		The company has established a “Corporate Governance Best Practice Principles” in accordance with regulations, and has disclosed it on the company’s website and the Market Observation Post System.	No difference.
2. Company Equity Structure and Shareholders’ Equity				
(1) Does the company establish internal operating procedures to handle shareholders’ suggestions, doubts, disputes, and litigation matters, and implement them according to the procedures?	✓		(1) To safeguard shareholders’ interests, the company has established various internal operating procedures, including the “Rules of Procedure for Shareholders’ Meetings”, “Regulations Governing the Exercise of Rights and Participation in Resolutions by Controlling Juristic Person Shareholders”, and “Internal Material Information Processing Procedures”. It has also designated spokespersons and deputy spokespersons to properly handle shareholders’ suggestions, inquiries, and disputes.	No difference.
(2) Does the company keep track of the list of major shareholders who actually control the company and the ultimate controllers of the major shareholders?	✓		(2) The company maintains close contact with major shareholders by monitoring the shareholder register provided by the share transfer agency and the monthly reports of changes in shareholdings by directors and managers, allowing it to keep track of changes in shareholdings.	No difference.
(3) Does the company establish and implement risk management and firewall mechanisms with related enterprises?	✓		(3) The company and its subsidiaries operate financially and operationally independently, with the company exercising control and auditing over them. The company has formulated the “Regulations Governing the Management of Related Party Transactions” and “Regulations Governing the Supervision and Management of Subsidiaries” to implement risk control mechanisms	No difference.

Items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(4) Does the company have internal regulations prohibiting insiders from trading securities using non-public market information?	✓		<p>for its subsidiaries.</p> <p>(4) The company has established the “Insider Trading Prevention Measures” to prevent insider trading in the capital market by company insiders. It has also formulated the “Code of Ethical Conduct” to regulate the conduct of its directors, supervisors, and managers, preventing conflicts of interest, avoiding opportunities for personal gain, and ensuring fair dealing. Additionally, Article 15 of the “Ethical Corporate Management Best Practice Principles” stipulates compliance with laws and regulations in business operations. Company personnel must comply with the Securities and Exchange Act and refrain from engaging in insider trading or disclosing undisclosed information to prevent others from engaging in insider trading.</p> <p>The company provides education and promotion on the “Insider Trading Prevention Measures” and relevant laws and regulations to current directors and managers at least once a year. New directors receive such education after assuming office, while new managers receive it during pre-job training.</p> <p>Most recently, on October 12, 2022, the company conducted relevant education and promotion for current directors, independent directors, and managers. The course covered topics such as reporting requirements for changes in insiders’ shareholdings, examples of insider trading cases, common types of violations, and the confidentiality of material information. The course materials were also distributed.</p>	No difference.
3. Composition and responsibilities of the Board of Directors				No difference.

Items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(1) Does the Board of Directors plan to formulate a diversity policy, specific management objectives and implementation?	✓		<p>(1) The company's Board of Directors Diversity Policy is as follows: Article 20 of the Company's "Corporate Governance Best Practice Principles" states: The Board of Directors as a whole should possess the necessary capabilities, and its composition should take diversity into consideration while formulating appropriate diversity policies based on the company's operational needs, business model, and development needs.</p> <p>All members of the Board of Directors should generally possess the knowledge, skills, and qualities necessary to perform their duties. The overall capabilities that the Board of Directors should possess are as follows:</p> <ol style="list-style-type: none"> 1. Operational judgement ability. 2. Accounting and financial analysis ability. 3. Operating and management ability. 4. Crisis management ability. 5. Industry knowledge. 6. International market perspective. 7. Leadership ability. 8. Decision-making ability. <p>Currently, the company's Board of Directors consists of seven directors:</p> <ol style="list-style-type: none"> 1. Three are independent directors, and all seven members are male. 2. The average age of the directors is 63, and all are of Taiwan, Republic of China nationality. 3. The non-independent directors possess relevant experience in business, law, finance, accounting, or the company's industry. For the overall capabilities of the Board members, please refer to Table 1 on page 26 of the annual report. 4. The independent directors have professional backgrounds. 	

Items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>Director Hsieh, I-Ta is a practicing lawyer, Director Chou , Che-Yi is a certified public accountant, and Director Chu, Yann-Fang holds a Ph.D. from the National Taiwan University Graduate Institute of Business Administration and is a certified Project Management Professional (PMP). The composition of the company's Board of Directors includes various professional backgrounds, providing diverse operational perspectives. For the educational and professional backgrounds of the directors and independent directors, please refer to the director information on pages 17-20 of the annual report. The company's diversity policy for the Board of Directors is disclosed on the company's website and the Market Observation Post System. Directors maintain high self-discipline and recuse themselves from discussions and voting on proposals in which they have a personal interest, stating the important content of their interests at the Board meeting and not acting as a proxy for other directors in exercising their voting rights. The rules for directors' recusal are stipulated in the Board of Directors Meeting Rules. The Board of Directors is responsible to the shareholders' meeting, and its management objective is to ensure that it exercises its powers in accordance with laws, regulations, the company's Articles of Incorporation, or resolutions of the shareholders' meeting, based on the company's</p>	

Items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>governance system and arrangements.</p> <p>To implement corporate governance, strengthen oversight and management functions, and uphold the concept of corporate social responsibility and sustainable operation, the company's Board of Directors has established an Audit Committee and a remuneration Committee.</p> <p>The organizational rules for these committees, including the number of members, terms, duties, meeting rules, and resources to be provided by the company for exercising their powers, have been approved by the Board of Directors to ensure the division of labor and independent and full exercise of their respective powers.</p>	
(2) In addition to legally establishing a remuneration committee and an audit committee, does the company voluntarily establish other functional committees?	✓		(2) In addition to the legally required committees for remuneration and audit, the company has not established any other functional committees. However, in the future, in line with the spirit of corporate governance, other functional committees will be established as needed for the company's development.	No difference.
(3) Has the company formulated the Board of Directors' performance evaluation measures and evaluation methods, and regularly conduct performance evaluations every year? Are the results of the performance evaluations reported to the Board of Directors and used as a reference for individual directors' remuneration and nomination for re-appointment?	✓		(3) The company has established "Rules for Performance Assessment of the Board of Directors". According to these rules, the board of directors should conduct an internal performance evaluation annually based on various evaluation indicators. The weighting of the evaluation indicators can be adjusted based on actual operational needs. Before the end of the first quarter of the following year, each executive unit will distribute the "Self-Assessment Questionnaire for the Board of Directors' Performance", "Self-Assessment	No difference.

Items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>Questionnaire for Directors (Self or Peer)", and "Self-Assessment Questionnaire for Functional Committee Performance" to evaluate the performance of board members, the remuneration Committee, the Audit Committee, and the board of directors overall. The measurement items for the board of directors' performance evaluation include:</p> <ol style="list-style-type: none"> 1. The degree of participation in the company's operations. 2. Enhance the quality of board decision-making. 3. Composition and structure of the board of directors. 4. Appointment and continuing education of directors. 5. Internal control. <p>The measurement items for directors' performance evaluation include:</p> <ol style="list-style-type: none"> 1. Understanding of the company's goals and tasks. 2. Awareness of directors' responsibilities. 3. The degree of participation in the company's operations. 4. Internal relationship management and communication. 5. Professional and continuing education of directors. 6. Internal control. <p>The measurement items for the performance evaluation of functional committees (remuneration Committee) cover the following five aspects:</p> <ol style="list-style-type: none"> 1. The degree of participation in the company's operations. 2. Understanding of the functional committee's responsibilities. 3. Enhance the decision-making quality of functional committees. 4. Composition and selection of members of functional committees. 5. Internal control. 	

Items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(4) Does the company regularly evaluate the independence of the certified public accountants?	✓		<p>The “Board of Directors Performance Assessment Measures” formulated by our company have been fully disclosed on the Public Information Observatory and the company’s website for reference. Finally, the coordinating executive unit (Finance Department) will collect the self-evaluation questionnaires, record the evaluation results report, and submit it to the board of directors for reporting. The most recent (2023) board of directors’ performance evaluation results were reported at the board meeting on January 11, 2024, and have been simultaneously disclosed on the company’s website for reference.</p> <p>(4) The company regularly evaluates the independence and suitability of the appointed accountants every year. Indicators such as the number of consecutive years the accounting firm has provided audit services, the nature and content of non-audit services provided, audit certification fees, whether there have been any disciplinary actions or penalties imposed on the accountant according to the Accountant Act, and interactions with management and the head of internal audit are assessed. The evaluation results of the accountants for the past two years were approved by the board of directors on February 24, 2023, and February 27, 2024, respectively. The evaluation results reported to the board of directors on February 27, 2024, are as follows:</p> <ol style="list-style-type: none"> 1. There was no situation where the accountant was not replaced for seven consecutive years. 2. After checking the list of disciplined accountants published by the Securities and Futures Bureau of the Financial 	No difference.

Items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>Supervisory Commission in the past five years or the list of those penalized according to Article 37, Paragraph 3 of the Securities and Exchange Act, the appointed accountants of the company have not been subject to any disciplinary actions or administrative penalties.</p> <p>3. Based on the evaluation of independence and suitability using the Audit Quality Indicators (AQIs), PricewaterhouseCoopers Taiwan accountants Lin, Ya-Hui and Juanlu, Man-Yu meet the company's standards for independence and suitability. They are proposed for appointment as the certifying accountants for the company's fiscal year 2024.</p> <p>4. For the evaluation of the suitability and independence of the certifying accountants for the 2024, please refer to the explanation in the attached table (Note 1).</p>	
4. Do listed companies deploy appropriate and sufficient numbers of corporate governance personnel, and appoint a corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing directors and supervisors with the necessary information to perform their duties, assisting directors and supervisors in complying with laws and regulations, legally handling board of directors and shareholders' meeting-related matters, preparing minutes of board of directors and shareholders' meetings, etc.)?	✓		<p>At the Board of Directors meeting held on December 14, 2022, the company approved the appointment of a Corporate Governance Officer, who will concurrently serve as the Chief Financial Officer. The Corporate Governance Officer has more than three years of experience in finance, shareholder services, and corporate governance matters in a public company.</p> <p>The company's corporate governance working group is responsible for carrying out duties in their respective departments and promoting the following main responsibilities:</p> <p>1. The Management Department formulates appropriate corporate systems and organizational structures to enhance transparency and legal compliance, implement internal</p>	No difference.

Items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>audits and internal controls, and is responsible for evaluating and obtaining appropriate directors' and officers' liability insurance.</p> <p>2. The Finance Department is responsible for matters related to the Board of Directors and shareholders' meetings.</p> <p>(1) Assisting directors and independent directors in complying with laws and regulations, and arranging at least 6 credits of continuing education courses for Board members.</p> <p>(2) Regularly convening communication meetings with the internal audit supervisor, independent directors, and accountants to implement internal audit and internal control systems. Key points of the communication meetings are summarized on pages 63-65 of the annual report.</p> <p>(3) Prior to Board meetings, soliciting opinions from all directors to plan and draft the agenda, and notifying all directors at least seven days in advance and providing sufficient meeting materials to facilitate directors' understanding of the relevant issues. If any agenda item involves related parties, the relevant parties will be reminded in advance and recuse themselves as appropriate. Meeting minutes will be prepared after the Board meeting.</p> <p>(4) To implement corporate governance, the Finance Department conducts an annual internal performance evaluation of individual directors, the remuneration Committee, and the overall operation of the Board of Directors in accordance with the "Board of Directors Performance Assessment Procedures"</p>	

Items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>established by the company. Additionally, an external performance evaluation by an independent professional institution or scholar is commissioned at least once every three years.</p> <p>(5) Registering the date of the annual shareholders' meeting within the statutory time limit, preparing and filing the meeting notice, agenda handbook, and meeting minutes before the deadline, and completing the registration of any amendments to the Articles of Incorporation or changes in directors after re-election.</p> <p>The company's Corporate Governance Officer has carried out the aforementioned duties and has completed 18 hours of continuing education.</p>	
5. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), set up a stakeholder section on the company website, and properly responded to important corporate social responsibility issues that stakeholders are concerned about?	✓		Our company has contact information and mailboxes available on the company website and Public Information Observation Station, which can be provided to stakeholders for contact at any time.	No difference.
6. Does the company appoint a professional stock affairs agency to handle the affairs of the shareholders' meeting?	✓		Our company has appointed China Trust Commercial Bank's stock affairs agency as the professional stock affairs agency to handle the affairs of our company's shareholders' meetings.	No difference.
7. Information Disclosure				
(1) Does the company have a website where it discloses its financial, business operations, and corporate governance information?	✓		(1) Our company fully discloses financial business and corporate governance information on its official website and public information observation stations.	No difference.
(2) Does the company adopt other information disclosure methods	✓		(2) We have established corporate websites in Chinese, English,	No difference.

Items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
<p>(such as establishing an English website, designating personnel responsible for collecting and disclosing company information, implementing a spokesperson system, posting records of investor conferences on the company website, etc.)?</p> <p>(3) Does the company announce and file its annual financial reports within two months after the end of the fiscal year, and announce and file its first, second, and third quarter financial reports and monthly operating status within the prescribed time limits?</p>	✓		<p>Japanese, and Korean to implement information disclosure and promptly disclose various company information. Our company also has spokespersons and deputy spokespersons to release important information in a timely manner and, when necessary, hold legal entity explanatory meetings to explain important operational conditions.</p> <p>(3) Our company is committed to announcing and filing the annual financial report within two months after the end of the fiscal year. Currently, the first, second, and third quarter financial reports and monthly operating conditions are announced and filed ahead of schedule. The monthly operating conditions are consistently filed on the 9th of the following month, or earlier if it falls on a holiday.</p>	No difference.
<p>8. Does the company have any other important information that helps understand the operation of corporate governance (including but not limited to employee benefits, employee care, investor relations, supplier relations, stakeholder rights, training of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the company's purchase of liability insurance for directors and supervisors, etc.)?</p>	✓		<p>Please read the explanation in the attached table (Note 2).</p>	No difference.
<p>9. Please explain the improvements made based on the recent corporate governance evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and propose priority areas for improvement and corresponding</p>	✓		<p>Our company participated in the 10th (2023) Corporate Governance Assessment, conducted a self-evaluation based on the evaluation indicators of the Corporate Governance Center, and will actively improve the items that did not score, continuously enhancing our corporate governance level and fulfilling our corporate social</p>	No difference.

Items	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
measures for areas that have not yet been addressed.			responsibility. The areas for improvement and reinforcement identified in the Corporate Governance Assessment were reported to the Board of Directors on February 27, 2024, and have been simultaneously disclosed on the Company's website for reference.	

Note 1:

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
CPAs Competency and Independence Assessment Form

1. Assessment description: According to Article 29 of the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies,” listed companies should appoint professional, responsible, and independent certified public accountants, and should regularly (at least once a year) evaluate the independence and suitability of the appointed accountants.
2. Assessment subject: PricewaterhouseCoopers Taiwan CPAs Lin, Ya-Hui, CPAs Juanlu, Man-Yu.
3. Assessment content: Formulated with reference to Statement No. 10 of the Professional Ethics Standards for Certified Public Accountants

Assessment Index	Assessment Items	Assessment Result	Independence
1. Financial interests	1.1 Does the CPAs have a direct or significant indirect financial interest relationship with our company?	No	Yes
	1.2 Does the CPAs have a “significant financial interest” relationship with the controlling subsidiaries of our company?	No	Yes
2. Financing and Guarantee	2.1 Does the CPAs have any financing or guaranteeing activities with the company or the company’s directors?	No	Yes
3. Close business relations	3.1 Whether the CPAs has a close commercial relationship or potential employment relationship with the Company or the Company’s directors, supervisors, or managers.	No	Yes
4. Acceptance of employment or appointment with an audit client	4.1 The term of the CPAs does not exceed 7 years.	Yes	Yes
	4.2 Do the CPAs and members of their audit team currently or in the past two years serve as directors, supervisors, managers, or positions with significant influence on the audit work, or employees of the company?	No	Yes
	4.3 Has the visa-certified accountant currently or in the past two years served as a director or supervisor of a subsidiary controlled by the company?	No	Yes
	4.4 Does the CPAs have a relative relationship with any director, manager or personnel with significant influence over the audit case of the company?	No	Yes
5. Non-audit Matters	5.1 Has the CPAs provided any non-audit services that may directly affect the audit work for the company?	No	Yes
6. Other items	6.1 Does the CPAs have any intermediary role in the stocks or other securities issued by this company?	No	Yes
	6.2 Does the CPAs act as a defense attorney or representative for the company in coordinating conflicts between the company and other third parties?	No	Yes
	6.3 Visa accountants do not receive any significant gifts or special favors from the Company or its directors, managers, or major shareholders.	Yes	Yes

Assessment Index	Assessment Items	Assessment Result	Independence
	6.4 The accountant or audit team members do not keep custody of the company's money or securities.	Yes	Yes

Assessment result:

After evaluation, the certified public accountants proposed for appointment by the Company do not have any of the circumstances described in the aforementioned independence assessment items, and it is confirmed that the certified public accountants comply with the independence regulations and there is no doubt about the reliability of the financial reports issued.

Assessment unit: Finance Department

Assessment Date: February 16, 2024

Note 2: Other important information that helps understand the operation of corporate governance

Evaluation Item	Implementation Status (Note 1)			Deviations From the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
1. Employee Benefits				
(1) Provide employees with adequate education and training	✓		(1) For employee on-the-job training, each department will arrange appropriate internal education and training courses as needed. The personnel unit also provides appropriate internal training courses for new employees, providing employees with a comprehensive professional skill development and self-growth opportunities. Please read the explanation in the attached table (Note 3).	No difference.
(2) Provide employees with adequate rights to express opinions	✓		(2) Regarding employee opinions in the annual performance appraisal, in addition to appropriate responses from their direct supervisors, relevant opinions are also discussed in higher-level management meetings and responded to one by one. The company holds labor-management meetings quarterly, and employees can communicate through labor representatives in the meetings.	No difference.
(3) Others (such as occupational safety and health management system certified by OHSAS 18001 or relevant organizations, provision of reasonable welfare and remuneration to employees, etc.)	✓		(3) All factories have obtained ISO 45001 Occupational Health and Safety Management System certification; the group provides employees with reasonable benefits and remuneration, please refer to the explanation in “V. Operation Overview” and “5.Labor Relations” in the annual report.	No difference.
2. Employee Care				
(1) Ensure a safe working environment	✓		1. Appoint a security company for building security management. 2. Cooperate with a building public safety inspection company to conduct fire safety inspections to ensure a safe working environment. 3. Fire and disaster prevention for the building lecture every year. 4. Conduct an annual fire safety training seminar for the building. Purchase public liability insurance for the building to protect the safety of employees and visitors entering and exiting the building. 5. To implement a fire protection plan and other fire management matters to ensure public safety, the company has assigned personnel to attend training at the Taipei City Apartment Building and Community Service Association and obtain a	No difference. No difference. No difference. No difference. No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations From the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(2) Establish written policies related to labor health and safety	✓		Certificate of Qualification for Fire Management Training. The company has established a labor safety management unit and formulated the “Safety and Health Work Rules.”	
(3) Others (such as emphasizing the physical and mental development of employees and their family life, etc.)	✓		Employees are encouraged to participate in healthy leisure activities. The Employee Welfare Committee regularly organizes employee (including family members) tours for relaxation and recreation.	
3. Investor Relations				
(1) Enhance operational transparency	✓		Our company’s financial statements and important financial and business information are publicly disclosed on the Public Information Observation Station website as required, and an “Investor Relations” section has been established on our company’s official website to provide sufficient information disclosure to investors.	No difference.
(2) Emphasize corporate governance	✓		We have recruited industry leaders, as well as accountants and lawyers, to serve as directors of the company to provide advice on business management and have established various corporate governance-related policies to strengthen corporate governance as our goal.	No difference.
(3) Others	✓		With the philosophy of sustainable operation, we aim to maximize economic benefits for our employees, shareholders, customers, and suppliers. Our company has implemented electronic voting at shareholders’ meetings as required.	No difference.
4. Supplier Relations				
(1) Emphasize the reasonableness of procurement prices	✓		Pay attention to market trends and regularly review product cost structure and gross profit margin performance to ensure reasonable procurement prices.	No difference. No difference.
(2) Legal and fair trade	✓		Conduct regular supplier audits and guidance, emphasizing legal and fair trade.	No difference.
(3) Others	✓		Qualified suppliers must sign an environmental commitment and integrity commitment to ensure their commitment to the environment and quality. Additionally, products must pass inspection reports from accredited third-party laboratories to ensure product quality.	
5. Interests of Stakeholders				

Evaluation Item	Implementation Status (Note 1)			Deviations From the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(1) Respect for Intellectual Property Rights	✓		The company follows the laws and regulations promulgated by the government, and simultaneously applies for patents for the research and development achievements and technologies to protect intellectual property rights. To protect the company's intellectual property rights and avoid infringing upon others' intellectual property rights, the company has established a legal department. Additionally, the company has signed a retainer agreement with an external law firm to provide consultation on intellectual property rights to safeguard the company's interests. So far, the company has not experienced any intellectual property rights disputes.	No difference.
(2) Importance of Customer Relationships (such as protecting consumer rights, emphasizing product quality, safety and innovation, attaching importance to and immediately handling customer complaints, providing complete product information, etc.)	✓		The company emphasizes customer needs, handles customer complaints promptly, and provides comprehensive product information to maintain optimal customer relationships. It constantly monitors customer dynamics, ensures the progress of new product development, and cooperates with customers' product development projects until successful mass production to strike a balance between delivery time and quality after mass production.	No difference.
(3) Compliance with Laws and Regulations	✓		The company has formulated operating procedures following the laws and regulations promulgated by the government.	No difference.
(4) Others (such as disclosing the implementation of corporate social responsibility policies on the company's website, etc.)	✓		The company's official website has a "Sustainable Development" section that fully discloses the implementation of corporate social responsibility policies, corporate integrity management, and stakeholder areas, providing communication channels and contact windows for various issues of concern to investors.	No difference.
6. Training Status of Directors and Supervisors	✓		All directors and independent directors of the Company have undergone the required training. For details on the directors' training in the most recent fiscal year, please refer to the explanations in Appendix (Note 4) and the information is also posted on the 'Market Observation Post System'.	No difference.
7. Implementation of risk management policies and risk measurement standards	✓		To strengthen corporate governance and effectively implement the company's risk management mechanism, our company has approved the "Risk Management Policy and Procedures" on December 14, 2022 by the Board of Directors, as the highest guiding principle for risk management compliance.	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations From the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			The implementation of our company's risk management is divided into three management levels. Each risk management unit shall regularly adjust the control and management mechanisms according to changes in the internal and external operating environment, continue to pay attention to the development of international and domestic risk management, identify emerging risks, and the President shall be responsible for reviewing the integrity of the company's risk management-related mechanisms, coordinating and supervising the risk control situations of each unit, and regularly (at least once a year) reporting to the Board of Directors on the operation of risk management.	
8. Implementation of Customer Policies	✓		Our company strictly adheres to the agreements with our customers and ensures their rights and interests. For customers, we sign environmental protection contracts or add environmental protection clauses to quality contracts, committing our company to comply with environmental protection laws and policies during the production process.	No difference.
9. Information on liability insurance purchased for directors and supervisors	✓		Our company has insured "Directors and Officers Liability Insurance" with Cathay Century Insurance Co., Ltd. The insured parties are the directors and officers of our company, with an insured amount of USD 3 million. The insurance period is from June 6, 2023 to June 6, 2024 After expiration, we will continue to renew the insurance to protect the interests of shareholders.	No difference.
10. The status of the company's establishment of information security risk management	✓		To establish a secure information security environment and strengthen the group's internal information security management system, the company has formulated the "Information Security Management Regulations" to maintain the confidentiality, integrity and availability of the company's information assets, and to protect user data privacy. We conduct information security education and training to promote employees' awareness of information security and enhance their recognition of relevant responsibilities. We implement an information security risk assessment mechanism to improve the effectiveness and timeliness of information security management. We also implement an internal information security audit system to ensure the implementation of information security management. Considering that cyber insurance is still an emerging type of insurance, involving information security	No difference.

Evaluation Item	Implementation Status (Note 1)			Deviations From the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			level testing agencies, claim appraisal agencies and non-indemnity conditions, etc., the company is still under evaluation.	

Note 3:

1. The implementation of various training programs provided to employees by our company in 2023 is as follows:

Items	Training and Course Programs	Number of Classes	Number of Trainees	Course Hours	Training Expenditure (NTD)
A	New employee training	24	24	48	-
B	Professional skills training	11	30	42.5	12,500
C	Management skills training	8	8	54	29,500
D	Others training	2	2	4	3,000

- (1) New employee training: Provide new employees with pre-job training, safety and health education training, and general education training.
 - (2) Professional skills training: It refers to the company's internal training provided to colleagues in various units for system operations in sales, manufacturing, finance, etc., as well as external professional training courses attended.
 - (3) Management skills training: It is according to the regulations of the competent authority that only unit supervisors attending external events (financial and accounting supervisors, audit supervisors, corporate governance supervisors) can receive training.
 - (4) Others training: Notice of explanation meeting for matters to note on insider equity reporting and continuing education courses for directors and supervisors.
2. Regarding personnel related to financial information transparency in our company for the year 2023, their relevant certifications obtained and training received as specified by the competent authority are as follows:

Title	Name	Continuing Education System (Learning Units)	Course Name	Training Hours
Chief Financial Officer	Hsu, Kuo-Huang	Accounting Research and Development Foundation	Issuer securities firm securities exchange accounting officer continuing education class	12

Title	Name	Continuing Education System (Learning Units)	Course Name	Training Hours
Acting Head of Accounting	Wu, Hui-Min	Accounting Research and Development Foundation	Issuer securities firm securities exchange accounting officer continuing education class	12
Financial reporting accountants	Lin, Ssu-Yu	Securities And Futures Institute	Analysis of relevant regulations and important issues for preparing IFRS financial statements	3
		Securities And Futures Institute	ESG Information Disclosure Major Strategy Under Sustainable Trends	3

3. Audit supervisor training status:

Title	Name	Continuing Education System (Learning Units)	Course Name	Training Hours
Audit Manager	Chiang, Ming-Te	The Institute of Internal Auditors - Chinese Taiwan	Subsidiary Audit Practices	6
		The Institute of Internal Auditors - Chinese Taiwan	Essential ChatGPT Mastery for Internal Auditors	6

4. The training and continuing education of managerial officers related to corporate governance is as follows:

Title	Name	Continuing Education System (Learning Units)	Course Name	Training Hours
Chairman	Chang, Li-Jung	Financial Supervisory Commission	The 14th Taipei Corporate Governance Forum	6
President	Lu, I-Hsuan	Taiwan Corporate Governance Association	Trusted Operations to Combat Comprehensive Infiltration? Discussing Offensive and Defensive Strategies for Trade Secrets	3
		Financial Supervisory Commission	The afternoon session of the 14th Taipei Corporate Governance Forum	3
		Taiwan Stock Exchange	【The Carbon Market Sets Sail: A New Chapter for a Sustainable Future】 Summit	3
Head of Corporate Governance	Hsu, Kuo-Huang	Securities And Futures Institute	A practical seminar for directors, supervisors (including independent supervisors), and corporate governance officers	12
		Greater China Financial and Economic Development Association, Taiwan Listed Companies Association	The impact of carbon pricing on business operations	3
		Greater China Financial and Economic Development Association, Taiwan Listed Companies Association	Corporate talent competition: exploring key issues in employee remuneration strategies	3

Note 4: Recent year director training status

Job Title	Name	Date	Continuing Education System (Learning Units)	Course name	Training Hours	Is it in compliance with the “Guidelines for Continuing Education of Directors and Supervisors of Listed Companies
Chairman	Chang, Li-Jung	2023/11/29	Securities And Futures Institute	2023 Internal Personnel Equity Transaction Legal Compliance Advocacy Briefing	3	Yes
		2023/09/04	Financial Supervisory Commission	The 14th Taipei Corporate Governance Forum	6	Yes
Director	Lu, I-Hsuan	2023/08/08	Taiwan Corporate Governance Association	Trusted Operations to Combat Comprehensive Infiltration? Discussing Offensive and Defensive Strategies for Trade Secrets	3	Yes
		2023/09/04	Financial Supervisory Commission	The afternoon session of the 14th Taipei Corporate Governance Forum	3	Yes
		2023/11/29	Taiwan Stock Exchange	【The Carbon Market Sets Sail: A New Chapter for a Sustainable Future】Summit	3	Yes
		2023/12/08	Securities And Futures Institute	2023 Internal Personnel Equity Transaction Legal Compliance Advocacy Briefing	3	Yes
Director	Chen, Shuh	2023/07/11	Taiwan Academy of Banking and Finance	The Present and Future of Industrial AI - The Impact of ChatGPT and How Businesses Should Respond	3	Yes
		2023/10/25	Taiwan Corporate Governance Association	Net-zero emissions, carbon neutrality, and corporate regulatory compliance	3	Yes
		2023/11/08	Taiwan Corporate Governance Association	Dual-Axis Transformation Towards 2050 Net Zero	3	Yes
		2023/11/15	Securities And Futures Institute	2023 Internal Personnel Equity Transaction Legal Compliance Advocacy Briefing	3	Yes
Director	Chen, Tai-Chung	2023/09/04	Financial Supervisory Commission	The 14th Taipei Corporate Governance Forum	6	Yes
Independent director	Hsieh, I-Ta	2023/07/08	Accounting Research and	2023 conference on transforming finance and	3	Yes

Job Title	Name	Date	Continuing Education System (Learning Units)	Course name	Training Hours	Is it in compliance with the “Guidelines for Continuing Education of Directors and Supervisors of Listed Companies
			Development Foundation	sustainable disclosure		
		2023/11/22	Securities And Futures Institute	2023 Internal Personnel Equity Transaction Legal Compliance Advocacy Briefing	3	Yes
Independent director	Chu, Yann-Fang	2023/04/27	TWSE and TPEx	Promotion Conference for Sustainability Action Plans for Listed Companies	3	Yes
		2023/09/04	Financial Supervisory Commission	The afternoon session of the 14th Taipei Corporate Governance Forum	3	Yes
Independent director	Chou, Che-Yi	2023/04/27	TWSE and TPEx	Promotion Conference for Sustainability Action Plans for Listed Companies	3	Yes
		2023/07/21	Taiwan Investor Relations Institute	How companies can respond to ESG challenges and create opportunities for transformation	3	Yes

(4) If the Company Has Established a Remuneration Committee or Nomination Committee, It Should Disclose the Composition and Operation of the Committee

1. Composition of the Remuneration Committee

Our company has already established a remuneration Committee, and the appointment of the fifth remuneration Committee members was approved by the Board of Directors on July 11, 2023. The committee consists of three independent directors. The professional qualifications and independence of the committee members meet the provisions of Articles 5 and 6 of the Regulations Governing the Appointment and Exercise of Powers by the remuneration Committee.

Remuneration Committee Member Information

April 5, 2024

Capacity (Note 1)	Qualifications	Professional Qualification (Note 2)	Independence Analysis (Note 3)	Number of Other Public Companies at Which the Person Concurrently Serves as Remuneration Committee Member
	Name			
Independent director, convener of the remuneration Committee	Hsieh, I-Ta	<ol style="list-style-type: none"> Served as the convener of the 5th remuneration Committee. Previously served as a member of the 1st to 5th remuneration Committees. Has a lawyer's license. Has work experience in business, law, management, and company operations as required, please refer to the director's information on page 20 of the annual report. None of the circumstances set forth in Article 30 of the Company Act. 	<ol style="list-style-type: none"> Meets the conditions for independence. For the two years prior to the appointment and during the term of office, there were no circumstances as described in Article 6, Paragraph 1 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter". 	0

Capacity (Note 1)	Qualifications	Professional Qualification (Note 2)	Independence Analysis (Note 3)	Number of Other Public Companies at Which the Person Concurrently Serves as Remuneration Committee Member
	Name			
Independent director	Chu, Yann-Fang	<ol style="list-style-type: none"> 1. Served as a member of the 4th and 5th remuneration Committee. 2. Holds the Project Management Professional (PMP) certification from the United States. 3. Served as a lecturer in business, finance, and accounting at public and private universities and colleges for more than five years. 4. Possesses the necessary work experience in business, finance, accounting, operational management, and corporate operations. Please refer to the director's information on page 20 of the annual report for related content. 5. None of the circumstances set forth in Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Meets the conditions for independence. 2. For the two years prior to the appointment and during the term of office, there were no circumstances as described in Article 6, Paragraph 1 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter". 	0
Independent director	Chou, Che-Yi	<ol style="list-style-type: none"> 1. Served as a member of the 4th and 5th Remuneration Committee. 2. Holds a Certified Public Accountant license. 3. Has work experience in business, finance, accounting, industry, marketing, operations management, and corporate affairs as required, please refer to the relevant information on page 20 of the annual report for directors' information. 4. None of the circumstances set forth in Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. Meets the conditions for independence. 2. For the two years prior to the appointment and during the term of office, there were no circumstances as described in Article 6, Paragraph 1 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter". 	1

- Note 1: The work experience, professional qualifications, and independence of each member of the remuneration Committee have been described. All members of this committee are independent directors.
- Note 2: Professional qualifications and experience: Explain the professional qualifications and experience of individual members of the remuneration Committee. For relevant experience, please refer to Table 1 Director Information on page 20 of the annual report.
- Note 3: It has been disclosed individually whether the members of the remuneration Committee meet the independence criteria, including but not limited to whether the member, spouse, or second-degree relatives serve as directors, supervisors, or employees of the company or its affiliated companies; the number and percentage of company shares held by the member, spouse, or second-degree relatives (or in the name of others); whether they serve as directors, supervisors, or employees of companies with specific relationships with the company (as defined in Articles 5-8 of the Regulations Governing the Appointment and Exercise of Powers by the remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter); and the amount of remuneration received in the last two years for providing business, legal, financial, accounting or other services to the company or its affiliated companies.

2. Responsibilities and Scope of Authority of the Remuneration Committee

This Committee shall exercise the care of a good administrator and faithfully perform the following functions, and submit its recommendations to the Board of Directors for discussion. However, recommendations regarding the remuneration of supervisors shall be submitted to the Board of Directors for discussion only if such remuneration is stipulated in the company's articles of incorporation or authorized by a resolution of the shareholders' meeting:

- (1) Formulate and regularly review the policies, systems, standards, and structures for performance evaluation and compensation of directors, supervisors, and managers.
- (2) Regularly evaluate and determine the remuneration of directors, supervisors, and managers.

When exercising the duties set forth in the preceding paragraph, this committee shall act in accordance with the following principles:

- (1) The performance evaluation and remuneration of directors, supervisors, and managers should be based on the common standards of the same industry, and consider the reasonableness associated with individual performance, company operating performance, and future risks.
- (2) Directors and managers should not be encouraged to engage in behaviors that exceed the company's risk appetite in pursuit of remuneration and remuneration.
- (3) Regarding the proportion of bonuses paid to directors and senior managers for short-term performance and the timing of payment for part of the variable salary remuneration, the industry characteristics and the nature of the company's business should be taken into consideration in making the decision.

3. The Operation of the Remuneration Committee

Information on the Operation of the remuneration Committee

- (1) The company's remuneration Committee consists of 3 members.
- (2) Term of office for the current committee: From July 11, 2023 to May 29, 2026, the Compensation Committee (5th term) held a total of 3 meetings (A). The attendance of the committee members are as follows:

July 11, 2023 to February 27, 2024

Title	Name	No. of Meetings Attended in Person (B)	No. of Meetings Attended by Proxy	In- Person Attendance Rate (%) (B/A) (Note)	Remarks
Convener (Independent director)	Hsieh, I-Ta	3	0	100%	None
Member (Independent director)	Chu, Yann-Fang	3	0	100%	None
Member (Independent director)	Chou, Che-Yi	3	0	100%	None

Other matters required to be recorded:

- (1) If the board of directors decides not to adopt or amend the recommendations of the remuneration committee, it should state the date, period, content of the proposal, resolution of the board meeting, and how the company has handled the opinions of the remuneration committee (if the remuneration approved by the board of directors is better than the recommendations of the remuneration committee, the company should explain the differences and reasons): No such situation.
- (2) If any member of the remuneration Committee has dissenting or qualified opinions on the items resolved, and these opinions are recorded or stated in writing, the date, period, content of the proposal, opinions of all members, and how these opinions were addressed should be specified: No such situation.
- (3) The discussion agenda and resolution results of the most recent (5th) remuneration Committee, and the company's handling of the remuneration Committee's opinions:

Remuneration Committee Meeting Date	Term	Discuss the Contents of the Proposal	Resolution Result	Company's Handling of Opinions Regarding Remuneration Committee on Remuneration and Benefits
2023.08.09	1st meeting, the 5th session	This company's proposal for salary adjustments of directors and managers in the year 2023	All attending members passed the proposal without objection.	Processed according to resolution.
2024.01.11	2nd meeting, the 5th session	Case of annual bonus distribution for directors and managers in the execution of business operations in the company's year 2023	All attending members passed the proposal without objection.	Processed according to resolution.
2024.02.27	3rd meeting, the 5th session	2023 Directors' remuneration for Execution of Duties.	All attending members passed the proposal without objection.	Processed according to resolution.

4. Information on the members of the Nomination Committee and its operations: N/A.

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

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
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 achieve the goal of sustainable development and promote economic, environmental and social progress, our company has established the “Sustainable Development Code of Practice” to manage economic, environmental and social risks and impacts. Our company defines four main principles for the implementation of sustainable development: Implement corporate governance; Develop a sustainable environment; Maintain social welfare; Strengthen the disclosure of corporate sustainability information. The Administrative Department, led by the President as the chief convener, is the dedicated (concurrent) unit for promoting sustainable development. It convenes and chairs the Sustainable Development Task Force meetings, oversees and resolves related promotion matters, and regularly reports to the Board of Directors on the progress and results of sustainable development work, as well as future plans.	No difference.
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?	✓		The company passed the “Risk Management Policy and Procedures” during the board meeting on December 14, 2022. According to the principle of materiality, we conducted risk assessments on environmental, social, and corporate governance issues related to company operations as the basis for risk management and	No difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(Note) The principle of materiality refers to environmental, social and corporate governance issues that have a significant impact on the company's investors and other stakeholders.			<p>implementation.</p> <p>On the environmental aspect, Hotron fulfills its corporate citizenship responsibilities by actively promoting energy conservation, carbon reduction, and waste reduction. Every year, we obtain the ISO 14001:2015 Environmental Management System certification to review and inspect the reduction results. On the social aspect, Hotron values employee's balanced development and is committed to providing a safe and healthy work environment. Through daily operational activities in each department, we identify potential risks and continuously strengthen operational management, fire drills, and other preventive mechanisms. We also regularly conduct hazard identification, risk assessment, and education and training on operating procedures. In terms of products, we are dedicated to developing and producing products that comply with environmental regulations in various countries. Colleagues from R&D, QA, procurement, manufacturing, and other departments jointly discuss and establish product substance management regulations, regularly conduct supply chain management, require suppliers to issue "Supplier Environmental Protection and Safety Production Commitment Letters," and jointly comply with the latest version of the "Responsible Business Alliance Code of Conduct." Regarding corporate governance, our company has appointed a corporate governance officer responsible for corporate</p>	

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			governance-related affairs and assisting directors in complying with laws and regulations as well as handling board of directors and shareholders' meetings.	
3. Environmental Issues (1)Has the Company set an environmental management system designed to industry characteristics?	✓		<p>Our group headquarters is located in Neihu District, Taipei City, which is not an ecological conservation area or habitat. We do not have any factories, and hence do not have any impact on the natural ecological environment or violate any environmental protection laws or air pollution regulations. The company has established a good and suitable working environment and various management systems.</p> <p>Our factories are located in Suzhou High-Tech Industrial Development Zone, Jiangsu Province, China; Hotron Science & Technology Industrial Park, Tianmen City, Hubei Province, China; and Dong Van 4 Industrial Park, Binh Duong Province, Vietnam. All factories comply with local national environmental regulations, and have obtained ISO 14001 Environmental Management System certification and ISO 14064-1 Greenhouse Gas Inventory Report. The company has incorporated energy conservation, carbon reduction, greenhouse gas reduction, water resource management, and waste reduction into its policies.</p> <p>1. Environmental management system certifications obtained by our factories: Suzhou Factory obtained ISO 14001:2015 for the first</p>	No difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>time on March 19, 2012 (latest certification period: from March 6, 2024 to March 18, 2027).</p> <p>Hubei Factory obtained ISO 14001:2015 for the first time on July 26, 2022 (latest certification period: from March 10, 2021 to March 18, 2024). (latest certification period: from July 26, 2022 to July 25, 2025).</p> <p>Vietnam Factory obtained ISO 14001:2015 for the first time on January 20, 2022 (latest certification period: from January 20, 2022 to January 20, 2025).</p> <p>2. Greenhouse gas inventory certifications obtained by our factories: Suzhou Factory obtained ISO 14064-1:2018 certification for the first time in 2019 (latest certification date: October 12, 2023).</p>	
(2) Does the company committed to improving energy efficiency and using renewable materials with low environmental impact?	✓		<p>Due to the nature of our operations, our company does not require a significant amount of electricity and water consumption. The main environmental impact from our operations is the discharge of general domestic wastewater and waste generation. We are committed to improving the efficiency of resource utilization, including paper recycling, energy conservation and carbon reduction, air conditioning restrictions, turning off lights when not in use, and minimizing the environmental impact, ensuring the sustainable use of the</p>	No difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>Earth's resources.</p> <p>Our Suzhou plant has obtained third-party certification for the ISO 50001 Energy Management System. Through improving energy efficiency and effective management methods, we aim to reduce energy costs, meet customer requirements, and comply with domestic and international regulations.</p> <p>Energy management system certifications obtained by our factories:</p> <p>Suzhou Factory obtained GB/T23331-2020/ISO 50001:2018 for the first time on February 16, 2019 (Latest certification date: February 14, 2023, valid until: February 15, 2025)</p>	
(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?	✓		Our company is committed to significantly reducing the energy consumption of our products, minimizing the environmental impact of the manufacturing process, evaluating countermeasures for climate change-related issues, and assessing carbon management-related risks and potential opportunities, including regulatory, physical and other aspects. For more details, please refer to the explanation under "Assessment Item: Other important information that helps understand the implementation of sustainable development."	No difference.
(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	✓		Our company has compiled greenhouse gas emissions, water consumption, and total waste weight for the past two years. Please refer to our company website and the	No difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?			<p>publicly accessible information observatory for disclosure.</p> <p>Since 2019, our Suzhou plant has conducted an annual 100% greenhouse gas inventory that has passed ISO14064-1: 2018 greenhouse gas inventory certification. In 2022, we signed the Carbon Neutrality Action Declaration, committing to implement and increase our contribution to carbon reduction. We aim to take more robust policies and measures, with carbon dioxide emissions striving to peak by 2030 and achieving carbon neutrality by 2050. Our emission reduction target (baseline year 2021) is to reduce carbon dioxide emissions by 2% annually from 2022 to 2025. Currently, we continuously improve production line energy efficiency through regular reviews, energy-saving performance tracking, and improvement operations.</p> <p>Our company has joined the government's electronic exchange mechanism, making document delivery more convenient, saving document delivery time, paperwork, and postage costs, significantly reducing paper consumption and other resources.</p> <p>Our company has implemented the following measures in the office:</p> <ol style="list-style-type: none"> 1. Set air conditioning temperature to 27-28°C. 2. Prohibit smoking in all office and building spaces to reduce air pollution. 3. Turn off lights when not in use, and all office lights 	

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>are turned off during the noon break.</p> <p>4. Encourage employees to bring their own utensils for lunch to reduce the use of disposable tableware.</p> <p>5. After work, designated employees check if any lights or computers are left on. Unplug all electrical appliances except refrigerators in the pantry.</p> <p>6. In addition to implementing garbage sorting in all workplaces, the company also encourages employees to use eco-friendly cups, chopsticks, and bags, and avoids providing paper cups during meetings to reduce waste generation.</p> <p>7. Promote double-sided printing to reduce paper consumption and encourage reusing internal envelopes, actively promoting office environmental measures to reduce resource waste.</p> <p>8. Promote garbage bin reduction to decrease the amount of waste.</p>	
<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>The company complies with relevant laws and international human rights conventions, and has formulated work rules, attendance management measures, sexual harassment prevention measures, grievance and disciplinary management measures, and other relevant management policies and procedures. It protects the legitimate rights and interests of employees, respects the basic principles of labor rights, and does not infringe upon basic labor rights. The company's</p>	No difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			management department and labor-management meetings serve as grievance channels for employees, and any employee grievances are handled impartially. The company holds labor-management meetings every quarter to communicate with representatives from various labor groups, providing ample channels for communication. Please refer to the company's website for the human rights policy and relevant management policies.	
(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?	✓		1. Employee remuneration, operating performance reflected in employee remuneration: The company has established the "Salary Determination Management Regulations" to provide equal pay for equal work and appropriate compensation methods. Within the framework of relevant labor laws and regulations, the company has formulated an overall compensation policy to motivate, reward, and retain outstanding talents. The "Business Performance Bonus Management Regulations" and "Employee Compensation Distribution Regulations" have been established to incentivize employees to enhance the company's operating performance and share operational results with employees. The "Performance Appraisal Management Regulations" have been established, and employee performance is evaluated regularly every six months, with clearly defined effective reward and	No difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>disciplinary contents. Through the “Work Rules,” the company regulates the company rules or codes of ethics that employees should follow, promotes employees’ corporate social responsibility, and requires compliance with relevant laws and regulations when engaging in operational activities. According to Article 20 of the company’s Articles of Incorporation, if the company makes a profit in a given year, employee compensation of no less than 1% shall be distributed.</p> <p>Information regarding employee welfare policies and rights protection measures, average employee salary adjustments, and salaries of full-time non-managerial employees is disclosed by the company in compliance with regulations on the Public Information Observatory website and the company’s website.</p> <p>2. Employee welfare measures: The company complies with relevant labor laws and regulations to formulate personnel rules and regulations. Employee leave is granted in accordance with the Labor Standards Act, and special annual leave is provided based on years of service. Employee welfare measures are implemented in accordance with relevant government welfare regulations and are coordinated and planned by the Employee Welfare Committee. Please refer to page 192 of the annual report for “5.Labor Relations.”</p>	

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			3. Workplace diversity and equality: Equal pay for equal work and equal promotion opportunities are provided for men and women. In 2023, female managers accounted for 26% of managerial positions.	
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	✓		<p>1. The company values and provides a good and healthy working environment for employees. Employee codes are established to regulate the company's regulations and ethical codes that employees should follow. There is access control when entering and leaving the office, with 24-hour security personnel stationed on the first floor of the building, and fingerprint settings on each floor to ensure the safety of people entering and leaving.</p> <p>2. Regular health examinations and safety and health education training are provided for employees, and group accident insurance and business travel safety insurance applicable to employees working abroad are purchased.</p> <p>3. In 2023, the group had a total of 2 cases of occupational injuries, with a number and percentage of total employees of 0.12%. All factories have obtained ISO 45001 certification, and every year, a health and environmental testing company is commissioned to test for hazardous factors in the workplace (including workplace dust measurement, toxic substance measurement, lighting measurement,</p>	No difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>radiation measurement, drinking water testing, wastewater, exhaust gas, noise, etc.), and all tests meet the standards.</p> <p>4. Occupational safety and health management system certifications obtained by our factories: Suzhou Factory obtained ISO 45001:2018 for the first time on October 08, 2007 (latest certification period: from March 21, 2022 to April 11, 2025). Hubei Factory obtained ISO 45001:2018 for the first time on July 26, 2022 (latest certification period: from March 10, 2021 to March 18, 2024). (latest certification period: from July 26, 2022 to July 25, 2025). Vietnam Factory obtained ISO 45001:2018 for the first time on January 20, 2022 (certification period: from January 20, 2022 to January 20, 2025).</p> <p>5. Number of fires in the year: 0 cases, number of casualties 0, and percentage of casualties to total employees: not applicable. Relevant improvement measures in response to fires: N/A. Relevant improvement measures in response to fires: not applicable.</p>	
(4)Has the Company established effective career development training programs for employees?	✓		The company provides necessary internal and external education and training based on employees' needs, and	No difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>adjusts their duties in a timely manner according to their aptitudes and abilities, in order to cultivate their potential for career development. Employees can apply for external education and training courses due to work requirements. Each department will arrange appropriate internal education and training courses as needed for employees' on-the-job training. Appropriate internal training courses are also provided for new employees to provide them with comprehensive professional skills and self-growth development.</p> <p>The training plan covers new employee training, professional development, management training, and more. For the company's implementation of various continuing education programs for employees, please refer to page 192 "5.Labor Relations" of the annual report. No difference.</p>	
(5)Does the company comply with the 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>Our company complies with relevant laws and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services. We sign environmental protection contracts or add environmental protection clauses in quality contracts with customers, promising that the company will comply with environmental protection laws and policies during the production process to protect consumer rights and customer interests. The production process of our products is not a polluting industry, and there are no major violations.</p>	No difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>The products produced by our Suzhou plant completed the EU RoHS management mechanism certification in 2004-2005, adhering to the “non-hazardous substance” certification standard system, and developing environmentally friendly halogen-free products as a commitment to environmental protection. We have also passed the IECQ QC 080000: 2017 International Electrotechnical Commission Electronic Components Quality Management System Verification, which protects consumers from toxic substances, strengthens the control of hazardous substances in products, and sets standards for material management, supplier management, production and maintenance procedures control, and relevant quality approval processes.</p> <p>The factory obtained the following certificates: Suzhou Factory obtained IECQ QC 080000:2017 for the first time on July 16, 2008 (latest certification period: from March 15, 2023 to March 26, 2026). Hubei Factory obtained IECQ QC 080000:2017 for the first time on July 28, 2022, the year of establishment (latest certification period: from July 28, 2022 to July 27, 2025).</p> <p>Our company’s website has a stakeholder section, providing contact windows and complaint hotlines for employees, customers, procurement suppliers, investors, etc., with dedicated personnel responsible for providing</p>	

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			transparent and timely handling procedures for various complaints to ensure reasonable protection of stakeholders' rights and interests.	
(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 rights, and what is the status of their implementation?	✓		<p>Our company has established the “Supplier Management Operating Procedures”. Suppliers must comply with the CSR regulations required by our company and our customers, and we require suppliers to sign the “Guarantee of Non-Use of Conflict Minerals”, “Metal Source Investigation and Declaration of Non-Use of Conflict Metals”, and the “Integrity Commitment”.</p> <p>For our subsidiaries engaged in production and manufacturing in mainland China, we have the “Supplier Management Operating Procedures” for suppliers regarding environmental protection, safety, and health, and require suppliers to sign the “Supplier Environmental Protection and Safety Production Commitment”. We require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor rights issues, and implement them well and effectively.</p> <p>Before our company deals with suppliers, we will conduct supplier evaluation operations in accordance with RBA standards, evaluating the sources of raw materials supplied by suppliers and reviewing the production processes. We have assessed whether suppliers have polluted the environment or violated laws in the past to ensure that the suppliers we cooperate with</p>	No difference.

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>are legally certified factories and that the products they produce comply with international regulations.</p> <p>All suppliers must sign the Supplier Quality Agreement and Environmental Protection Contract Commitment, and add environmental protection clauses to the quality contract, promising to comply with environmental protection laws and policies in the production process, as a commitment to environmental protection. We require that there be no major violations of pollution during the production process. In terms of occupational safety and health, suppliers must comply with relevant safety and health regulations.</p> <p>Our company requires suppliers to sign the RBA (Responsible Business Alliance) compliance declaration to ensure a safe working environment in the supply chain of the electronics industry or industries with electronics as a major component, respect and dignity for workers, and corporate responsibility for environmental protection and compliance with ethical standards. The content includes chapters on labor, health and safety, and the environment.</p> <p>Currently, none of the suppliers our company deals with have been found to be in violation of their corporate social responsibility policies. However, if there are any significant impacts on the environment or society, in order to maintain our company's reputation and product quality, we will terminate or cancel the contract at any</p>	

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			time. For supplier management regulations, please refer to our company website.	
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? Have the aforementioned reports obtained assurance or an opinion from a third-party verification unit?		✓	Have the aforementioned reports obtained assurance or an opinion from a third-party verification unit? Our company has not yet prepared a sustainability report, but in order to achieve the goal of sustainable development, we have referred to the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and formulated our own “Sustainable Development Best Practice Principles”. We implement relevant policies, strategies, and measures in accordance with these principles. In the future, we will also diligently implement and operate these principles, fulfill our corporate social responsibility, and realize corporate governance. At the end of each year, we will report the implementation status for that year to the Board of Directors and disclose it on the company website.	No difference.
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 operates in accordance with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies,” and there are no differences from the “Sustainable Development Best Practice Principles” that it has established. Considering the development trends of domestic and international sustainability issues and their relevance to the company’s core business, as well as the overall impact of the company’s operations on stakeholders, the company will soon formulate its sustainability development policies, systems, and relevant specific promotion plans, and submit the schedule to the Board of Directors for approval and report to the shareholders’ meeting. If shareholders propose motions related to sustainable development, the company’s Board of Directors will consider including them as agenda items for the shareholders’ meeting.				

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
7. Other important information to facilitate better understanding of the company’s promotion of sustainable development: Social welfare activities report. The Company, in order to give back to the society and fulfill its social responsibility, participates in social welfare activities, donates and sponsors charitable organizations, and initiates employee participation in charity sales activities to support folk culture inheritance, assist community care and support, and engage in long-term social welfare activities with the hope of bringing positive changes to society. Details of the Company’s donations to educational, cultural, and charitable organizations or groups in the most recent year and up to the date of printing the annual report: <div>January 1, 2023 to March 31, 2024</div>				
Field	Recipient	Purpose		Sponsorship Amount
Folk Culture	Anxi Mansion, Fuan Temple, Anhai Temple	Support the inheritance of folk culture and use religion to bring inner peace to the people		NTD 1,520,000
Community Care	1. Genesis Social Welfare Foundation	Care for vegetative persons		NTD 140,000
	2. Eden Social Welfare Foundation	Services for people with physical and mental disabilities		NTD 140,000
	3. Aiwan Fund for Children and Families	Child and youth protection		NTD 140,000
	4. Huashan Social Welfare Foundation	Serve local disabled, demented and dependent elderly		NTD 140,000
	5. Garden of Hope Foundation	Prevent and eliminate sexual assault, sexual exploitation and domestic violence against women		NTD 140,000
	6. Hope Foundation Cancer Care	Serve cancer patient families		NTD 140,000
	7. Earth Citizen Foundation	Promote environmental protection and establish a sustainable environment		NTD 140,000
	8. South link Mdical Foundation	Provide medical care services and holistic care for residents along the South-Link Line and nearby areas		NTD 20,000
	9. Taiwan Public Welfare League	Help children in remote areas and solitary elderly who face difficulties in learning, employment and life. The Charity Alliance aims to care for Taiwan’s main groups and bring sunshine to those in need.		NTD 20,000
	10. SCALove Association	Help disadvantaged solitary elderly		NTD 20,000

(6) Climate-Related Information for Listed Companies

1. Implementation of Climate-Related Information

Items	Implementation Status
<p>1. Describe the oversight and governance of climate-related risks and opportunities by the board of directors and management.</p> <p>2. Describe how identified climate risks and opportunities affect the company's business, strategy, and finances (short-term, medium-term, and long-term)</p> <p>3. Describe the financial impacts of extreme climate events and transition actions.</p>	<p>1. To strengthen corporate governance and effectively implement the company's risk management mechanism, our company has approved the "Risk Management Policy and Procedures" on December 14, 2022 by the Board of Directors, as the highest guiding principle for risk management compliance. The Board of Directors serves as the highest decision-making body for risk management, with each department functioning as a risk management unit. Department heads are responsible for risk management. Depending on changes in the internal and external operating environments, these units regularly adjust their control and management mechanisms. They also continuously monitor developments in both international and domestic risk management, identify emerging risks, and ensure the integrity of the company's risk management mechanisms. The President is responsible for reviewing these mechanisms, coordinating and supervising the risk control activities of each unit, and reporting on the status of risk management to the Board of Directors at least annually. Currently, regarding environmental issues, the company assesses the countermeasures for climate change-related issues, including regulatory, physical, and other aspects of carbon management-related risks and potential opportunities. Please refer to Note 1 for details.</p> <p>2. The company plans to compile a sustainability report starting from 2025 and expects to establish a sustainability development unit with a risk management task force in the second half of 2024 to conduct a comprehensive assessment of the company's risks.</p> <p>3. The company will assess after establishing the risk management task force.</p>

Items	Implementation Status
4. Describe the processes for identifying, assessing, and managing climate risks and how they are integrated into the overall risk management system.	4. The company will assess after establishing the risk management task force.
5. If scenario analysis is used to assess resilience to climate change risks, explain the scenarios, parameters, assumptions, analysis factors, and key financial impacts used.	5. The company will assess after establishing the risk management task force.
6. If there is a transition plan for managing climate-related risks, describe the plan, as well as the indicators and targets used to identify and manage entity risks and transition risks.	6. The company will assess after establishing the risk management task force.
7. If an internal carbon price is used as a planning tool, explain the basis for the pricing.	7. Not yet formulated.
8. If climate-related targets have been set, provide information on the activities covered, greenhouse gas emission scopes, planning periods, and annual progress; if carbon offsets or Renewable Energy Certificates (RECs) are used to achieve these targets, disclose the source and quantity of carbon offsets or the number of RECs.	8. The company will assess after establishing the risk management task force.
9. Greenhouse gas inventory and assurance status, emission reduction targets, strategies, and specific action plans.	9. Will be provided in 1-1 and 1-2.

Note 1: Regarding environmental issues, the company evaluates the following measures to address climate change-related issues

	Risk Items	Risk/Opportunity Description	Future Strategy/Action
Regulatory Aspect	<ol style="list-style-type: none"> 1. The Environmental Protection Administration of Taiwan has issued regulations related to “greenhouse gas reduction”. 2. Green product regulations and certification programs of various countries. 	<ol style="list-style-type: none"> 1. Risk: Certain entities should carry out greenhouse gas emission reporting activities, which may pose risks for companies unable to respond. 2. Risk: Increased costs of raw materials/components and design/verification will increase overall production costs. 3. Opportunity: In response to the establishment of energy/carbon taxes in various countries, future demand for renewable energy will increase, providing opportunities for companies to develop or invest in renewable energy. 	<p>Our company and its consolidated subsidiaries have completed the greenhouse gas inventory and verification according to the “Roadmap for Sustainability of TWSE and TPEX listed Companies”.</p> <p>Our company actively collects various information, promotes various energy-saving programs in the office, and has incorporated energy conservation, carbon reduction, greenhouse gas reduction, water resource and waste reduction management into company policies. The factory continues to conduct an annual greenhouse gas inventory and implement and achieve emission reduction targets.</p>
Practical Aspect	<ol style="list-style-type: none"> 1. Direct impacts of abnormal climate, such as floods, droughts, or windstorms 2. Indirect impacts of abnormal climate, such as increased costs of various resources, rapid spread of disease vectors 	<ol style="list-style-type: none"> 1. Risk: Supply chain disruption, reduced or stalled production capacity, loss of life and property, rebuilding costs. 2. Opportunity: Changes in rainfall patterns have made many companies aware of the importance of water resource management. 	<p>Actively seeking other component suppliers to avoid affecting product shipments.</p> <p>The factory is promoting various resource management and water resource management to raise risk management awareness.</p>
Others	Eco-friendly products are becoming a market trend.	<ol style="list-style-type: none"> 1. Risk: Low-carbon and eco-friendly certified products are the mainstream in the market. Choosing materials and supply chains that comply with low-carbon designs will increase overall costs. 2. Opportunity: Proper carbon management by enterprises will help enhance their corporate image. 	Actively respond to stakeholders’ concerns regarding the company’s strategies and actions in carbon management, in order to fulfill its corporate citizenship responsibilities.

1-1 Recent Two-Year Greenhouse Gas Inventory and Assurance of the Company

1-1-1 Greenhouse Gas Inventory Information

Greenhouse gas emissions in the last two years (tones CO₂e), intensity (tones CO₂e / million dollars), and data coverage scope:

1. Our company (group headquarters) has planned to complete the greenhouse gas inventory (in 2025 as the base year) in 2026, and complete the greenhouse gas inventory and disclosure of the group's parent and subsidiary companies in 2027. Consolidate report data for parent and subsidiary companies (using the year 2026 of the Republic of China as the base year).
2. The Hotron Suzhou plant, which is 100% owned by our company, completed the ISO 14064-3:2019 inventory for Scopes 1, 2, and 3 in 2022 and 2023. The relevant information has been disclosed on our company's website and the MOPS.

Unit: Metric tons of CO₂e/metric tons of CO₂e/million dollars

Greenhouse Gases Category/Year	2022	2023	Data Coverage Scope	Certification Authority	Certification Standard
Direct greenhouse gas emissions (Scope 1)	1,576.45	1,235.51	Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. All facilities located at No. 128 Lushan Road, Suzhou City, Jiangsu Province as the organizational boundary	Ti Testing(Shanghai) Co., Ltd.	ISO 14064
Indirect energy (Scope 2)	14,909.15	10,808.82		Ti Testing(Shanghai) Co., Ltd.	ISO 14064
Other indirect (Scope 3)	16,040.56	20,504.09		Ti Testing(Shanghai) Co., Ltd.	ISO 14064
Total	32,526.16	32,548.42	(metric tons CO ₂ e)		
Greenhouse gas emission intensity	9.674	15.07569	(metric tons of CO ₂ e/million dollars)		

Note 1: Direct emissions (Scope 1, i.e., from sources owned or controlled by the company), energy indirect emissions (Scope 2, i.e., indirect greenhouse gas emissions from the generation of purchased electricity, heating or cooling), and other indirect emissions (Scope 3, i.e., emissions generated by company activities, not from energy indirect emissions, but from sources owned or controlled by other companies).

Note 2: The scope of direct emission and energy indirect emission data should be handled in accordance with the schedule stipulated in the regulations referred to in Article 10, Paragraph 2 of these Guidelines. Information on other indirect emissions may be disclosed voluntarily.

Note 3: Greenhouse Gas Inventory Standard: Greenhouse Gas Protocol (GHG Protocol) or the International Organization for Standardization, ISO) published ISO 14064-1.

Note 4: The intensity of greenhouse gas emissions should be calculated per unit of product/service or business revenue. At least the data calculated by business revenue (in millions of New Taiwan dollars) should be described.

1-1-2 Greenhouse Gas Certainty Information

A description of the greenhouse gas assurance status for the most recent two fiscal years as of the annual report's printing date, including the assurance scope, assurance institution, assurance criteria, and assurance opinion:

1. Our company (group headquarters) has planned to complete the assurance of greenhouse gas inventory information in 2028, and complete the assurance of the consolidated financial statements and subsidiary inventory information in 2029.
2. The greenhouse gas inventory information for the past two years of the Hotron Suzhou plant, which is 100% owned by our company, has been verified by a third party, and a "Greenhouse Gas Emissions Verification Statement" and a "Greenhouse Gas Emissions Verification Report" have been issued. The relevant information has been disclosed on the company's website.

Confidence Information/Year	2022	2023
Confidence Scope	Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. All facilities located at No. 128 Lushan Road, Suzhou City, Jiangsu Province as the organizational boundary	Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. All facilities located at No. 128 Lushan Road, Suzhou City, Jiangsu Province as the organizational boundary
Confidence institution	Ti Testing(Shanghai) Co., Ltd.	Ti Testing(Shanghai) Co., Ltd.
Confidence Criteria	ISO 14064	ISO 14064
Confidence Opinion	<ol style="list-style-type: none"> 1. The responsible party (Hotron Suzhou) established an Environmental Safety Committee responsible for promoting greenhouse gas management. The verification process provided adequate resource support, complied with document requirements, and ensured the accuracy of data and information. 2. According to Ti Testing and certification verification, the scope, objectives, and criteria were consistent. 3. The subject (Hotron Suzhou)'s GHG report and statement fairly presented the GHG data and information, achieving a reasonable level of assurance. 4. Ti Testing agrees with the verification conclusion. 	<ol style="list-style-type: none"> 1. The responsible party (Hotron Suzhou) established an Environmental Safety Committee responsible for promoting greenhouse gas management. The verification process provided adequate resource support, complied with document requirements, and ensured the accuracy of data and information. 2. According to Ti Testing and certification verification, the scope, objectives, and criteria were consistent. 3. The subject (Hotron Suzhou)'s GHG report and statement fairly presented the GHG data and information, achieving a reasonable level of assurance. 4. Ti Testing agrees with the verification conclusion.

1-2 Greenhouse gas emission reduction targets, strategies, and specific action plans.

Greenhouse gas reduction baseline year and data, reduction targets, strategies and action plans, and achievement of reduction targets:

1. The company has planned to prepare a sustainability report starting from the year 2025 A.D., and disclose the sustainability report on the company's website and the Public Information Observatory before the end of August each year.
2. Our company (group headquarters) has planned to disclose greenhouse gas reduction targets, strategies and concrete action plans in 2027 (with 2026 as the base year).
3. The Hotron Suzhou factory, which is 100% owned by our company, has set waste reduction targets and implementation plans for 2022. Greenhouse gas reduction targets, strategies and specific action plans are as follows:

Greenhouse gas Reduction Baseline Year (2022) and 2023 Data, Reduction Targets, Strategies and Specific Action Plans, and the Status of Achieving Reduction Targets
<p>A. Greenhouse gas reduction baseline year (2022) and 2023 data:</p> <ol style="list-style-type: none">a. Hotron's Suzhou plant's greenhouse gas emissions in 2022 were 32,526 metric tons of CO₂e, and in 2023 were 32,548 metric tons of CO₂e.b. Both years have passed external verification and obtained certificates. The quantification and reporting of greenhouse gas emissions and removals comply with the relevant requirements of ISO 14064-1:2018. <p>B. The company's strategies for addressing climate change or greenhouse gas management: Energy conservation and emission reduction.</p> <ol style="list-style-type: none">a. Firmly establish the concept of green development. Actively respond to the profound changes brought about by the carbon peaking and carbon neutrality, turn challenges into opportunities, carry out in-depth research on the development strategy and path of carbon peaking and carbon neutrality for the entire plant, scientifically formulate development plans, accelerate the construction of a clean, low-carbon, and efficient industrial system and energy system, and lead the high-quality development of the entire plant.b. Promote a clean and low-carbon energy structure, vigorously develop low-carbon energy, and achieve a shift from traditional purchased electricity to integrated clean energy development.c. Greatly improve energy efficiency, strengthen overall process energy-saving management, eliminate backward production capacity, significantly reduce resource and energy consumption intensity, comprehensively improve comprehensive utilization efficiency, and effectively control total energy consumption.d. Improve energy supply standards and structural rationality, actively use recyclable green energy products, carry out ecological product design, increase the proportion of low-carbon raw materials, reduce the carbon footprint of the entire product life cycle, and drive carbon reduction in upstream and downstream industrial chains.e. Increase scientific and technological research and development efforts, focus on new-generation clean, efficient, and recyclable production

- processes, energy-saving and carbon reduction, and carbon dioxide recycling and utilization technologies, increase investment in scientific and technological innovation, and strive to breakthrough a batch of core and key technologies to improve green and low-carbon standards.
- f. Significantly increase investment in green and low-carbon initiatives, accelerate the construction of clean energy infrastructure, strengthen carbon asset management, actively participate in the construction of the carbon emissions trading market, and take the lead in and guide international cooperation in addressing climate change in the industry.
- C. The company's greenhouse gas emission reduction targets:
- Annual emission reduction of 2%, with continuous compounding reduction every year.
 - Target to reduce total emissions of air pollutants by more than 20%.
 - Target to reduce total emissions of solid waste by more than 5% annually.
- D. The company's specific action plans and progress towards achieving emission reduction targets:
- In response to global environmental protection policies, the company has introduced the EASY FLOW enterprise management electronic approval system, achieving energy conservation, carbon reduction, and paperless digitization. In the factory's warehouse system, smart phones are used to scan QR codes for inventory management, and information systems such as attendance management, vehicle management, and supplier management are implemented electronically. High-quality electronic services can be used at any time, integrating intelligent production lines, combining technology and environmental protection, and realizing the vision of being a responsible global village and environmental protector.
 - Occupational health and safety for employees:
In November 2023, three-waste environmental testing was completed. In mid-December 2023, occupational hazard testing will be conducted in the workplace, and occupational health examinations will be carried out for employees in hazardous contact positions, as well as rainwater testing. The ISO 45001 system review was completed in March 2023 with a supervisory audit and zero deficiencies.
 - Protecting employee rights and interests: In May 2023, lightning protection testing was completed in the plant area. In April 2023, the second-level enterprise safety production standardization review was passed.
 - Environmental protection facility renovation in the plant area: Increasing waste gas treatment facilities and other measures to reduce carbon emissions. In 2021, waste gas treatment facilities were added to change from unorganized emissions to organized emissions, with three new waste gas treatment facilities added at an investment of RMB 650,000. By the end of June 2023, annual maintenance and repair work on 10 sets of environmental protection facilities will be completed.
 - Implementing garbage classification and increasing the use of recyclable resources.
 - Planning to reduce waste generation by using recyclable packaging containers and reducing solid waste generation.
 - Environmental protection projects: In November 2023, the filing of the emergency plan for sudden environmental incidents will be completed.
 - Renovation of fire protection facilities: In October 2023, preventive testing of distribution rooms and electrical fire protection testing in the plant area will be completed. In November 2023, building fire protection facility testing will be completed. In July 2023, the drainage permit will be obtained.
 - Environmental management: The ISO 14001 system review was completed in March 2023 with a supervisory audit and zero deficiencies.
 - Energy management: Obtained the ISO 50001-2018 energy management system certificate. (Latest issue date: February 14, 2023, valid until:

February 15, 2025) (Latest certification date: February 14, 2023, valid until: February 15, 2025)

k. Greenhouse gas emission control: Obtained certification for compliance with ISO 14064-1:2018 greenhouse gas system. latest certification date: October 12, 2023.

E. The carbon reduction effect of the company's products or services for customers or consumers:

Our company complies with relevant laws and international standards regarding customer health and safety, customer privacy and labeling of products and services. We sign environmental protection contracts or add environmental protection clauses in quality contracts with customers, promising that the company will comply with environmental protection laws and policies during the production process to protect consumer rights and customer interests.

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

Items	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
1. Establishment of ethical corporate management policies and programs (1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	✓		(1) The company has established “Code of Ethical Conduct” and “Ethical Corporate Management Best Practice Principles”. The President reports the implementation status to the board of directors annually. The company strictly implements these principles in internal management and external business activities in a fair, impartial, and open manner. To promote and advocate ethical behavior, the company continuously provides education and training to all employees, and relevant regulations are placed on the company’s intranet for employees to access at any time.	No difference.
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?	✓		(2) The company conducts business activities based on the principles of fairness, honesty, credibility, and transparency. To implement ethical management policies and actively prevent dishonest behavior, the company has formulated “Ethical Corporate Management Best Practice Principles and Operating Procedures and Guidelines” in accordance with the “Ethical Corporate Management Best Practice Principles	No difference.

Items	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	✓		<p>for TWSE/GTSM Listed Companies” and relevant laws and regulations, specifying matters that personnel should pay attention to when conducting business operations. Furthermore, to avoid providing or obtaining unreasonable benefits, in addition to implementing the “Ethical Corporate Management Best Practice Principles”, the company has established an effective internal control system, and internal auditors regularly inspect compliance with the aforementioned system.</p> <p>In accordance with the “Code of Ethical Conduct” and “Ethical Corporate Management Best Practice Principles”, the company manages its relationships with suppliers and regularly audits their implementation. When entering into contracts with suppliers, the company includes a clause stating that if any dishonest behavior occurs, the contract may be terminated or rescinded at any time.</p> <p>(3) To prevent any dishonest behavior, the company requires employees to proactively explain to the company and comply with relevant regulations if they encounter ethical concerns or conflicts of interest. The company has set up an employee</p>	<p>No difference.</p> <p>No difference.</p>

Items	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
			<p>mailbox to allow employees and relevant personnel to report any improper conduct, which will be handled by designated management personnel.</p> <p>The company has established “Ethical Corporate Management Best Practice Principles” to prevent dishonest behavior and clearly defined “Ethical Corporate Management Best Practice Principles and Operating Procedures and Guidelines”, disciplinary measures for violations, and a complaint system. The company regularly reviews and reports the implementation of ethical management to the board of directors at the end of each year and discloses it on the company’s website.</p>	
2. Ethical Management Practice				
(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	✓		(1) Before conducting business transactions with vendors, personnel will review past transaction records and search online for information about the company to confirm if there are any records of unethical behavior. The contract will also stipulate that if any unethical behavior occurs, the contract may be terminated or rescinded at any time.	No difference.
(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of	✓		(2) Currently, each department within our company is responsible for implementing ethical business	No difference.

Items	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
<p>directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?</p> <p>(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?</p> <p>(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?</p>	✓		<p>practices within their respective areas of responsibility. The dedicated unit responsible for promoting corporate ethical business practices is the Management Department. It regularly checks compliance with the aforementioned system and reports to the Board of Directors at the end of each year on the operation and implementation of promoting corporate ethical business practices, which is also disclosed on the company's website.</p> <p>(3) To prevent any unethical behavior, our company requires employees to proactively provide explanations to the company if they encounter ethical concerns or conflicts of interest.</p> <p>(4) Our company has established effective accounting and internal control systems to ensure the implementation of ethical business practices. We have also formulated a "Code of Ethical Business Conduct" and "Ethical Business Practice Procedures and Guidelines" to comply with, prevent unethical behavior, and establish effective accounting and internal control systems. Internal auditors regularly audit compliance with various systems and submit audit reports to the Board of Directors.</p>	<p>No difference.</p> <p>No difference.</p>

Items	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	✓		(5) Our internal and external education and training programs cover courses related to ethical business practices. Each year, our company regularly promotes the key points of the “Code of Ethical Business Conduct,” “Code of Ethics,” and “Insider Trading Prevention Management Procedures” to directors and managers. New employees are also provided with pre-employment training courses on legal compliance, prohibition of unethical behavior, ethical business activities, prohibition of bribery and acceptance of bribes, prohibition of unreasonable gifts and hospitality or other improper benefits, prevention of damage to stakeholders from products or services, and whistleblowing and disciplinary measures, to provide employees with a comprehensive understanding of corporate ethical business practices. Our directors and managers participate in annual corporate governance and other related training courses, as well as various promotional seminars hosted by the stock exchange and securities and futures institutes.	No difference.
3. Implementation of Complaint Procedures (1) Has the company established specific whistle-blowing	✓		(1) The company has established specific	No difference.

Items	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?			whistleblowing and reward systems. Employees can report to their direct supervisors or through an employee mailbox, and there is a dedicated unit to handle related matters in accordance with the prescribed procedures in the work rules. The company has incorporated integrity into employee performance appraisals and human resource policies, establishing clear and effective reward, punishment, and appeal systems. The company's website has a stakeholder section that provides contact windows and complaint hotlines, with dedicated personnel responsible for handling complaints from employees, customers, procurement suppliers, investors, and others, providing transparent and timely handling procedures to ensure that the rights and interests of stakeholders are reasonably protected.	
(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	✓ ✓		(2) The company has established standard operating procedures for handling whistleblowing cases. Upon receiving a whistleblowing case, an investigation team is formed based on the content of the whistleblowing to immediately conduct an investigation and implement confidentiality mechanisms. If the whistleblowing incident is proven to be true, the relevant units of the	No difference.

Items	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(3) Has the company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?			<p>company will be instructed to review the related internal control systems and operating procedures, and propose improvement measures to prevent the same behavior from occurring again. The dedicated unit will report the whistleblowing incident, its handling methods, and subsequent review and improvement measures to the board of directors.</p> <p>(3) The company keeps the identity of the whistleblower and the content of the whistleblowing confidential, and promises to protect the whistleblower from improper treatment due to the whistleblowing incident.</p>	No difference.
4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	✓		The company has announced the “Code of Ethics” at the Open Information Observation Station and has set up a dedicated section on the company’s website to disclose the “Code of Ethics”, “Operational Procedures and Guidelines for Ethical Management” and the company’s implementation of ethical management, as well as the effectiveness of measures taken to promote ethical management, for investors’ reference.	No difference.
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed				

Items	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
Companies, please describe any deviations between the principles and their implementation: It complies with the “Ethical Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.” There are no differences between its operation and the established code, and it is implemented normally.				
6. Other important information to facilitate a better understanding of the status of operation of the company’s ethical corporate management policies (e.g., the company’s reviewing and amending of its ethical corporate management best practice principles): (1) The company has established important internal regulations such as the “Code of Ethical Corporate Governance” and “Operational Procedures and Guidelines for Ethical Corporate Governance.” From the Board of Directors to the management level, they actively implement the commitment to ethical corporate governance policies. They truly execute ethical corporate governance policies in internal management and business activities, and require all employees to fully participate and comply. At the same time, relevant information is disclosed on the corporate website to allow directors, employees, and stakeholders to understand and ensure the implementation of the company’s ethical corporate governance concept, prevent conflicts of interest, avoid improper benefits and infringement of confidentiality, maintain fair competition and transactions, and conduct internal audits by the internal audit unit, with annual execution reports submitted to the Board of Directors. In 2023, there were no legal proceedings arising from violations. (2) Commitment from directors and senior managers: The company’s “Code of Ethical Corporate Governance” specifically stipulates that directors and senior managers should sign a statement of compliance with ethical corporate governance policies, including a commitment to not directly or indirectly provide, receive, promise, or request any improper benefits, or engage in any other acts that violate integrity, illegality, or breach of trust obligations during business operations to obtain or maintain benefits. This year, all directors and senior managers have completed the signing of the statement, fulfilling their commitment to comply with the company’s ethical corporate governance policies. (3) To implement the code of ethical conduct and integrity for directors, supervisors, managers, employees, and those with substantive control over the company and its group enterprises and organizations, and to encourage stakeholders to report any discovered violations of ethical conduct, in 2023 the company did not receive any complaints or reports of violations of ethical conduct or any illegal conduct by employees during operations. There were no incidents of corruption or bribery at any operational locations.				

(8) If the Company Has Established Corporate Governance Principles and Related Regulations, It Should Disclose the Method to Access Them:

The “Investor Relations” section of our company website has a “Corporate Governance” area where you can search and download corporate governance-related regulations, information about the organization and operation of the Board of Directors, important resolutions of the Board of Directors, and other related content. This information is also disclosed on the Public Information Observatory.

- (9) Other Important Information That Can Improve the Understanding of the Company’s Corporate Governance Practices: None.

(10) Implementation Status of the Internal Control System

1. Internal Control System Statement

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.

Internal Control System Statement

Date: February 27, 2024

Regarding our company's internal control system for the year 2023, based on the results of our self-evaluation, we hereby declare as follows:

1. The Company acknowledges that it is the responsibility of the Company's Board of Directors and management to establish, implement and maintain an internal control system, which the Company has already established. The purposes of this system are to provide reasonable assurance in achieving the objectives of operational effectiveness and efficiency (including profitability, performance and safeguarding of assets), reliability, timeliness and transparency of reporting, and compliance with relevant regulations and laws.
2. Internal control systems have inherent limitations, and no matter how well-designed and effective, they can only provide reasonable assurance regarding the achievement of the aforementioned three objectives. Additionally, the effectiveness of internal control systems may change due to changes in circumstances and environments. However, our company's internal control system has a self-monitoring mechanism, and once a deficiency is identified, the company takes corrective action.
3. This company determines the effectiveness of the internal control system in accordance with the evaluation items for the effectiveness of the internal control system as prescribed in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The evaluation items for internal control systems adopted in the Regulations are based on the management control process, dividing the internal control system into five components:

(1) Control environment, (2) Risk assessment, (3) Control activities, (4) Information and communication, and (5) Monitoring activities. Each component includes several items. Please refer to the provisions of the "Processing Guidelines" for the aforementioned items.

4. The Company has adopted the aforementioned internal control system assessment items to evaluate the design and operational effectiveness of the internal control system.
5. Based on the above assessment results, the Company believes that as of December 31, 2023, the Company's internal control system (including supervision and management over subsidiaries) for understanding the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency and compliance with relevant regulations and relevant laws and regulations, the design and implementation of internal control systems related to the aforementioned goals are effective and can reasonably ensure the achievement of the aforementioned goals.
6. This statement will become the main content of the company's annual report and public prospectus, and will be made public. If the aforementioned public content involves any false, concealed or illegal activities, it will be subject to legal liabilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This Statement has been approved by the Company's Board of Directors on February 27, 2024. Out of the 7 directors present, 0 directors expressed dissenting opinions, and the rest agreed with the contents of this Statement, which is hereby declared.

Hotron Precision Electronic Industrial Co., Ltd.

Chairman: Chang, Li-Jung

President: Lu, I-Hsuan

2. When Commissioning an Accountant to Review the Internal Control System, the Accountant's Review Report Should Be Disclosed: N/A.

(11) In the Recent Fiscal Year and up to the Date of Printing of the Annual Report, If the Company and its Insiders Were Penalized According to the law, or if the Company Penalized its Insiders for Violating the Internal Control System Regulations, and the Penalty Results May Have a Material Impact on Shareholders' Equity or Securities Prices, the Details of the Penalty, Major Deficiencies, and Improvements Should Be Clearly Stated: None.

(12) The Important Resolutions of the Shareholders' Meeting and the Board of Directors for the Recent Fiscal Year and up to the Date of Printing the Annual Report

1. Important Resolutions and Execution of the Shareholders' Meeting Are as Follows:

Items	Important Resolution	Implementation Status
1	Acknowledgment of the 2022 Annual Business Report and Financial Statements.	The resolution passed.
2	Acknowledgment of the 2022 Annual Business Report and Financial Statements.	The resolution passed. Cash dividend of NT\$51,610,496 distributed. Cash dividend payment date: September 8, 2023.
3	Approved the case of issuing new shares through capitalization of 2022 surplus earnings.	The resolution passed. Surplus to capital increase, issuance of new shares record date: September 8, 2023.
4	Approved the election of the 10th Board of Directors (including Independent Directors).	The resolution passed.
5	Approved the case to remove the non-competition restriction for the newly appointed directors and their representatives.	The resolution passed.

2. Important Resolutions of the Board of Directors

The company's important resolutions up until the publication date of the annual reports for the years 2023 and 2024 are as follows:

Meeting Date	Proposal	Important Resolution
2023.02.24 Resolution passed by the Board of Directors	1	Distribution of employee remuneration and director remuneration for the 2022 and proposal for remuneration of directors' execution of business.
	2	Appointment of certified public accountants and assessment of their independence and qualifications. (Appointment of WU, HAN-CHI and LIN, YA-HUI as certified public accountants for the year 2023)
	3	Proposal to pre-approve the provision of non-assurance services by the accounting firm and related entities to the Company and its subsidiaries.
	4	According to the "Self-Assessment Report on the Internal Control

Meeting Date	Proposal	Important Resolution
		System for 2022”, the “Statement on Internal Control System” of this company has been formulated.
	5	The 2022 annual report, individual financial statements and consolidated financial statements.
	6	2022 surplus allocation plan.
	7	The 2023 retained earnings case of the Company’s mainland subsidiary “Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.” which is 100% reinvested by a third regional business.
	8	Endorsement guarantee case of the Company’s mainland subsidiary “Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.” which is 100% reinvested by a third regional business.
	9	Endorsement guarantee case of Hotron Precision Electronic Industrial (Vietnam) Co., Ltd., a subsidiary indirectly owned 100% by the Company.
	10	Our company plans to establish a subsidiary in the United States and sign a letter of intent to purchase land. (The total amount for land purchase is USD 2,506,320)
	11	To determine the date, time, location, and agenda items of the company’s 2023 annual general meeting of shareholders, and to allow for the exercise of voting rights through electronic means.
	12	Election of the 10th Board of Directors (including Independent Directors). (Electing 7 Directors (including 3 Independent Directors))
	13	It is hereby proposed, in accordance with the law, to request approval from the general shareholders’ meeting to lift the non-compete restrictions on new directors and their representatives.
	14	Set the acceptance period, acceptance location, and other necessary matters for nominating candidates for directors (including independent directors) of the company.
	15	Amending the “Corporate Governance Best Practice Principles” case.
	16	Amend the case of “Self-Regulatory Rules for Disclosure of Merger and Acquisition Information”.
	17	Amending the “Sustainable Development Best Practice Principles” case.
	18	Amended the “Directions for the Implementation of Continuing Education for Directors” case.
	19	Formulating “Operating Guidelines for Financial Operations between Affiliated Enterprises”.
	20	Application for the bank credit limit of our company.
2023.04. 17 Resolution passed by the Board of Directors	1	2022 surplus allocation plan. (Special Resolution for Issuance of Cash Dividends of NT\$0.5 to Shareholders).
	2	Capital increase by earnings for the year 2022 (Resolution on surplus distribution: 30 shares issued for every 1,000 shares held without

Meeting Date	Proposal	Important Resolution
		consideration).
	3	Endorsement guarantee case for ‘Hotlink Company Limited,’ a subsidiary indirectly owned 100% by the company
	4	To review the candidate list of directors (including independent directors) nominated by shareholders (Electing 7 Directors (including 3 Independent Directors))
	5	Adding agenda items for the company’s 2023 annual general meeting.
	6	Application for the bank credit limit.
2023.05.11 Resolution passed by the Board of Directors	1	2023 First Quarter Consolidated Financial Statements.
	2	Endorsement guarantee case for Hotron Precision Electronic Industrial (Vietnam) Co., Ltd., a subsidiary indirectly owned 100% by the Company.
	3	Endorsement guarantee case for ‘Fortuna International Holdings Ltd,’ a subsidiary wholly owned by the Company.
	4	Endorsement guarantee case for ‘Hotlink Company Limited,’ a subsidiary indirectly owned 100% by the company
	5	The company’s 100% reinvested subsidiary in Mainland China, “Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.”, through its third regional business, has carried out a cash capital reduction for “Hotron Electron & Telecommunication (Fuqing) Co., Ltd.
	6	Amendments to the “Rules of Procedure for Shareholders’ Meetings”.
	7	Application for the bank credit limit.
2023.05.30 Resolution passed by the Board of Directors	1	Election of the Chairman. Chairman Chang, Li-Jung
2023.06.20 Resolution passed by the Board of Directors	1	Case of a cash capital increase for ‘SmartGreen Solution Co., Ltd.,’ a subsidiary wholly owned by the Company.
	2	Application for the bank credit limit of our company.
2023.07.11 Resolution passed by the Board of Directors	1	Endorsement guarantee case for “Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.”, a mainland subsidiary 100% reinvested by the company through a third territory.
	2	Setting relevant dates for the issuance of new shares from the capitalization of earnings and the distribution of cash dividends for the fiscal year 2022
	3	Proposed appointment of the 5th remuneration Committee members.
2023.08.09 Resolution passed by the Board of Directors	1	2023 Second Quarter Consolidated Financial Statements.
	2	Amend the case of the “Decision Authority Table” of this company.
	3	Application for the bank credit limit.
	4	The proposal for salary adjustments of directors and managers in 2023

Meeting Date	Proposal	Important Resolution
2023.10.12 Resolution passed by the Board of Directors	1	Case of issuing new shares through the conversion of the company's first domestic unsecured convertible corporate bonds (Hotron I).
	2	Endorsement guarantee case for "Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.", a mainland subsidiary 100% reinvested by the company through a third territory.
	3	Endorsement guarantee case for 'Hotlink Company Limited,' a subsidiary indirectly owned 100% by the company
	4	Endorsement guarantee case for Hotron Precision Electronic Industrial (Vietnam) Co., Ltd., a subsidiary indirectly owned 100% by the Company.
	5	Amendments to the "Operation Directions for Compliance with the Establishment of Board of Directors and the Board's Exercise of Powers".
	6	Amendments to the "Regulations Governing Prevention of Insider Trading".
	7	Application for the bank credit limit of our company.
2023.11.13 Resolution passed by the Board of Directors	1	2023 Third Quarter Consolidated Financial Statements.
	2	This company has established the position of Chief Information Security Officer.
2023.12.21 Resolution passed by the Board of Directors	1	Formulating the audit plan for the fiscal year 113 (2024) of the Republic of China era. Total of seventy-two items.
	2	Endorsement guarantee case for Hotron Precision Electronic Industrial (Vietnam) Co., Ltd., a subsidiary indirectly owned 100% by the Company.
	3	Formulate the operational plan and budget for the fiscal year 113 of the Republic of China (2024).
2024.01.11 Resolution passed by the Board of Directors	1	Case of annual bonus distribution for directors and managers in the execution of business operations in the company's year 2023
	2	Case of issuing new shares through the conversion of the company's second domestic unsecured convertible corporate bonds (Hotron II). (Number of converted common shares: 2,777 shares)
	3	Real estate acquisition case by the Company. (Counterparty: Tung Hsing Technology Corporation)
	4	Application for the bank credit limit of our company.
2024.02.27 Resolution passed by the Board of Directors	1	2023 Directors' remuneration for Execution of Duties.
	2	Appointment of certified public accountants and assessment of their independence and qualifications. (Appointment of CPAs LIN, YA-HUI and CPAs Juanlu, Man-Yu for the year 2024)
	3	According to the "Self-Assessment Report on the Internal Control System for 2023", the "Statement on Internal Control System" of this company has been formulated.

Meeting Date	Proposal	Important Resolution
	4	Amended the “Directions for the Implementation of Continuing Education for Directors” case.
	5	Correction of the “Organizational Rules of the Audit Committee” case.
	6	Amendment to the “Rules of Procedure for Board of Directors Meetings”.
	7	The 2023 Annual Report, Individual Financial Statements, and Consolidated Financial Statements.
	8	Deficit Compensation for the 2023
	9	To determine the date, time, location, and agenda items of the company’s 2024 annual general meeting of shareholders, and to allow for the exercise of voting rights through electronic means. (Shareholders’ Meeting Date: June 3, 2024 at 9:00 a.m., Meeting Format: Physical Shareholders’ Meeting)
	10	Application for the bank credit limit of our company.
	11	Proposal to remove the non-competition restrictions on the company’s directors and their representatives.
2024.04.10 Resolution passed by the Board of Directors	1	Endorsement guarantee case for ‘Hotlink Company Limited,’ a subsidiary indirectly owned 100% by the company
	2	The subsidiary, SmartGreen Solution Co., LTD. plans to conduct a cash capital increase in the future, and the Company may waive its right to participate in the cash capital increase plan.
	3	Adding agenda items for the company’s 2024 annual general meeting.
	4	Application for the bank credit limit of our company.

- (13) The Main Contents of any Dissenting Opinion or Written Statement Expressed by Directors or Supervisors Regarding Important Resolutions Passed by the Board of Directors for the Most Recent Fiscal Year or During the Current Fiscal Year up Until the Date of Publication of the Annual Report: No such situation.
- (14) A Summary of the Resignations and Dismissals of the Company’s Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Corporate Governance Officer, and Chief Research and Development Officer for the Most Recent Year and up to the Date of Printing of the Annual Report: No such situation.

5. Information on CPAs Professional Fees

Amount Unit: NT\$ Thousand

Name of Accounting Firm	Names of CPAs	Period Covered by the CPA audit	Audit Fees	Non-Audit Fees (Note 1)	Total	Remarks (Note 2)
PricewaterhouseCoopers Taiwan	Wu, Han-Chi	2023.01.01-2023.12.31	3,880	400	4,280	-
	Lin, Ya-Hui					

Note 1: Non-audit public service content:

1. The transfer pricing service fee for our company in 2023 is \$200 thousand.
2. Subsidiary of the Group - Hotlink Company Limited has a transfer pricing fee of \$200 thousand for 2023.

Note 2: Our company did not change auditors or accounting firms this year. For the content of non-audit fee services, please refer to the explanation in Note 1.

6. Information on Change of Accountants: None.

7. The Company's Chairman, President, or Manager Responsible for Financial or Accounting Affairs Has Been Employed by the Certified Public Accountant Firm or its Affiliated Enterprises Within the Past Year, Their Names, Positions, and the Period of Service in the Certified Public Accountant Firm or its Affiliated Enterprises Shall Be Disclosed. the Affiliated Enterprises of a Certified Public Accountant Firm Refer to Companies or Institutions in Which the Certified Public Accountants of the Firm Hold More Than 50% of the Shares or a Majority of the Directorships, or Those Listed as Affiliated Enterprises in the Information Published or Printed by the Certified Public Accountant Firm: None.

8. Directors, Managers, and Shareholders With More Than 10% Equity Interest in the Most Recent Year and up to the Date of Printing of the Annual Report, Transfer of Equity and Changes in Equity Pledges

(1) Changes in Shareholding of Directors, Managers, and Major Shareholders

Unit: Share

Job Title	Name	2023		As of April 5, 2024	
		Shareholding Increase (or Decrease)	Pledged Shareholding Increase (or Decrease)	Shareholding Increase (or Decrease)	Pledged Shareholding Increase (or Decrease)
Chairman	Gao Peng Investment Co., Ltd. Representative: Chang, Li-Jung (Date: 2023/5/30)	887,411	0	0	0
Director	Chen, Tai-Chung	0	0	0	0
Director also serving as President	Lu, I-Hsuan	7,398	0	0	0
Director	Chen, Shuh (Date: 2023/5/30)	0	0	0	0

Job Title	Name	2023		As of April 5, 2024	
		Shareholding Increase (or Decrease)	Pledged Shareholding Increase (or Decrease)	Shareholding Increase (or Decrease)	Pledged Shareholding Increase (or Decrease)
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
Chief Financial Officer (Head of Finance and Accounting) and Corporate Governance Officer	Hsu, Kuo-Huang	0	0	0	0
Vice President, Cable Business Unit, Hotlink Company	Kao, I-Hong	788	0	0	0
Chief Information Officer and Chief Information Security Officer of Hotlink Company	Lin, Chao Yin (Information Security Officer Appointment Date: 2023/11/13)	64,080 (27,000)	0	0	0
Vice President, Hotron Vietnam	Yu, Tung-Hua	22,000	0	0	0
Senior Special Assistant to the Chairman's Office of Hotron	Chen, Yueh-Chin	4,520	0	0	0
Vice President, Hotron Hubei	Chuang, Wan-Yu (Date: 2023/5/4)	0	0	0	0
Vice President, SmartGreen Solution Co., Ltd.	Chen Ying-Chen (Date: 2023/9/1)	72,954	0	0	0
Shareholders with 10% or more ownership	Chang, Li-Jung	1,491,615 (9,797,594)	0	0	0
Director	Hsu, Ting-Jung (Date: 2023/5/30)	0	0	0	0

(2) Information on the Transfer of Equity Interests of Directors, Managers, and Shareholders Holding More Than 10% of Shares:

Name	Reason for Transfer	Date of Transaction	Counterparty	Relationship Between the Counterparty and the Company, Directors, Supervisors, Managerial Officers, and Major Shareholders	No of Shares	Transaction Price
Chang, Li-Jung	Disposed of establishment	2023.11. 23	Hui Rong Development Co., Ltd.	Investor	4,898,797	35.50
Chang, Li-Jung	Disposed of establishment	2023.11. 23	Hui Ming Development Co., Ltd.	Investor	3,407,182	35.50
Chang, Li-Jung	Disposed of establishment	2023.11. 23	Hui Ming Development Co., Ltd.	Investor	1,491,615	35.50

(3) Information on the Equity Pledges of Directors, Managers, and Shareholders Holding More Than 10% of Shares: No such situation.

9. Information on the Top Ten Shareholders Whose Shareholding Ratios Are Related Parties or Spouses and Relatives Within the Second Degree of Kinship

Information on the Relationships Between the top 10 Shareholders by Shareholding Ratio

April 5, 2024 / Unit: Shares

Serial No.	Name (Note 1)	Shareholding		Shareholding of Spouse and Minor Children		Total Shareholding by Nominee Arrangements		Specify the Name of the Entity or Person and Their Relationship to any of the Other top 10 Shareholders With Which the Person Is a Related Party or Has a Relationship of Spouse or Relative Within the 2nd Degree (Note 3)		Remarks
		Shares	%	Shares	%	Shares	%	Name of Entity or Individual	Relationship	
1	Gao Peng Investment Co., Ltd.	8,749,827	8.21%	-	-	-	-	-	-	Note 4
	Representative: Chang, Li-Jung	-	-	1,306,439	1.23%	26,993,641	25.33%	Chang, Yu-Ssu Chang, Yu-Wei	Father and son	-
2	Hui Ming Development Co., Ltd.	4,898,797	4.60%	-	-	-	-	-	-	Note 5
	Representative: Chang, Li-Jung	-	-	1,306,439	1.23%	26,993,641	25.33%	Chang, Yu-Ssu Chang, Yu-Wei	Father and son	-

Serial No.	Name (Note 1)	Shareholding		Shareholding of Spouse and Minor Children		Total Shareholding by Nominee Arrangements		Specify the Name of the Entity or Person and Their Relationship to any of the Other top 10 Shareholders With Which the Person Is a Related Party or Has a Relationship of Spouse or Relative Within the 2nd Degree (Note 3)		Remarks
		Shares	%	Shares	%	Shares	%	Name of Entity or Individual	Relationship	
2	Hui Rong Development Co., Ltd.	4,898,797	4.60%	-	-	-	-	-	-	Note 6
	Representative: Chang, Li-Jung	-	-	1,306,439	1.23%	26,993,641	25.33%	Chang, Yu-Ssu Chang, Yu-Wei	Father and son	-
4	Lin, Cing-Biao	3,907,344	3.67%	-	-	-	-	-	-	-
5	Hung Ming Development Co, Ltd.	3,583,432	3.36%	-	-	-	-	-	-	Note 7
	Representative: Chang, Li-Jung	-	-	1,306,439	1.23%	26,993,641	25.33%	Chang, Yu-Ssu Chang, Yu-Wei	Father and son	-
5	Hung Rung Investment Co., Ltd.	3,583,432	3.36%	-	-	-	-	-	-	Note 8
	Representative: Chang, Li-Jung	-	-	1,306,439	1.23%	26,993,641	25.33%	Chang, Yu-Ssu Chang, Yu-Wei	Father and son	-
7	Li, Wen-Ching	1,322,086	1.24%	-	-	-	-	-	-	-
8	Chuan hung Investment Co., Ltd.	1,279,356	1.20%	-	-	-	-	-	-	Note 9
	Representative: Chang, Li-Jung	-	-	1,306,439	1.23%	26,993,641	25.33%	Chang, Yu-Ssu Chang, Yu-Wei	Father and son	-
9	Chang, Yu-Ssu	1,189,400	1.12%	-	-	-	-	Chang, Li-Jung	Father and son	-
9	Chang, Yu-Wei	1,189,400	1.12%	-	-	-	-	Chang, Li-Jung	Father and son	-

Note 1: The names of the top ten shareholders have been listed. For corporate shareholders, the company name and the name of the representative should be listed separately.

Note 2: The calculation of Shareholding ratio refers to calculating the Shareholding ratio separately under one's own name, spouse, underage children, or using another person's name.

Note 3: The shareholders listed above, including legal entities and natural persons, shall disclose their relationships with each other in accordance with the regulations regarding the preparation of financial reports by the issuer.

Note: Major Shareholders of Corporate Shareholders

April 5, 2024

Note	Name of Corporate Shareholders	Major Shareholders of Corporate Shareholders		Remarks
		Shareholder	Shareholding Ratio	
Note 4	Gao Peng Investment Co., Ltd.	Hung Ming Development Co, Ltd.	50.00%	Note 7
		Hung Rung Investment Co., Ltd.	50.00%	Note 8
Note 5	Hui Ming Development Co., Ltd.	Chang, Li-Jung	99.99%	None
Note 6	Hui Rong Development Co., Ltd.	Chang, Li-Jung	99.99%	None
Note 7	Hung Ming Development Co, Ltd.	Chang, Li-Jung	99.99%	None
Note 8	Hung Rung Investment Co., Ltd.	Chang, Li-Jung	99.99%	None
Note 9	Chuan hung Investment Co., Ltd.	Chang, Li-Jung	44.00%	None

10. The No of Shares Held by a Company, Its Directors, Managers, and Businesses Directly or Indirectly Controlled by the Company in the Same Reinvested Enterprise, With the Consolidated Shareholding Ratio Calculated Jointly

Shareholding Ratio

April 5, 2024 / Unit: Thousand share: %

Investee Enterprise (Note 1)	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total Investment	
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio
Fortuna International Holdings 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.	20,000	100%	-	-	20,000	100%

Note 1: It is a long-term equity investment of the Company accounted for using the equity method.

Note 2: It is not a stock company, so it has no shares.

IV. Fundraising Status

1. Capital and Shares

(1) Source of Share Capital

1. The Process of Capital Formation

Month/Year	Issued Price	Authorized Capital		Paid-In Capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of Share (NT\$)	Capital Paid in by Assets Other Than Cash	Others
1991.12	0	0	0	0	5,000,000	Company founded	None	Establishing a limited company
1994.08	0	0	15,000,000	0	15,000,000	Cash capital increase	None	-
1997.08	10	7,000,000	700,00,000	7,000,000	70,000,000	Cash capital increase	None	Approved on 1997.8.22(86) under document no. 221191 to change to a limited company
1998.02	10	15,000,000	150,000,000	15,000,000	150,000,000	Cash capital increase	None	1998.02.10(87) Commercial Letter No. 101079
1998.11	12	50,000,000	500,000,000	30,000,000	300,000,000	Cash capital increase	None	1998.07.16(87) Security Letter (1.) No. 59023
1998.11	10	50,000,000	500,000,000	31,500,000	315,000,000	Capitalization of surplus	None	2000.07.14(89) Security Letter (1.) No. 60470
2007.09	10	50,000,000	500,000,000	36,225,000	362,250,000	Capitalization of surplus	None	2007.07.16 FSC Security First Letter No.0960036623
2007.11	40	50,000,000	500,000,000	44,225,000	442,250,000	Cash capital increase	None	2007.10.03 FSC Security First Letter No. 0960054429
2008.10	10	50,000,000	500,000,000	48,647,500	486,475,000	Capitalization of surplus	None	2008.07.30 FSC Security First Letter No. 0970038447
2009.09	10	80,000,000	800,000,000	51,079,875	510,798,750	Capitalization of surplus	None	2009.07.20 FSC Security Letter No. 0980036141
2010.05	23	80,000,000	800,000,000	57,890,875	578,908,750	Cash capital increase	None	2010.04.15 FSC Security Letter No. 0990016132
2010.09	10	80,000,000	800,000,000	60,785,419	607,854,190	Capitalization of surplus	None	2010.06.10 FSC Security Letter No. 0990030095
2011.08	10	80,000,000	800,000,000	63,824,690	638,246,900	Capitalization of surplus	None	2011.06.28 FSC Security Letter No. 1000029811
2015.10	10	80,000,000	800,000,000	63,471,690	634,716,900	Treasury shares Cancellation	None	2015.10.01 Commercial Letter No. 10401206180
2017.08	10	80,000,000	800,000,000	69,800,759	698,007,590	Capitalization of surplus	None	2017.08.28 Commercial Letter No. 10601121840
2018.08	10	80,000,000	800,000,000	71,193,155	711,931,550	Capitalization of surplus	None	2018.08.09 Commercial Letter No. 10701100260

Month/Year	Issued Price	Authorized Capital		Paid-In Capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of Share (NT\$)	Capital Paid in by Assets Other Than Cash	Others
2018.11	10	80,000,000	800,000,000	71,012,155	710,121,550	Treasury shares Cancellation	None	2018.11.26 Commercial Letter No. 10701144820
2019.09	10	120,000,000	1,200,000,000	74,562,763	745,627,630	Capitalization of surplus	None	2019.09.02 Commercial Letter No. 10801119830
2020.09	10	120,000,000	1,200,000,000	80,527,784	805,277,840	Capitalization of surplus	None	2020.09.16 Commercial Letter No. 10901177180
2021.01	10	120,000,000	1,200,000,000	83,280,976	832,809,760	Corporate bond conversion	None	2021.01.27 Commercial Letter No. 11001011270
2021.04	10	120,000,000	1,200,000,000	89,908,135	899,081,350	Corporate bond conversion	None	2021.04.20 Commercial Letter No. 11001064300
2021.07	10	120,000,000	1,200,000,000	90,756,460	907,564,600	Corporate bond conversion	None	2021.07.23 Commercial Letter No. 11001124080
2021.10	10	120,000,000	1,200,000,000	92,318,112	923,181,120	Corporate bond conversion	None	2021.10.21 Commercial Letter No. 11001193200
2022.04	10	120,000,000	1,200,000,000	92,643,569	926,435,690	Corporate bond conversion	None	2022.04.20 Commercial Letter No. 11101065290
2022.06	10	200,000,000	2,000,000,000	92,643,569	926,435,690	-	None	2022.06.14 Commercial Letter No. 11101097710
2022.07	10	200,000,000	2,000,000,000	92,843,040	928,430,400	Corporate bond conversion	None	2022.07.28 Commercial Letter No. 11101139490
2022.11	10	200,000,000	2,000,000,000	93,220,991	932,209,910	Corporate bond conversion	None	2022.11.08 Commercial Letter No. 11101201160
2023.04	10	200,000,000	2,000,000,000	103,220,991	1,032,209,910	Cash capital increase	None	2023.04.07 Commercial Letter No. 11230052700
2023.08	10	200,000,000	2,000,000,000	106,317,621	1,063,176,210	Capitalization of surplus	None	2023.08.29 Commercial Letter No. 11230164010
2023.11	11	200,000,000	2,000,000,000	106,549,253	1,065,492,530	Corporate bond conversion	None	2023.11.02 Commercial Letter No. 11230199230
2024.02	10	200,000,000	2,000,000,000	106,552,030	1,065,520,300	Corporate bond conversion	None	2024.02.15 Commercial Letter No. 11330010390

2. Types of Shares

April 5, 2024 / Unit: Share

Types of Shares	Authorized Capital			Remarks
	Outstanding Shares (Note)	Unissued Shares	Total	
Common Shares	106,552,030	93,447,970	200,000,000	Listed stocks

Note: Listed company stock, with a par value of NT\$10 per share

3. Overview of the Consolidated tax Return System: None.

(2) Shareholder Structure

April 5, 2024 / Unit: Stock

Shareholder Composition Quantity	Government Agencies	Financial Institutions	Other Legal Entities	Foreign Institutions and Foreigners	Individuals	Foreign Institutions and Foreign Individuals	Total
No. of shareholders	0	1	169	46	23,740	0	23,956
No. of shares held	0	5,150	28,337,578	1,439,418	76,769,884	0	106,552,030
Shareholding ratio	0.00%	0.00%	26.60%	1.35%	72.05%	0.00%	100.00%

(3) Equity Dispersion Situation

1. Common Shares

April 5, 2024 / Par value NT\$10 per share

Range of no. of Shares Held	Number of Shareholders	Shareholding (shares)	Shareholding (%)
1-999	13,116	722,449	0.68%
1,000-5,000	8,145	15,381,703	14.44%
5,001-10,000	1,376	9,317,675	8.74%
10,001-15,000	520	6,102,379	5.73%
15,001-20,000	202	3,523,727	3.31%
20,001-30,000	217	5,173,453	4.86%
30,001-40,000	121	4,146,074	3.89%
40,001-50,000	57	2,525,505	2.37%
50,001-100,000	109	7,312,351	6.86%
100,001-200,000	55	7,500,119	7.04%
200,001-400,000	19	4,928,438	4.63%
400,001-600,000	5	2,317,356	2.17%
600,001-800,000	3	2,176,816	2.04%
800,001-1,000,000	1	822,114	0.77%
Add additional ranges above 1,000,001 if necessary, based on actual circumstances	10	34,601,871	32.47%
Total	23,956	106,552,030	100.00%

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

(4) Name of Major Shareholders

April 5, 2024 / Unit: Stock

Name of Major Shareholders	Shareholding	Shareholding (shares)	Shareholding ratio
Gao Peng Investment Co., Ltd.		8,749,827	8.21%
Hui Ming Development Co., Ltd.		4,898,797	4.60%
Hui Rong Development Co., Ltd.		4,898,797	4.60%
Lin, Cing-Biao		3,907,344	3.67%
Hung Ming Development Co, Ltd.		3,583,432	3.36%
Hung Rung Investment Co., Ltd.		3,583,432	3.36%
Li, Wen-Ching		1,322,086	1.24%
Chuan hung Investment Co., Ltd.		1,279,356	1.20%
Chang, Yu-Ssu		1,189,400	1.12%
Chang, Yu-Wei		1,189,400	1.12%

(5) Recent Share Market Price, Net Value, Earnings, Dividends and Related Data for the Past Two Years

Unit: NT\$/ Thousand shares

Fiscal Year			2022	2023	April 5, 2024 (Note 8)
Items					
Market price per share (Note 1)	Highest		71.90	43.55	35.20
	Lowest		31.50	33.70	30.05
	Average		47.66	36.59	33.14
Net worth per share (Note 2)	Before distribution		22.13	20.01	N/A
	After distribution		21.52	N/A	N/A
Earnings per Share	Weighted average shares		92,760	104,622	106,552
	Earnings per Share (Note 3)	Before tracing	0.71	(1.58)	N/A
		After tracing	0.69	(1.58)	N/A
Dividends Per Share	Cash dividends		0.5	0	N/A
	Stock dividends	Dividends from retained earnings	0.3	0	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)		67.13	(23.16)	N/A
	Price/dividend ratio (Note 6)		95.32	0	N/A
	Cash dividend yield (%) (Note 7)		1.05%	0	N/A

* If there is a capitalization of surplus or capital reserves with the issuance of new shares, the adjusted market price and cash dividend information should be disclosed according to the distributed No of Shares.

Note 1: List the highest and lowest market prices of ordinary shares for each year, and calculate the average market price for each year based on the trading value and volume.

Note 2: Use the No of Shares issued at the end of the year and fill in according to the distribution resolved by the Board of Directors or the shareholders' meeting of the following year.
The company's deficit remuneration for 2023 has not yet been resolved by the shareholders' meeting.

Note 3: If there is a need for retrospective adjustment due to situations such as free share distribution, the adjusted earnings per share before and after adjustment should be listed.

Note 4: If the terms of issuance of equity securities specify that dividends not distributed in a given year can be accumulated and paid in profitable years, the accumulated unpaid dividends up to the current year should be disclosed separately.

Note 5: Price-to-Earnings Ratio = Average closing price per share for the year / Earnings per share

Note 6: Price-to-Cash Dividend Ratio = Average closing price per share for the year / Cash dividend 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, earnings per share should be filled in with the latest audited (reviewed) data as of the date of printing of the annual report; the remaining columns should be filled in with the data for the current year up to the date of printing of the annual report.

(6) Company Dividend Policy and Implementation

1. The Dividend Policy Stipulated in the Company's Articles of Incorporation

If the Company has profits in a year, it shall set aside the employees' remuneration and directors' remuneration. However, if the Company still has accumulated losses, it shall reserve an amount to offset the losses in advance.

The Company, after offsetting losses and before deducting compensation for employees and directors, shall allocate the remaining balance from the pre-tax profits of the current year as follows: (1) Directors' remuneration shall not exceed 3%. (2) Employees' remuneration shall not be less than 1%.

The employees' remuneration mentioned in the preceding paragraph shall be distributed in stock or cash and shall be resolved by a majority of the directors present at a meeting of the Board of Directors attended by two-thirds or more of the total number of directors and reported to the shareholders' meeting. The recipients of such distribution shall include employees of the Company's controlled or subordinate companies who meet certain conditions, and the conditions shall be determined by the Board of Directors.

If there is a surplus in the Company's annual final accounts, it shall first pay taxes, offset accumulated losses, then set aside 10% as legal reserve. However, this shall not apply when the legal reserve has reached the Company's paid-in capital. Thereafter, special reserve shall be set aside or reversed in accordance with laws or regulations of the competent authority. If there is still surplus, it shall be combined with the accumulated undistributed surplus from the previous period, and the Board of Directors shall draft a distribution proposal based on the operational needs of the

Company and retain an appropriate amount of surplus before submitting it to the shareholders' meeting for resolution and distribution, if new shares are to be issued.

The Company's dividend distribution policy takes into account the Company's current and future operating conditions, capital requirements, and long-term financial planning, with dividends distributed in the form of cash or stock dividends. Cash dividends shall account for no less than 10% of the total dividends distributed.

The Company is authorized by Article 240-5 of the Company Act to distribute dividends, statutory surplus reserve, and capital surplus in whole or in part by cash, as resolved by a majority of the directors present at a board meeting attended by two-thirds or more of the total number of directors, and report to the shareholders' meeting.

2. To Align With the Company's Sustainable Financial and Business Operations Plan, the Dividend Distribution Policy Is Formulated as Follows:

(1) Conditions and Timing for Dividend Distribution:

To accommodate future corporate growth, the company's dividend policy is assessed annually by the Board of Directors based on actual profitability, future capital budget planning, operational needs, and sound financial structure. The impact of stock dividends on earnings per share dilution, as well as the impact of cash dividends and stock dividends on shareholders' equity, will be considered. A certain percentage of the distributable profits for the year will be distributed as shareholder dividends, with cash dividends accounting for no less than 10% of the total dividends. If future profits and funds are more abundant, the distribution ratio will be increased. In addition to complying with relevant laws and regulations and the company's articles of incorporation, the dividend distribution plan must be approved by the shareholders' meeting and the competent authority before it can be distributed.

(2) Special Reserve Provision:

In accordance with Article 41, Paragraph 1 of the Securities and Exchange Act, the Company shall set aside a special reserve from profit as necessary.

(3) The Cash and Stock Dividend Payout Ratios:

The Company's dividend distribution policy will adopt stock dividends through capitalization of earnings and capital reserves, as well as cash dividends, in consideration of the Company's current and future operating conditions, capital requirements, and 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 accounting for no less than 10% of the total dividends.

3. The Company's Expected Dividend Policy, Unless Otherwise Provided by Relevant Laws and Regulations, Will not Change Significantly
4. Implementation of Dividend Distribution in 2023: (Distribution of surplus in 2022)

(Unit: NT\$)

Types of Dividends	Percentage of Shareholder Dividends	Number of Dividends Resolved at the Shareholders' Meeting	Actual Distribution Quantity	Circumstances of Discrepancy Between Resolution and Actual Allocation.
Cash dividends	62.50%	\$51,610,496	\$51,610,496	No difference.
Stock dividends	37.50%	\$30,966,300	\$30,966,300	No difference.

5. The Proposed Dividend Distribution at the 2024 Shareholders' Meeting:

- (1) Due to a pre-tax loss for 2023, the company decided at the board meeting on February 27, 2024 not to distribute dividends to shareholders.
- (2) The amount of cash dividends allocated accounts for 0% of the total shareholders' bonuses.

- (7) The Proposed Free Share Issue for This Shareholders' Meeting and its Impact on the Company's Business Performance and Earnings per Share

The Company did not issue financial forecast information for the year 2024, so it is not applicable.

- (8) Remunerations of Employees and Directors

1. The Percentage or Range of Employee and Director Remuneration as set Forth in the Company's Articles of Incorporation:

According to Article 20 of the Company's Articles of Incorporation, "If the Company makes a profit in a given year, it shall appropriate employees' remuneration and directors' remuneration. However, if the Company still has accumulated losses, it shall reserve an amount to offset the losses in advance. The Company, after offsetting losses and before deducting compensation for employees and directors, shall allocate the remaining balance from the pre-tax profits of the current year as follows:

- (1) Directors' remuneration shall not exceed 3%.
- (2) Employees' remuneration shall not be less than 1%.

The employees' remuneration mentioned in the preceding paragraph shall be distributed in stock or cash and shall be resolved by a majority of the directors present at a meeting of the Board of Directors attended by two-thirds or more of the total number of directors and reported to the shareholders' meeting. The recipients of

such distribution shall include employees of the Company's controlled or subordinate companies who meet certain conditions, and the conditions shall be determined by the Board of Directors.

2. The Basis of Estimation for Employee and Director Remuneration for the Current Period, the Basis for Calculating the no of Shares for Employee Remuneration Distributed in the Form of Stocks, and the Accounting Treatment if the Actual Distribution Amount Differs From the Estimated Amount.
 - (1) The basis for estimating the amount of employee and director remuneration for the current period, and the basis for calculating the No of Shares for employee remuneration in the form of stock distribution: According to Article 20 of the company's articles of incorporation, the following provisions shall be made after offsetting deficits with the profit before tax, excluding the amounts of employees' and directors' remuneration: A. Directors' remuneration shall not exceed 3%; B. Employees' remuneration shall not be less than 1% of the profit.
 - (2) Basis for calculating the No of Shares in employee remuneration through stock dividends: N/A.
 - (3) Accounting treatment when the actual distributed amount differs from the estimated amount: Changes in accounting estimates will be treated as expenses for the following year.
3. The Board of Directors' Approval of Remuneration Distribution
 - (1) The amount of employee remuneration and directors' and supervisors' remuneration paid in cash or stock dividends. If there is a difference from the estimated amount recognized as expenses for the year, disclose the difference, reasons, and how it was handled: The remuneration for employees and directors of the Company is estimated based on the profit situation for that year and the ratio stipulated in the Articles of Incorporation.

The Company incurred a pre-tax loss in the year 2023, so the estimated remuneration for employees and directors recorded in the accounts is NT\$0 and will not be distributed. Due to the pre-tax loss in 2023, the employee and director compensation amounts are \$0, and no distribution will be made.
 - (2) The employee remuneration amount paid in stock dividends and its ratio to the net income after tax and the total employee remuneration in the current individual or separate financial statements: N/A.
4. The Actual Distribution of Employee, Director and Supervisor Remuneration for the Previous Year (Including no of Shares, Amount and Share Price Distributed), and if There Is any Difference From the Recognized Employee, Director and Supervisor Remuneration, an Explanation of the Difference, Reasons and Treatment Should Be Provided: (Distribution of 2022 Employee and Director Remuneration in 2023)

The actual distribution of employee and director remuneration 2022 as resolved by the Shareholders' Meeting is as follows:

- (1) Employee remuneration of NT\$2,606,713 was distributed in cash.
- (2) Directors remuneration of NT\$2,606,713 was distributed in cash.

There is no difference between the actual distribution amount above and the recognized employee and director remuneration amount in 2022.

(9) Acquisition of The Company's Own Shares

The Company did not repurchase any of its shares in the recent fiscal year and up to the date of printing the annual report, so this is not applicable.

2. Corporate Bond Issuance Status

(1) Corporate Bond Issuance Status

Types of Corporate Bonds (Note 1)	The Company's second domestic unsecured convertible bonds are as follows
Issue (Transaction) Date	July 4, 2023
Face Value	One hundred thousand New Taiwan Dollars
Place of Issue and Trading (Note 2)	N/A
Issue Price	Issued at 107.33% of the denomination
Issue Amount	NT\$ 250,000 thousand(Denomination) NT\$ 268,316 thousand(Amount)
Coupon Rate	Nominal interest rate)%
Term	Three-year term, maturity date: July 4, 2026
Guarantor	N/A
Trustee	Trust Department, SinoPac Business Bank Co., Ltd.
Underwriter	KGI Securities Corp.
Attesting Lawyer	FSI- Law firm, Lawyer Ya-Wen Chiu
Attesting CPAs	PricewaterhouseCoopers Taiwan CPAs Wu, Han-Chi, Accountant Lin, Ya-Hui
Redemption Method	Apart from the holders of this convertible corporate bond converting to the company's common shares in accordance with Article 10 of these Regulations, or the company redeeming them early in accordance with Article 18, or exercising the put option in accordance with Article 19, or the company repurchasing and canceling them through securities firm business premises, the company shall redeem the convertible corporate bonds in cash at face value upon maturity.
Unredeemed Balance	NT\$ 249,900 thousand
Conditions for Redemption or Early Redemption	Please refer to Annex 2 "Regulations for the Issuance and Conversion of the Second Unsecured Convertible Corporate Bonds" in the company's prospectus for the second unsecured

Types of Corporate Bonds (Note 1)		The Company's second domestic unsecured convertible bonds are as follows
		convertible corporate bonds issued domestically.
Restrictive Covenants (Note 3)		None
Name of Rating Agency, Date and Result of Rating		N/A
Other Rights	A The monetary amount of common shares, global depositary receipts, or other securities already converted, exchanged, or subscribed up to the annual report publication date	None
	The issuance and conversion, exchange, or subscription rules	Please refer to Annex 2 "Regulations for the Issuance and Conversion of the Second Unsecured Convertible Corporate Bonds" in the company's prospectus for the second unsecured convertible corporate bonds issued domestically.
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 face value of the convertible bonds issued this time is NT\$250,000 thousand. Since the duration of these bonds is 3 years, and the bondholders may request conversion at different points, it will delay the impact on earnings per share, and thus should not have a significant impact on the equity interests of existing shareholders. These bonds have a coupon rate of 0% and are issued at a premium conversion price, so they should not have a negative impact on shareholders' equity.
Name of the Custodian Institution of the Exchangeable Underlyings		None

Note 1: The status of corporate bonds includes the public and private placement of corporate bonds in progress.

Note 2: Those belonging to overseas corporate bonds, please fill in

Note 3: Such as limiting the distribution of cash dividends, foreign investment, or requiring the maintenance of a certain asset ratio, etc.

Note 4: For convertible corporate bonds, exchangeable corporate bonds, consolidated corporate bonds or corporate bonds with warrants, the nature should be disclosed in the tabular format listed below, including information on convertible corporate bonds, exchangeable corporate bonds, consolidated corporate bond issuance, and corporate bonds with warrants. Refer to Table (2) Convertible Corporate Bond Information below.

(2) Convertible Bonds Data

Company Bond Types		The Company's second domestic unsecured convertible bonds are as follows:	
Items	Year	2023	As April 5, 2024 (Note 2)
Market Price of Convertible Corporate Bonds	Maximum	114.40	104.85
	Maximum	104.05	101.40
	Average	109.25	102.83
Conversion Price		36.00	36.00
Issue (Transaction) Date and Conversion Price at Issuance		Issuance date: July 4, 2023 Conversion price of issuance 37.60 From August 14, 2023, the conversion price is adjusted to 36.00	

Method for Performance of Conversion Obligations (Note 1)	Issue new shares	Issue new shares
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Note 1: Deliver issued shares or issue new shares.

Note 2: The data for the current year up to publication of the annual report should be filled in.

3. Special Share Handling: None.

4. Circumstances of Issuance of Overseas Depositary Receipts: None.

5. Employee Stock Options Certificate and Handling New Shares With Restricted Employee Rights: None.

6. Circumstances of Issuing new Shares for Mergers or Acquisitions for Acceptance of new Shares of Another Company: None.

7. Implementation of Capital Utilization Plan

As of the quarter preceding the printing date of the annual report, the plans that have been fully funded but not yet completed: None.

V. Operating Overview

1. Business Content

(1) Business Scope

1. Main Content of Business Operations

The main business is the manufacturing, sales, and services of various signal lines, connection lines, power lines, wire and cable products, copper products, and electric vehicle charging guns for the information industry, communication industry, precision machinery industry, and consumer electronics industry. The product range of the Company's business includes:

- ◆ Industrial Plastic Products Manufacturing
- ◆ Smelting and Refining of Copper
- ◆ Copper Rolling, Drawing and Extruding
- ◆ Electric Wires and Cables Manufacturing
- ◆ Electronics Components Manufacturing
- ◆ Mold Manufacturing Wholesale
- ◆ Wholesale of Computers and Clerical Machinery Equipment
- ◆ Computer and Peripheral Equipment Manufacturing
- ◆ Wholesale of Chemical Feedstock
- ◆ International Trade
- ◆ Investment
- ◆ Motor Vehicles and Parts Manufacturing
- ◆ Cable Installation Engineering
- ◆ Retail Sale of Electronic Materials
- ◆ Energy Technical Services
- ◆ Wholesale of Chemical Feedstock

2. Proportion of Consolidated Business Operations of Group

Main Product Categories	2023 Proportion of Business Operations
Various signal power transmission cable	100 %
Total	100 %

3. The Company's Current Product Items

The company's main product line currently consists of various 3C product signal cables, connection cables, consumer-grade high-frequency cables, automotive cables, and charging guns for electric vehicles, as well as various high-frequency signal transmission cable products and automotive cable products.

4. Plan for the Development and Enhancement of New Products

(1) Develop Advanced Products:

In terms of cable products, to align with the trends of high-speed and high-resolution in the 3C industry, our company has successfully developed high-end signal cables supporting 8K and VR displays. In the future, we will strive to increase the production value and sales revenue of our high-end products.

(2) Develop New Customer Sources and new Markets:

Connection cable products have a wide range of applications. In addition to existing computer signal cables, our company's shipments of High-end 3C product digital connection cables have been growing year by year. In the future, we will actively explore new customers, including products in advanced application areas such as mobile phones, automotive, security cables, set-top boxes, fiber optics, solar cell modules and energy storage devices, increasing revenue and profit sources.

(3) Continuously Develop Automated Production Technologies:

To cope with the annual wage increases in mainland China, our company is actively developing automation equipment for manufacturing processes (automatic stripping/soldering integrated machine, automatic assembly/riveting case integrated machine, automatic processing and production line equipment for front-end signal cables) in order to reduce production costs and ensure product quality, thereby improving production efficiency.

(4) Actively Promote Corporate Transformation, and Venture Into the Electric Vehicle Industries:

Electric vehicles have become an inevitable global development trend. Our company has applied its professional cable technology and experience to develop electric vehicle charging guns. We started shipping them in late 2021, officially entering the electric vehicle market. We will accompany the development of electric vehicles and expand the application range of electric vehicle cables.

(2) Industry Overview

1. Current State and Development of the Industry

(1) The Connector Industry

Electronic connectors (cables) refer to all connecting components and their accessories used for electronic signals and power supply. Their main function is to provide a separable interface to connect two subsystems within an electronic system, thereby enabling smooth transmission of signals or electricity. Since electronic connectors (cables) are considered the bridges for all signals, used for

connections between components, their product quality will significantly affect the reliability of signal transmission, thereby impacting the operation of the entire electronic device.

The downstream market applications of electronic connector (wire) products are actually quite extensive, including chip and component connections, PCB (Printed Circuit Board) board-to-board connections, host and I/O (Input/Output) connections, external power and external signal connections, all of which require the use of connectors. Currently, they are mainly used in personal computers (PCs) and peripherals, network communications, automotive electronics (AE), green energy, consumer electronics and other fields.

As Intel and AMD's new platforms drive demand for the cloud server super cycle, coupled with rising demand for electric vehicles and infrastructure expansion, high-speed transmission and high-power requirements, this will drive growth in profits for connector and cable manufacturers. The connector market is growing steadily, with cloud servers and electric vehicles being the main highlights. It is expected that as demand for electric vehicles and data centers gradually heats up, it will drive growth in the connector market scale in the coming years, while green energy and automation trends will also add momentum to industrial demand.

The demand for high power and high-speed transmission in server, electric vehicle, and industrial markets is the main market driver. The super cycle of servers, the demand for new energy vehicles and infrastructure, and the demand for high-speed transmission will drive the revenue growth of connector/cable companies. In terms of non-IT applications, sales of electric vehicles will increase significantly in the coming years, replacing the market share of internal combustion engine (ICE) vehicles, and the demand for charging infrastructure (charging guns/piles) will also rise accordingly. When the maximum power transmission power is reached, the electric vehicle motor needs connectors that can support high output current and significantly reduce transmission resistance during power transmission. In addition, the industrial market will benefit from the trends of automation and green energy. The expansion of the aforementioned markets will drive the revenue, profit growth, and gross margin improvement of connector/cable companies. Moreover, the USB 4 and Thunderbolt 4 upgrades on the host and equipment sides in 2022-23 will also help cable companies increase revenue and product average selling prices.

The market research firm Industry Arc points out that if we just look at the USB 3.0 market, it will grow at a rate of 20% annually from 2020 to 2025, reaching a scale of \$67,000 million (approximately NT\$196,900 million) in 2025. The demand for seamless connectivity between various devices will be the main driving force for USB growth; because now even a video shot with a smartphone can have a data size of up to 1 GB, but electronic products require thinness and compactness, and cannot accommodate more transmission

interfaces, leaving only USB on the device. Now, ultra-thin laptops have models with only USB connectivity, and portable screens with only USB interfaces can be purchased online for use with smartphones. The latest USB transmission interface has been dropping in price very rapidly, and price is the key to the widespread adoption of this technology.

The high transfer speed, high-resolution transmission, and faster charging speed that the old USB 3.2 cannot achieve will be realized with USB4. With the ability of Taiwanese manufacturers to control costs, USB4 has a good chance of sparking another wave of significant growth. After the advent of USB4, cables will become very diverse because even with the same USB4 cable, some can only transmit data, some can transmit data and display images, and some can perform all three functions. For high-speed transmission and long-distance transmission, you need to buy active cables with chips. In the future, USB cables may be sold according to their functions, with different prices for cables capable of transmitting at 10 Gbps, 20 Gbps, or 40 Gbps speeds. Charging is an important innovation for the USB interface, and the ability to charge external devices is an important selling point for the new interface. Under EU policy, the future trend will be to adopt a unified USB interface for power supplies for mobile devices.

The adapter business will also do well because consumers are unlikely to discard their existing devices just because of the new standard. The simplest way is to buy an adapter or a multi-function expansion dock. These areas are also the home ground of connector manufacturers. Now, walking into stores, you can find adapter products made by Taiwanese manufacturers everywhere. The new transmission interface has become the mainstream that cannot be ignored by thin and light laptops and mobile phones. To match mobile phones, portable displays with only USB interfaces have already appeared on the market. Another group that will benefit is manufacturers related to large data transmission.

In Current, as long as people's demand for data continues to increase, this wave of high-speed transmission will not stop. In the future, not only will people need to view increasingly high-resolution images, but AI will also require more data to complete tasks. Wireless communication still cannot match 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.

Furthermore, the IT connectors market is expected to grow at a Compound Annual Growth Rate (CAGR) of 6.3% during the forecast period. Factors such as the demand for high-speed connectivity, expansion of the automotive industry, and significant increase in investment in underwater cables and military systems are anticipated to drive the growth of the IT connectors market during the research period. The IT connectors market is thriving due to the

global digital transformation. Reliable connectivity, high performance, and efficiency are the key factors driving market growth. High-performance networks are critical for business, manufacturing, security, and media. The emerging markets are witnessing an increasing demand for media and entertainment, along with rising internet penetration, leading to a significant growth in television and internet users, smartphone and tablet users. These factors have generated a huge demand for connector adapters.

(2) Electric Vehicle Industry

In the entire automotive industry, transformation will be more important than sales growth. By 2027, electric vehicle (EV) sales are expected to account for a third of global new car sales. As more people give up gas-powered cars, automakers will introduce more EV models and retrofit their production facilities. Over the same period, government incentive policies will also undergo significant changes in various markets, with the focus shifting from supporting EV sales to helping expand EV charging networks and battery manufacturing. Although the business environment currently seems harsh and investment in other technologies like autonomous driving will decrease, automakers will increasingly participate in semiconductor production and the development of key resources in the midstream and upstream supply chain.

Except shift towards electric vehicles, automakers must also grapple with long-term trends, including an aging population, new car financing models, the rise of online sales networks, and ever-changing consumer attitudes. Meeting these demands with agility will be challenging amid escalating geopolitical trade tensions, especially as Chinese automakers make a major push into global markets.

Looking ahead to 2030, global sales of hybrid and electric vehicles are expected to account for 60% of global light vehicle sales. The US Inflation Reduction Act will boost the prospects for electric vehicle manufacturing in the US, although Europe faces potential investment shifts without similar measures. However, the domestic electric vehicle outlook remains positive in China, and Chinese electric vehicles continue to expand their international footprint. Several factors will influence the industry's growth, including supportive government policies to incentivize industry recovery and the transition to low-emission vehicles, increased demand from emerging markets driven by rising household incomes, and easing supply chain disruptions.

(3) U.S. Market

While the "Inflation Reduction Act" is expected to boost manufacturing, it is anticipated to pose short-term and long-term downside risks to electric vehicle (EV) sales and adoption. This is because the tax credits included in the act are expected to reduce the number of EVs eligible for tax credits, deterring potential buyers, particularly those in the middle to lower income brackets,

from purchasing EVs. Despite that, the EV outlook remains unchanged as high-income consumers and corporations are expected to drive significant demand for EVs.

Moreover, the battery component and critical mineral prerequisites outlined in the IRA may limit near-term electric vehicle sales for low- and middle-income consumers. Stringent regulations related to critical minerals and battery components could disqualify electric vehicles from receiving federal tax credits. Notably, the requirements that 50% of electric vehicle battery components be manufactured or assembled in North America by 2023, and that 40% of the metals in electric vehicle batteries come from North America or countries with a free trade agreement (FTA) with the U.S., are particularly noteworthy.

Currently, the United States will not meet the IRA's requirements for battery components and critical metal production in the short term. Data shows that China controls over 72% of global EV battery manufacturing, while the US accounts for only 3%. Even with the proposed gigafactory projects, the US would account for only around 13% of the global total, while China would account for 47.5%. Moreover, China's investment in the EV battery sector far exceeds that of North America and Europe.

China's dominant position in the upstream and downstream domains of the electric vehicle battery supply chain makes it unlikely for U.S. electric vehicle manufacturers to modify their supply chains to eliminate Chinese components or materials when the IRA component requirements take effect in 2023 and 2024. Due to containing Chinese components or metals, most, if not all, of the 72 electric vehicle models currently on the market will not qualify for the 2023 federal tax credit.

Despite these challenges, the IRA will stimulate investment and growth in the North American electric vehicle supply chain. To qualify vehicles for these incentives, substantial investments are needed upstream and downstream, including mining, lithium-ion battery manufacturing, and electric vehicle manufacturing. While the US lags behind Europe and Asia in announced electric vehicle battery plants and upstream investments, US automakers have significantly increased their investments in the development of local electric vehicle supply chains. However, these investments will take time to come online and contribute to the electric vehicle supply chain.

(4) China Market

As central government subsidies gradually fade away, purchase incentives for new energy vehicles provided by local governments will continue to exist, providing some buffer for market shocks. In addition, both local and central governments plan to increase incentives for hydrogen fuel cell vehicles (FCVs). Fitch expects China's passenger EV sales to grow 31.3% year-on-year in 2023, driven by increased supply of plug-in hybrid electric vehicles (PHEVs) and

affordable battery electric vehicles (BEVs), as well as support from local and national governments. And expected to surge 111.5% in 2022. PHEV sales are forecast to exceed BEV sales in 2023, with an expected growth rate of 56.3%, while BEV sales are expected to grow 24.6%.

In July 2022, Wuhan and Beijing joined the ranks of local governments, increasing support for the application of new energy vehicles and promoting the replacement of internal combustion engine (ICE) vehicles in China. As incentives for new energy vehicles started to decrease across the entire market from the beginning of 2022, these local governments, along with others such as Shanghai and Guangdong Province, intervened to boost electric vehicle sales. Local incentives range from 8,000 yuan (around \$1,200) in Wuhan, while Beijing and Shanghai offer around 10,000 yuan (around \$1,500). At the same time, the central government also decided in September 2022 to extend its tax exemption policy for electric vehicles (levying a 10% tax on the purchase of new energy vehicles), and subsequently announced in June 2023 that it would be extended until 2027.

However, it is worth noting that the tightening of battery and semiconductor supplies, coupled with rising production costs, will pose risks to electric vehicle sales. China is likely to exceed its interim target of 50,000 hydrogen fuel cell vehicles by 2025, although additional incentive-based assistance will be needed to achieve the long-term goal of 1 million units by 2030. In September 2020, the government announced a series of new policies to support the development of the hydrogen fuel cell vehicle industry, including its supply chain and technology. Major cities such as Wuhan have also expressed interest in providing additional support for the hydrogen energy industry, which could effectively double the incentives available to the entire electric vehicle industry.

China's fuel cell vehicle policies incentivize cities to meet or exceed their fuel cell vehicle development goals, prompting local governments to provide their own incentives to achieve their respective targets. In September 2020, the central government announced a new four-year fuel cell vehicle promotion policy, replacing the previous purchase subsidy policy. Five departments, including the Ministry of Finance, Ministry of Industry and Information Technology, Ministry of Science and Technology, National Development and Reform Commission, and National Energy Administration, will adopt a "reward instead of subsidy" approach to reward cities for meeting their FCV targets. The primary goal of the policy is to promote the development of core technologies and key components across the entire fuel cell vehicle value chain.

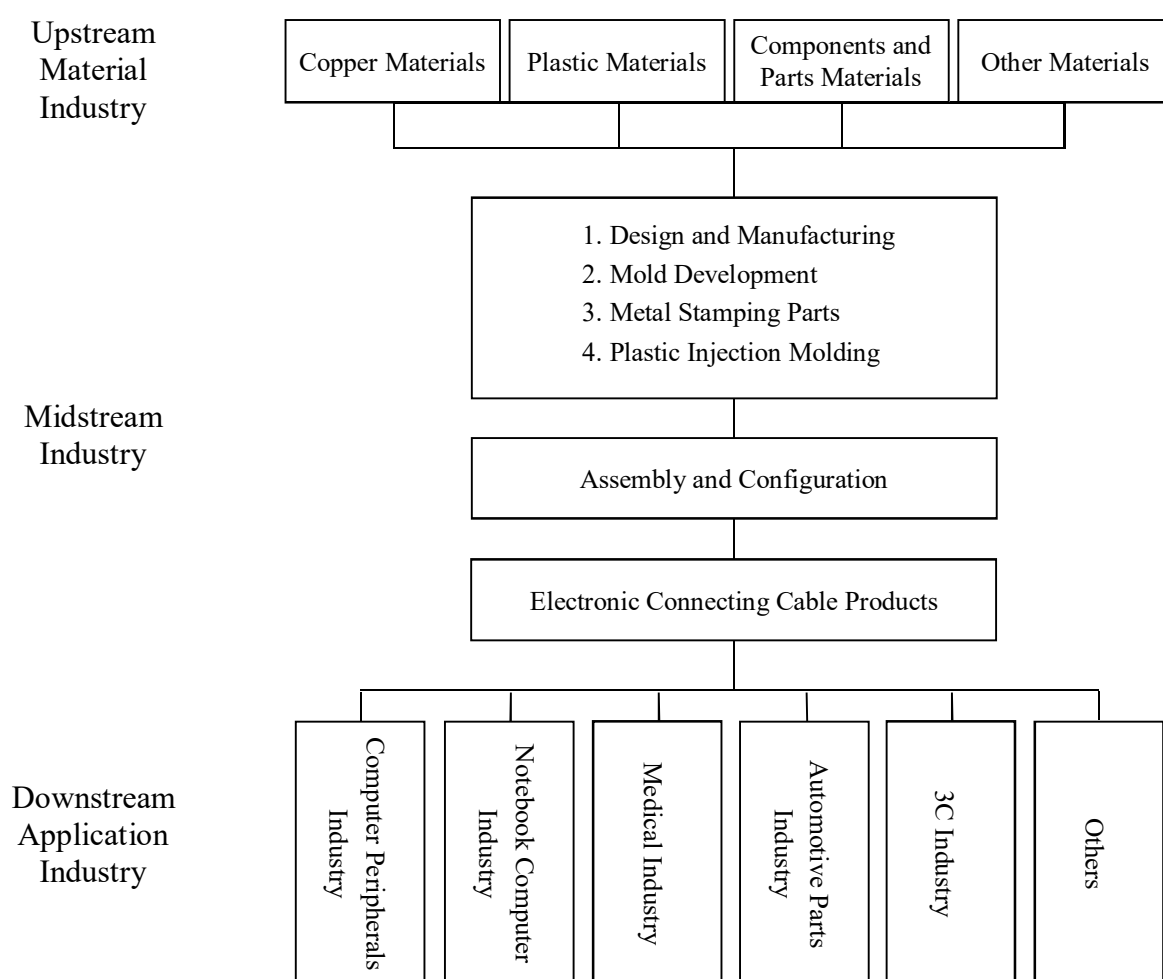
Finally, the Ministry of Finance provides subsidies to model city clusters that successfully promote the widespread adoption of fuel cell vehicles and the hydrogen supply. The subsidy scheme uses a points-based system, with cities earning rewards based on their success in achieving various government-set targets. Over the four-year term of the policy, the total central government

subsidies could reach 17,000 million yuan (\$2,500 million). Considering potential municipal incentive measures, the total value of the policy could exceed 30,000 million yuan (\$4,500 million).

2. Relevance of Upstream, Midstream, and Downstream Industries

(1) Cable

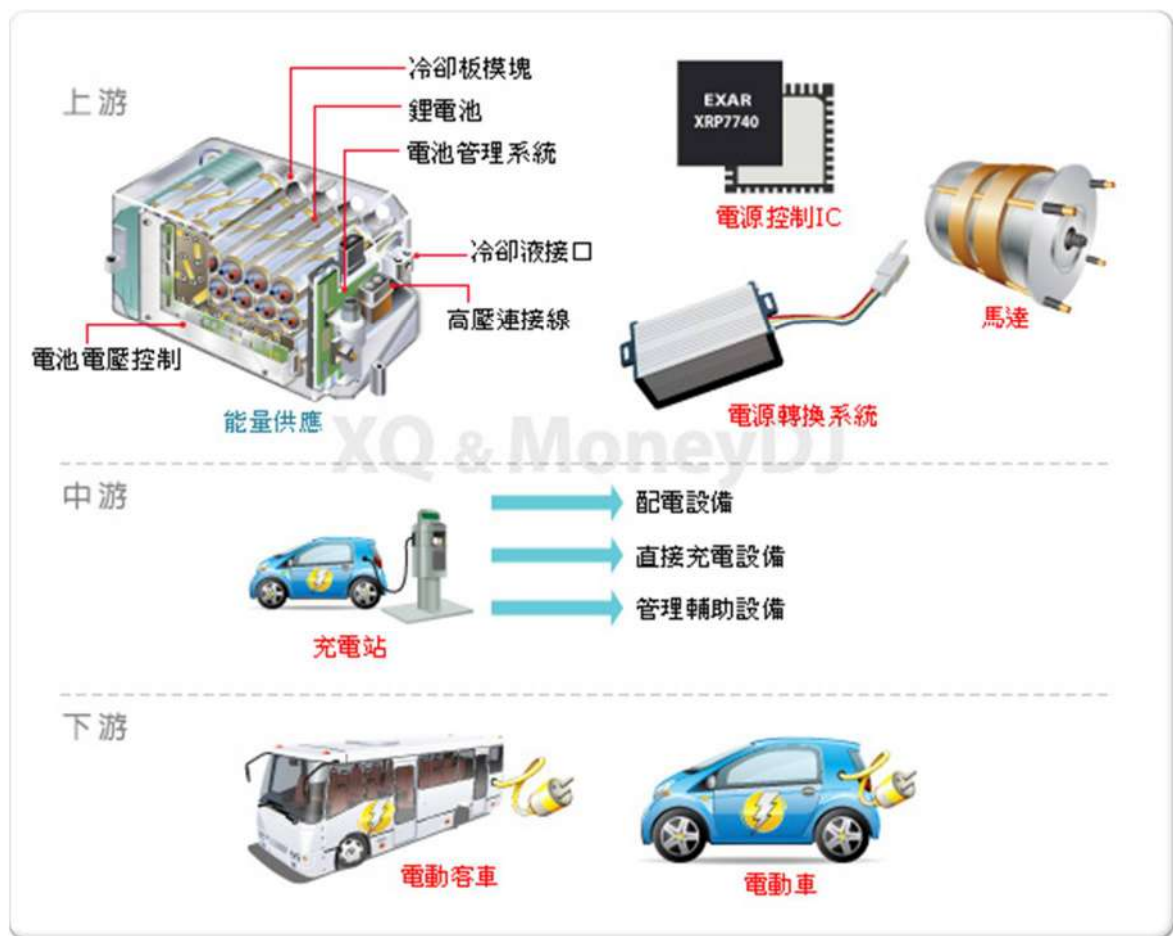
Our company mainly produces high-purity oxygen-free copper rods, copper wires, copper strands, wire materials, connecting wires, connectors, etc. The structure diagram of its upstream, midstream, and downstream industries is shown below:



(2) Electric Vehicles

The global commercial electric vehicle market is expected to grow to \$252,970 million by 2026, with a compound annual growth rate of 29.73%. Furthermore, with the construction of electric vehicle infrastructure by various governments, the gradual maturity of electric vehicle research and development technologies, and the formation of an open platform and resource integration market model, the popularization of commercial electric vehicles is imminent. The following

shows the upstream, midstream, and downstream sectors related to electric vehicles.



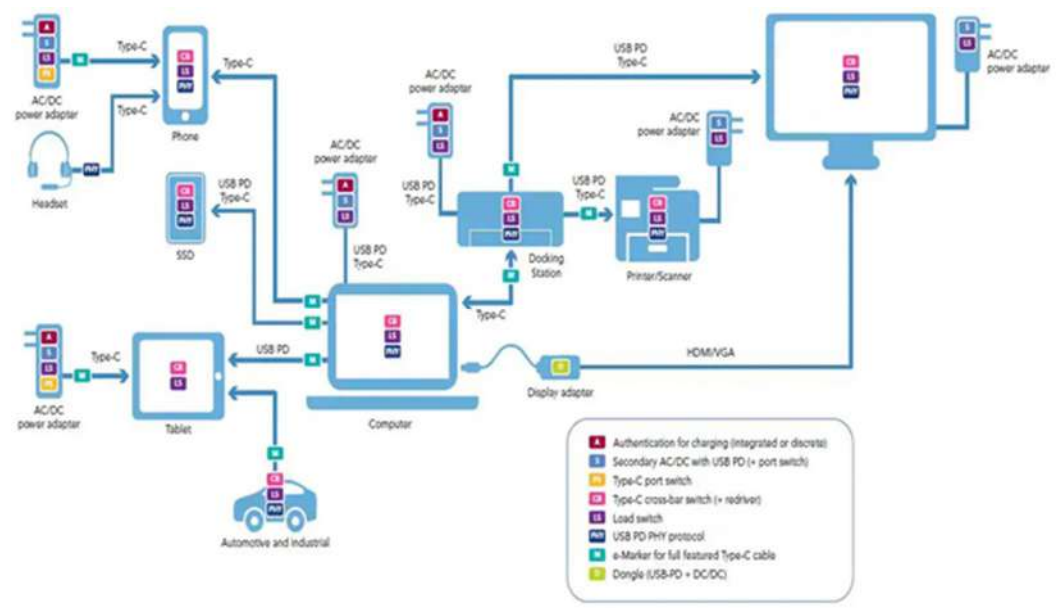
3. Product Development Trends and Competitive Situation

(1) Product Development Trends

A. Cable and Wire Industry

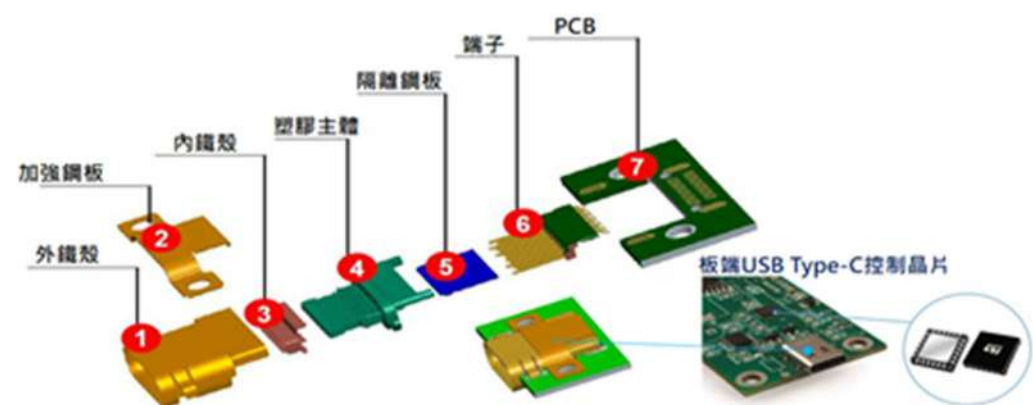
- a. The introduction of USB Type-C for various 3C products is a market trend. The USB Type-C interface is used in devices such as smartphones, headphones, external solid-state drives, tablets, cars, computers, docking stations, printers/scanners, LCD displays, power supplies etc. Looking at the external interfaces for notebooks, earlier DisplayPort (DP), Thunderbolt 1 (TBT1), and Thunderbolt 2 (TBT2) used the Mini DP interface. DP 1.4 and later adopted the Type-C interface, Thunderbolt 3 (TBT3) and later adopted the Type-C interface, and USB 3.1 and later adopted the Type-C interface. Earlier MacBooks used the MagSafe power interface; however, MacBooks from 2016 onwards switched to the Type-C interface. Nevertheless, Apple reintroduced the MagSafe interface to MacBooks starting in 4Q21, but still retaining the USB Type-C (TBT3) interface.

Figure 1: USB Type-C interface Usage end



Data source: NXP, Hua Nan Securities Investment Advisory compiled

Figure 2: USB Type-C (Female) Connector Exploded View










Data source: Zhihu Column, Compiled by Huanan Investment Advisory

The device-side USB Type-C (female) connector is mainly composed of 7 parts, including the outer iron shell (anti-EMI), reinforcing steel plate, inner iron shell, plastic body, isolation steel plate (anti-EMI), terminals, and PCB.

- b. Same USB Type-C transmission cable, but with different transmission speeds.

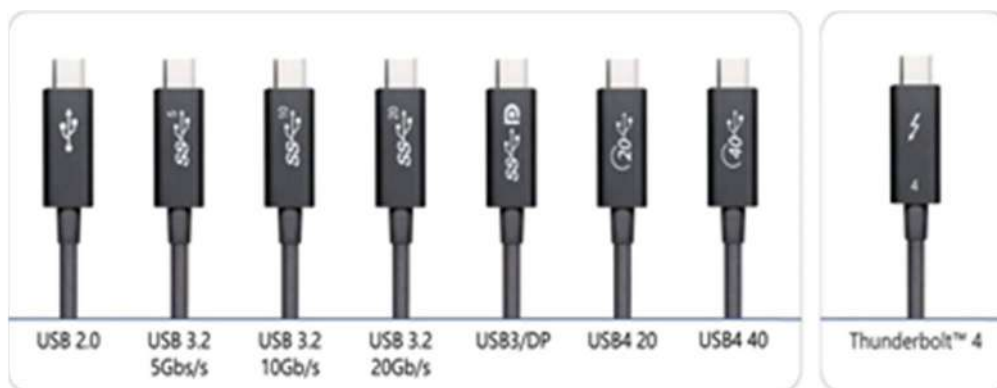
USB 3.1 transmission cables introduced grounding tabs and required better shielding effectiveness requirements to reduce RF leakage and EMI issues. Micro USB only had 5 conductive wires, but USB 3.X cables have at least 9 conductive wires, and those that comply with the USB PD standard even have 12 to 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

Data source: FIT

Figure 3: USB Type-C Transmission Cables for Various Different Transmission Protocols



Data source: iXBT

Figure 4: Thunderbolt 4 Cable (Outer Diameter 5.24mm)



Data source: ChargerLAB

An Apple original Thunderbolt 4 Pro cable costs NT\$3,990 (1.8m) / NT\$4,890 (3m). Looking at the cable, aside from the braided outer layer, it also uses TPE (thermoplastic rubber) and has a three-layer shielded tin foil layer for signal protection. A single transmission cable contains a total of 19 wires that can be used for data transmission and charging. The main reason is that Thunderbolt 4 requires the use of coaxial cables for materials, and from materials to

finished products, it needs to go through 88 processing steps, with over 100 people needed to complete the assembly line, and also needs to pass Intel certification and testing, which is very complex and time-consuming.

- c. The main differences between Thunderbolt 4 and USB4 are the minimum speed and whether it supports PCIe.

Many new NBs have eliminated USB-A and RJ45 Ethernet interfaces, and offer 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

通訊協定	Thunderbolt 3	Thunderbolt 4	USB4
發布日期	2015年	2020年	2019年
端口介面	USB Type-C	USB Type-C	USB Type-C
最小傳輸速率	40Gbps	40Gbps	20Gbps
最大傳輸速率	40Gbps	40Gbps	40Gbps
最小顯示輸出需求	2台4K顯示器or 1台5K顯示器	2台4K顯示器or 1台8K顯示器	1台顯示器 (No Minimum)
DP隧道模式(DP Tunneling)	DisplayPort 1.2	DisplayPort 1.4	DisplayPort 1.4
DP備選模式(DP ALT Mode)	DisplayPort 2.0	DisplayPort 2.0	DisplayPort 2.0
支援其他通訊協定之 最小傳輸速率	PCIe-16Gbps USB 3.2-10Gbps	PCIe-32Gbps USB 3.2-10Gbps	USB 3.2-10Gbps
PCIe頻寬	PCIe Gen 3x2	PCIe Gen 3x4	Optional
喚醒功能支援	Optional	Yes	Optional
最大功率	15W	15W	7.5W
搭配USB PD3.1最大功率	240W	240W	240W
Intel VT-d DMA保護	No	Yes	No
Thunderbolt 3相容	Yes	Yes	Optional
USB4支援	No	Yes	Yes
USB 3.X支援	Yes	Yes	Yes
USB 2.0支援	Yes	Yes	Yes

Data source: Allion Labs, Hua Nan Securities Investment Advisory compiled

Intel officially announced the new TBT4 specification on July 8, 2020 in North America. TBT4 provides the same 40Gbps as TBT3, also using the USB-C port. Any TBT4 port is also a USB4 port, but not vice versa. The difference between them lies in the support for the PCIe controller and the minimum data transfer speed. In TBT4, the minimum is 40Gbit/s, while in USB4, the data exchange speed is between 20 and 40Gbit/s, while also maintaining backward compatibility. Additionally, TBT4 supports two 4K displays or one 8K display, and also supports Intel VT-D technology, which can prevent DMA attacks.

TBT3/4 supports the PCIe communication protocol, mainly used for connecting external graphics cards, NVMe SSDs, RAID cards, sound cards, network cards, image capture cards, etc. The USB-C Type 2.1 specification (announced in October 2021) increases the power capacity of cables and connectors from 100W to 240W (requiring a USB PD 3.1 charger), enabling power supply and charging for larger

power-consuming devices such as 4K displays, electric bicycles, and gaming laptops.

- d. The gradual integration of USB Type-C specifications, and the widespread application of high-speed/high-frequency/miniaturized I/O connectors is one of the major development trends in the global connector market

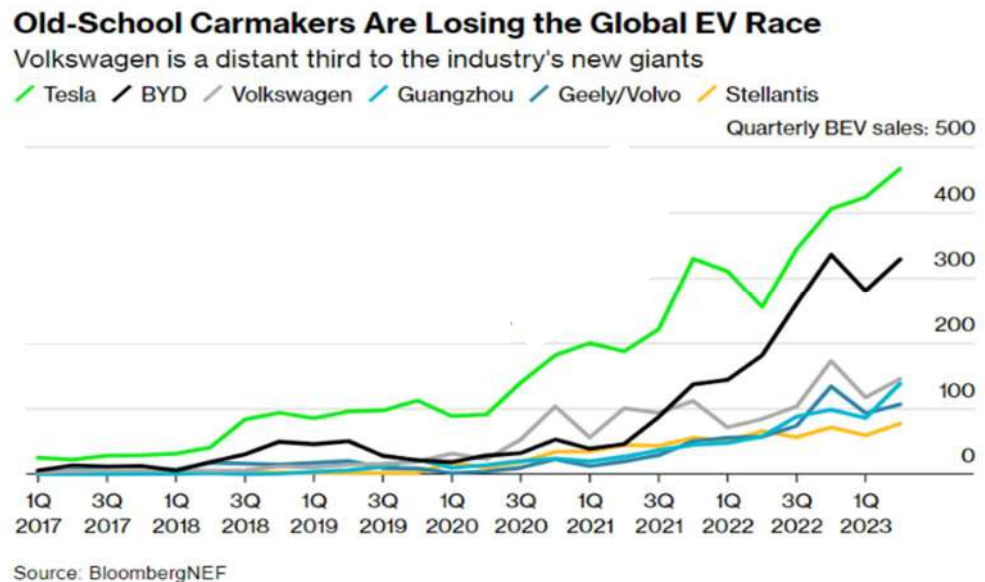
Regarding the major development trends in the global connector market, firstly, after the gradual technology integration of diversified high-speed transmission interfaces, the USB Type-C interface has entered the stage of application implementation and market penetration rate increase. At the same time, with the development of Big Data applications, as more multimedia content and power need to be transmitted in real-time, it will significantly drive the demand for PD3.0/E-Marker charging interface standards and various peripheral devices to adopt the USB Type-C interface. Moreover, with the synchronous optimization of transmission rate and quality, it will derive new business opportunities for high-end connection cables. Furthermore, apart from the USB-IF (USB Implementers Forum) announcing stricter USB4 specifications for cables, connectors, and chip power supply standards, and collaborating with UL safety certification laboratories to create environments compliant with the USB architecture for vehicular use, the European Union (EU) has passed relevant agreements in 2020 requiring member states to regulate electronic companies to adopt a unified charging standard, aiming to “accelerate the interconnection of data and power for electronic devices within the region” and “reduce electronic waste.” Through regulations and policies, it will accelerate the application development of USB4/Thunderbolt 4 and the industry adoption of the unified USB Type-C charging interface. In summary, it is expected that with the continuous evolution and specification integration of various transmission interfaces, USB Type-C will become the standard interface.

Furthermore, due to the apparent acceleration of building mid-to-large data centers (Data Centers) for servers/switches/storage devices across countries driven by digital transformation, to meet the future massive content transmission demands for high capacity and high bandwidth, high-speed/high-frequency/miniaturized connectors for server applications will have significant business opportunities. Lastly, with the platform transition of Intel’s and AMD’s CPUs (Alder Lake, Ryzen) supporting high-speed interfaces and slots such as USB4/Thunderbolt 4, PCIe 4.0, the upgrade cycle of high-speed I/O (Input/Output) connectors will be accelerated. In summary, the applications of high-speed transmission I/O connectors with

high-frequency and miniaturization features will become more widespread.

B. Electric Vehicle Industry

- a. The growth rate of electric vehicles has slowed down



Figures: 8 trends and changes in the electric vehicle market worth watching in 2024

UBS has lowered its forecast for the global market share of electric vehicles in 2030 from 54% to 47%. It expects sales growth in Europe and the United States to slow from 25-50% in 2023 to 10-15% in 2024, citing high consumer uncertainty, reduced subsidies in some countries, higher discounts on internal combustion vehicles, and limited availability of more affordable models.

- b. Pure electric vehicle manufacturers will continue to dominate

Electric vehicle manufacturers are moving faster and leveraging their first-mover advantage in technological innovation compared to traditional automakers. Ford, General Motors, and Mercedes-Benz have all lowered their 2023 electric vehicle sales forecasts and scaled back production plans. Nevertheless, Tesla has the ability to wage a price war with profit margins higher than most internal combustion engine cars. In China, BYD has surpassed Volkswagen to become the best-selling car brand in the country.

- c. Chinese manufacturers accelerate international expansion

Chinese automakers lag behind other countries in producing internal combustion engine vehicles. It is for this reason that they invested strategically in electric vehicles and even battery development at an early stage. With cost and technological advantages becoming apparent, exporting electric vehicle sales to international markets has become the next move.

d. Chinese automakers advance into Europe

BYD is set to begin deliveries of its sedan model for the European market in November 2023, and plans to introduce a mid-size SUV in Europe in 2024. Xpeng Motors sells electric vehicles in four European markets and aims to enter the German market in 2024. Stellantis has acquired a 20% stake in Zeekr and will form a joint venture to help the Chinese electric vehicle startup expand into Europe. These moves reflect Chinese automakers' plans to begin local production in Europe to avoid import tariffs and transportation costs.

e. The battle for electric truck market share

Tesla will begin mass production of the long-awaited and delayed Cybertruck in 2024. The distinctive angular design, rapid acceleration enabled by dual or tri-motor powertrains, and strong towing capacity have attracted attention from car enthusiasts and provided a competitive edge. Apart from the Cybertruck, Ford will introduce an updated version of the F-150 Lightning in 2024. General Motors' Chevrolet Silverado (with a 450-mile range per charge), GMC's Sierra pickup, and Toyota's Tacoma are also on the horizon. Additionally, Volkswagen's Scout brand has designed its first electric pickup for the US market, while Ram is launching a new pickup with a 168kWh standard battery pack offering a 350-mile range, with an optional upgrade to 229kWh for a class-leading 500-mile range.

f. The service of replacing batteries is on the rise to avoid charging issues.

Despite automakers taking various measures to develop an extensive charging network to serve urban areas, highways, and rural areas, the concept of battery swap stations has emerged.

NIO, a Chinese automaker, launched its battery-swapping service in 2020 and has installed over 2,000 battery-swapping stations across China, as well as 30 stations in Europe. BMW and Mercedes-Benz have also established a joint venture in China and plan to install at least 1,000 battery-swapping stations in their Chinese supercharging network, with the first station scheduled to start operations in 2024.

g. Change the chemical composition of the battery

LFP batteries are regaining market share from NMC, and many companies are accelerating the development of technologies such as silicon anodes, solid-state lithium-ion, and sodium-ion batteries, which offer more stable chemistries while reducing the use of nickel, cobalt, and graphite.

h. The government shifts the focus of incentive measures for electric vehicles

The U.S. government has specifically instructed automakers to establish a domestic supply chain for electric vehicles through the Inflation Reduction Act. The act stipulates that vehicles with battery components from “foreign entities of concern” such as China will no longer be eligible for the \$7,500 subsidy, effective January 1, 2024. In Australia, due to price reductions from suppliers, the governments of Victoria and New South Wales will discontinue purchase incentives for new electric vehicles starting in January. Despite that, they will still reallocate some funds to install more charging stations to continue encouraging charging.

(2) Product Competitive Situation

A. Industrial Competitive Situation

a. The Connector

The major suppliers of global connectors are mainly located in Japan, the United States, China and Taiwan. Currently, the global market share of connectors is concentrated among the top ten companies: TE Connectivity, Amphenol, Molex, Delphi, Foxconn Precision, Japan Solderless Terminal, Japan Aviation Electronics, Luxshare Precision, Hirose Electric, these ten companies account for more than 50% of the global market share.

The development focus of US connector manufacturers is to expand R&D and production in mainland China, target the automotive market, and continue to expand production scale. The development priorities for Japanese connector manufacturers are to develop new technologies, new applications, and utilize mergers and alliances to strengthen connector solutions. It is worth noting that as China is the main assembly base for various electronic products, in order to accelerate the increase in the self-sufficiency rate of components, the government has actively encouraged companies through supportive policies. Chinese manufacturers are actively involved in the layout and development of various electronic components, and the connector industry is no exception. The growth rate of its connector industry output has recently outpaced other countries. At the same time, the development strategy of mainland Chinese companies is to rapidly expand their market reach through mergers and acquisitions, strategic alliances, capital increases, equity participation, joint ventures, and other means, quickly expanding their technological capabilities, accumulating vertical integration capabilities, and accelerating their entry into international markets. Mainland Chinese connector manufacturers have entered the largest and highest value-added markets such as 4G smartphones and internet-of-vehicles applications, aiming to break free from the fate of low added value.

As downstream application markets evolve, Taiwanese manufacturers of connectors must develop new product lines for emerging applications. In addition to non-3C applications, they are also investing in connectors for the Internet of Things, wearable device applications, such as servers, high-power/high-frequency I/O connectors, automated warehouse robot cable harnesses, RF connectors, etc., attempting to find new growth opportunities in the highly competitive industry. Looking ahead, the focus of connector technology development will be “high-frequency transmission” and “miniaturization”. Taiwanese manufacturers should upgrade their materials and processes to enhance their competitiveness and secure a position in the fiercely competitive connector industry.

b. Electric Vehicle

As global environmental awareness rises and battery technology advances, electric vehicles with zero emissions have become the main products that major automakers are striving to promote. Unlike in recent years, when Tesla, an American company, has long been the global leader in electric vehicles. By the end of 2023, the Chinese electric vehicle brand BYD has already caught up, and in the near future, it is expected to surpass Tesla and become the world’s largest electric vehicle manufacturer. The US media has described “BYD has appeared in Tesla’s rearview mirror, ready to overtake it.

Tesla’s number one rival is not in the United States but in China. Tesla CEO Elon Musk admitted, “The sales of electric vehicles in China are huge, and Chinese automakers are extremely competitive.” In China, Tesla faces intense competition from local automakers. Although Tesla currently holds a leading position in China, when people talk about the top 10 electric vehicle manufacturers in China, they often say “Tesla and nine other chasers.

As consumer acceptance rises annually and major automakers increase their production capacity, the global electric vehicle market is not only fiercely competitive but also growing rapidly. Tesla has dominated the global electric vehicle market for many years, selling 1.3 million units globally in 2022. Musk’s target is to sell 20 million units annually by 2030. The English name of the BYD brand, “Build Your Dreams,” reflects the company’s ambition. In the third quarter of 2023, BYD sold over 430,000 pure electric vehicles, just 3,456 units fewer than Tesla. It is projected to sell 1.8 million electric vehicles for the whole year. Experts estimate that BYD’s sales volume in 2023 may match Tesla’s, and there is even a possibility of surpassing Tesla.

As the Chinese economy falls into crisis with rising youth unemployment rates and a debt crisis in the real estate market, the

electric vehicle industry continues to grow strongly. According to data from the World Economic Forum, China had already become the global leader in the electric vehicle industry in 2022, with about two-thirds of the world's electric vehicles being manufactured in China, and Chinese electric vehicle sales accounting for 59% of the global market. Among them, electric vehicles produced by BYD not only supply the domestic market but are also exported to more than 100 countries worldwide. Driven by the electric vehicle industry, China is expected to surpass Japan in 2023 to become the world's largest automotive exporter.

Unlike other traditional automakers venturing into electric vehicle production, one of BYD's advantages is that it started as a battery company before manufacturing cars. Batteries are one of the most expensive components in electric vehicles, and using its own batteries allows BYD to save significant costs, while competitors like Tesla have to rely on batteries from third-party manufacturers. By keeping costs low, BYD can offer more affordable electric vehicles. Tesla's four electric vehicle models cost between \$40,000 and \$100,000, while BYD's pure electric vehicle "Seagull" featured at the 2023 Shanghai Auto Show is priced at only around \$10,000.

According to US media citing analysts, Tesla still maintains competitiveness in the market, but facing the onslaught of BYD, it may need to launch a more affordable version of Tesla to compete with BYD in order to retain its dominance in the electric vehicle market. Analysts point out that BYD's strategy is clear: apart from some entry-level luxury models, BYD is aiming to serve a broader range of consumers with lower prices, expanding the market and pursuing high sales volume.

Batteries account for 30% to 50% of the cost of electric vehicles, and China dominates the battery supply chain, which is another advantage for BYD. A report by the multinational financial services firm Morgan Stanley in July 2023 noted that up to 90% of the global electric vehicle battery supply relies on China, with the two major Chinese battery manufacturers, CATL and BYD, controlling over half of the market share. Compared to other competitors' concerns about the integration of the global supply chain, this is not an issue for the Chinese government. Furthermore, China's plan for developing electric vehicles, including setting up charging stations every 50 kilometers on the highway system, helps reduce range anxiety for car owners and stimulate the desire to purchase electric vehicles.

Despite BYD competing with Tesla in the electric car battle in China and several other countries, gaining popularity among consumers for its affordable prices, it is still unable to enter the US passenger car market amid the US-China tensions. Currently, BYD only

manufactures commercial buses and trucks in the US. The key obstacle is the US erecting trade barriers, with former President Trump imposing a 25% tariff on Chinese cars, a policy continued by President Biden to protect the US auto industry. Moreover, Chinese electric vehicle brands lack brand recognition in the US, and there are concerns about national security and privacy after entering the US market, posing significant challenges.

B. Competitive Basis

The basis of industry competition is described as follows:

- a. Price and cost trade-offs: Since personal computer peripherals and information and communication products remain the major downstream market applications for our domestic industry, they are affected by relatively low computer prices and lower profit margins, causing downstream consumer electronics companies to try to lower the prices of connectors (cables) as much as possible. Therefore, effective cost control and advantageous pricing strategies are the competitive foundations for companies in this industry.
- b. Product quality: As the products of this industry are mainly necessary components for information and communication technology as well as consumer electronics, the quality of these products will affect the quality of the downstream manufacturers' finished products. Therefore, maintaining good quality and operational stability of connector (cable) products is also the direction of efforts for manufacturers in this industry.
- c. After-sales service: Due to the application areas of electronic connectors (wires) become increasingly widespread, manufacturers not only need to have a product portfolio that can meet most needs, but also need to provide complete solutions and related after-sales services to consumers and downstream manufacturers. Therefore, after-sales service is also a basis for competition in this industry.
- d. Production scale: Because electronic connectors (wires) are essential components for most information and communication as well as consumer electronic products, they not only have a wide range of applications and massive usage, but their application in downstream industries is also an important feature of this industry's products. Therefore, the mass production capacity and scale will also become a competitive factor for manufacturers.
- e. Obtaining raw materials: As the cost of raw materials accounts for a relatively high proportion of manufacturing costs in this industry, and some mid-to-high-end materials such as phosphor bronze plates and liquid crystal polymers (LCPs) still rely heavily on imports from abroad, securing stable and continuous access to relevant raw material

sources is also an important competitive basis for this industry.

- f. Cooperation relationship with international companies: Most orders for this industry's manufacturers actually come from well-known overseas companies. Therefore, if manufacturers can develop a closer OEM or cooperative relationship with overseas companies and maintain an important position in their product supply chains, this will become a powerful competitive advantage for the industry.
- g. Production technology and research and development capabilities: Since the main downstream application markets of our domestic industry are products such as information and communication, consumer electronics, and automotive electronics, with the rapid development of information and communication technology, big data, cloud computing, and automotive electronics, electronic connector (cable) suppliers must be able to timely launch corresponding products to meet the needs of downstream manufacturers. Therefore, the production technology and R&D capabilities of the companies in this industry will be crucial to their long-term competitiveness.
- h. Sales channels: Due to there are numerous business owners in the local industry in our country, and information and communication technology as well as consumer electronics remain the main downstream applications, the cooperative relationship with major electronics companies will affect product sales. Therefore, effectively establishing sales channels will become the most important competitive factor besides product pricing.
- i. Product yield: The yield rate of a product is mainly related to the production cost. When a manufacturer has a higher yield rate, it can reduce production costs and thereby increase its profitability. In addition, since the plastic materials used for connectors (wires) must have heat resistance, the quality of upstream raw materials also affects the high or low yield rate of the product.
- j. Relationships with downstream vendors: Because connectors (cables) have diverse applications, and the same product may also differ according to application specifications, coupled with the large number of domestic manufacturers in this industry, manufacturers need to establish good relationships with major downstream partners, which can help stabilize continuous orders.
- k. R&D talent: As research and development talents and manufacturing processes are closely related, and the technological evolution in the connector (wire) industry (including upstream and downstream supply chains) is relatively rapid, manufacturers in this industry not only need to have more advanced production equipment and manufacturing processes, but also must be able to acquire outstanding research and development talents to continuously develop new

products and technologies. Only then can they effectively enhance their market competitiveness.

1. Policy support: If the government can directly promote tax incentives and other policy benefits for the connector (cable) industry or related downstream emerging application industries, it will effectively promote industrial development and enhance the competitive foundation.

(3) Overview of Technology and Research and Development

1. The Research and Development Expenses Incurred in the Most Recent Fiscal Year and up to the Printing Date of the Annual Report:

The consolidated financial statements of the company - the company and 100% reinvested enterprises total investment:

Unit: NT\$ Thousand

Item\Year	2021	2022	2023	As of March 31, 2024
Research and development expenses	99,333 thousand	121,045 thousand	95,288 thousand	19,937 thousand

2. Technology or Products Successfully Developed in the Most Recent Fiscal Year and up to the Printing Date of the Annual Report:

- (1) Combined 100% reinvestment in the associated company's connector product R&D patents:

Items	Approval Date	Patent Name	Patent Type	Patent Number
1	2008.01.09	Video transmission line external shielding improved design	Invention	200610037923.X
2	2018.01.16	Cable structure	Utility model	201720680924.X
3	2018.02.02	Riveting die	Utility model	201720680949.X
4	2018.01.04	A kind of two-way integrated riveting die	Utility model	201821005459.0
5	2019.01.18	A structure of an HDMI cable	Utility model	201821005837.5
6	2019.01.18	A constant temperature soldering iron	Utility model	201821005471.1
7	2019.02.22	A C-type outer mold automatic molding device	Utility model	201821005838.X
8	2019.02.19	A wire harness structure	Utility model	201821005555.5
9	2019.02.19	A device for automatic tin soldering	Utility model	201821005553.6
10	2019.08.20	A kind of shielded twisted-pair signal cable	Utility model	201920040047.9
11	2019.08.20	An improvement of an iron shell and a connector head	Utility model	201920040044.5
12	2019.08.20	A TYPE C four-axis solder paste soldering iron shell	Utility model	201920040034.1

Items	Approval Date	Patent Name	Patent Type	Patent Number
13	2019.09.26	A RGB iron shell electric testing poka-yoke fixture	Utility model	201920040610.2
14	2020.01.14	A DP connector grounding structure	Utility model	201921210969.6
15	2020.04.03	A one-piece DP shell grounding structure	Utility model	201921842609.8
16	2020.04.03	A wiring harness plug-in structure for a mouth vacuum cleaner	Utility model	201921843360.2
17	2020.04.14	A shielded cable with perforated aluminum foil	Utility model	201921843381.4
18	2020.05.22	A VGA connector with a sliding inner shell.	Utility model	201922117350.7
19	2020.05.22	A connector reinforcement structure	Utility model	201922116869.3
20	2020.07.28	A HDMI connector terminal structure	Utility model	201922116868.9
21	2020.08.20	A type of C shield cable	Utility model	201921843385.2
22	2020.08.19	A graphene shielded digital transmission cable	Utility model	202020075197.6
23	2020.09.04	A TYPE C split structure	Utility model	202020674260.8
24	2020.09.04	An anti-destructive iron shell structure	Utility model	202020674258.0
25	2020.09.17	A reinforced splint fixation structure	Utility model	202020673207.6
26	2020.12.08	A connector structure for increasing tensile strength	Utility model	202021047090.7
27	2021.01.14	A low resistance test structure	Utility model	202021047097.9
28	2021.01.14	A circulating material collecting rack structure	Utility model	202021047957.9
29	2021.01.28	A magnetic ring automatic counting and receiving machine	Utility model	202021047096.4
30	2021.02.01	A type of iron shell latch structure	Utility model	202021640790.7
31	2021.03.24	A type of DP card cam follower	Utility model	202022311383.8
32	2021.03.24	A disengagement coupling device	Utility model	202022312801.5
33	2021.03.24	A new type of HDMI cable clamping structure	Utility model	202022311378.7
34	2021.04.02	A waterproof test connector structure	Utility model	202022311382.3
35	2021.03.24	A peeling unloading structure.	Utility model	202022311407.X
36	2021.04.21	A type of rear-mounted assembly structure.	Utility model	202022312808.7
37	2021.05.13	A symmetrical thread guide clamp structure	Utility model	202022311387.6
38	2021.05.21	A solid circular roll structure	Utility model	202022312799.1
39	2021.07.05	A waterproof testing device	Utility model	202022311410.1
40	2021.08.30	Secondary extension combination limit shell, connector and wiring harness assembly	Utility model	202120552641.3
41	2021.09.18	A rotary offset printing structure	Utility model	202022312803.4
42	2021.09.24	Connector short circuit PIN component automatic feeding device	Utility model	202120763031.8

Items	Approval Date	Patent Name	Patent Type	Patent Number
43	2021.10.22	Connector terminal automatic crimping bending device	Utility model	202120763877.1
44	2021.12.01	TYPE C Iron Shell Loader	Utility model	202121657013.8
45	2021.12.08	DC terminal welding point grinding device	Utility model	202121655060.9
46	2021.12.17	A carrier for tin coating of cables and a tin coating device	Utility model	202121758261.1
47	2022.01.29	A mechanism for an automatic feeding head of an injection molding machine	Utility model	202122168879.9
48	2022.01.28	Automatic Assembly and Forming Machine for Numerical Wiring Harnesses	Utility model	202122364646.6
49	2022.01.27	Digital cable forming and loading device	Utility model	202122365616.7
50	2022.02.09	Digital Connection Line Forming Processing Preloading Device	Utility model	202122365646.8
51	2022.02.15	Magnetic Assembly Fixture	Utility model	202122169424.9
52	2022.02.24	A type of injection molding machine automatic product collection structure	Utility model	202122169422.X
53	2022.03.16	A quick test device for exposed connector dimensions	Utility model	202122664580.2
54	2022.03.16	A new type of enclosed cable terminal casing	Utility model	202122841083.5
55	2022.03.16	Double-headed rotary peeler	Utility model	202122837907.1
56	2022.03.18	A knife set for scratch prevention without a core lace	Utility model	202122666697.4
57	2022.03.23	An interchangeable mold	Utility model	202122841258.2
58	2022.03.30	A DC test fixture	Utility model	202122664748.X
59	2022.06.01	An ultrasonic assembly equipment for POGO PIN cap	Utility model	202122840680.6
60	2022.06.08	HDMI riveting iron shell forming fixture	Utility model	202220519416.4
61	2022.06.15	Wire harness assembly device	Utility model	202220549226.7
62	2022.09.28	Cable wear test fixture	Utility model	202221246968.9
63	2022.09.20	Wire harness outer iron shell assembly fixture	Utility model	202221252011.5
64	2022.09.14	HDMI shielding cover pressing and bending integrated combination fixture	Utility model	202221608122.5
65	2022.09.28	Wire Swing Test Machine	Utility model	202221690724.X
66	2022.10.10	A high-frequency connector soldering hot-melt assembly structure	Utility model	202221691909.2
67	2022.11.04	A POGO PIN cable bundle housing assembly fixture	Utility model	202221378127.3
68	2022.11.09	Wire harness stripping fixture	Utility model	202221378129.2
69	2023.01.10	An automated soldering device	Utility model	202222518928.1
70	2023.01.13	Crimping fixture for correcting the outer iron shell of cable harness terminals before	Utility model	202222518929.6

Items	Approval Date	Patent Name	Patent Type	Patent Number
		crimping		
71	2023.03.15	Special flexible and bend-resistant cable structure	Utility model	202222518991.5
72	2023.03.20	A horizontal injection molding machine automatic product collection device for injection molded products	Utility model	202223136554.3
73	2023.03.21	Charging gun (European standard CCS2)	Exterior design	202230769804.3
74	2023.03.27	Charging gun (US CCS1 standard)	Exterior design	202230770604.X
75	2023.05.29	EU-compliant CCS2 charging gun	Utility model	202223214086.7
76	2023.03.30	A combined bundle fixing wiring clip	Utility model	202223107692.9
77	2023.05.05	Charging gun	Utility model	202223214087.1
78	2023.05.31	A self-burying new energy charging gun	Utility model	202320314918.8
79	2023.06.01	Multi-core power supply stripping device	Utility model	202320287866.X
80	2023.06.27	TYPE C Cable Trimming Jig	Utility model	202320287782.6
81	2023.10.10	Wire automatic stripping device	Utility model	202220564850.4
82	2023.11.27	Wire auto-threading device	Utility model	202322053656.7
83	2023.11.27	Wire automatic threading outer mold device	Utility model	202322053673.0
84	2023.12.11	Four-way riveting terminal mold	Utility model	202322052040.8
85	2023.12.22	Automatic cable harness barcode labeling device	Utility model	202322051730.1

(2) Research and Development Patents for new Energy Products:

Items	Approval Date	Patent Name	Patent Type	Patent Number
1	2021.02.08	Electric vehicle charging cable DEKRA K175-1:201/A1:2016/A2:2020	European standard cable certification	33-121487
2	2021.02.08	Electric vehicle charging cable IEC 62893-121/123	European standard cable certification	33-121560
3	2021.02.08	Electric vehicle charging cable EN 50620:2017 + A1:2019	European standard cable certification	33-121543
4	2021.02.08	Electric vehicle charging cable IEC62893-1:2017/A1:2020; IEC 62893-2:2017; IEC 62893-3:2017	European standard cable certification	31-117367
5	2021.02.08	Electric vehicle charging cable EN 50620:2017 + A1:2019	European standard cable certification	31-117366
6	2021.02.08	Electric vehicle charging cable DEKRA K175-1:201/A1:2016/A2:2020	European standard cable certification	31-117353
7	2021.02.20	Electric vehicle charging cable GB/T 33594-2017; CQC1122	China standard cable certification	CQC21011287047
8	2021.11.17	Electric vehicle charging cable	European standard	6118223.01AOC

Items	Approval Date	Patent Name	Patent Type	Patent Number
		EN 50620:2017 + A1:2019	cable certification	
9	2022.03.08	Electric vehicle charging cable UL 62 AND CSA C22.2 NO. 49 -	American standard cable certification	E516181
10	2022.04.07	Electric vehicle charging cable GB/T 33594-2017; CQC1122	China standard cable certification	CQC20011276958
11	2022.04.07	Electric vehicle charging cable GB/T 33594-2017; CQC1122	China standard cable certification	CQC22011338059
12	2022.05.30	Electric vehicle charging cable GB/T 33594-2017; CQC1122	China standard cable certification	CQC22011341787
13	2022.07.18	Electric vehicle charging cable IEC 62893-3:2017	European standard cable certification	31-124651
14	2022.07.18	Electric vehicle charging cable EVC07B ₁ C3Q ₀ -F	Dekay standard cable certification	31-124648
15	2022.06.24	PSE cables Japanese Electrical Appliance and Material Safety Law Separate Table 1	Japan standard cable	CJP2021101024-2492
16	2022.11.03	TUV cable certification 62893 IEC 121 &123	European standard cable certification	R50562687
17	2022.11.03	TUV cable certification EVC H05BZ5-F	European standard cable certification	R50562680
18	2022.11.03	TUV cable certification 62893 IEC 126	European standard cable certification	R50562692
19	2022.10.13	UL Energy Storage Certification UL 11627	UL Energy Storage Certification	E529297
20	2023.01.31	International Photovoltaic Certification 62930 IEC 131	Photovoltaic cable certification	R50536816
21	2023.01.31	Photovoltaic certification to European standards H1Z2Z2-K 2.5-35mm ²	Photovoltaic cable certification	R50568803
22	2023.02.07	High voltage cable in-vehicle ISO19642-9 2019	High voltage cable in-vehicle certification	31-127186
23	2023.02.07	High voltage cable in-vehicle ISO19642-5 2019	High voltage cable in-vehicle certification	31-127185

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

1. Short-Term Business Development Plans

- (1) In response to the development trend of 3C products, we are developing advanced high-frequency transmission lines to gain a first-mover advantage in the market.
- (2) Strictly control inventory and outsourced production efficiency to avoid capital stagnation and reduce production costs.

- (3) Continually expand automated production equipment and processes to improve production efficiency and reduce production costs.
- (4) Actively develop new sources of customers and expand revenue sources by leveraging existing product and customer advantages.
- (5) Actively develop and outsource to external vendors, strengthen management over them, further enhance automated production or seek alternative production solutions in order to reduce production costs.
- (6) Produce charging guns for electric vehicles, venturing into the industries of electric vehicles, energy storage cabinets, and solar power plants, actively deploying industrial transformation.

2. Long-Term Business Development Plans

- (1) Accelerate the pace of internationalization, carry out international deployment, cooperate with international brands, increase the company's exposure in various global markets, and establish the image of a professional high-end transmission line manufacturing plant.
- (2) Integrate group enterprise resources, continuously maintain the leading advantage in the optical fiber cable market.
- (3) Expand the development of connectors related to the communication industry, consumer electronics, and automotive industry product markets.
- (4) Pay close attention to changes in the global investment environment at all times, and seek more favorable opportunities for investing and setting up factories.
- (5) Seek opportunities for diversified business operations, or devote efforts to upstream and downstream integration.
- (6) Actively develop electric vehicle products, develop high-voltage charging guns for electric vehicles, energy storage cabinets, and related equipment for solar power plants to increase revenue.

2. Market and Production/Sales Overview

(1) Market Analysis

1. Main Sales Regions for the Group's Products:

Unit: NT\$ Thousand

Region \ Year	2023	
	Sales Amount	Ratio (%)
Asia	2,119,697	98.17%
Others	39,417	1.83%
Net operating revenue	2,159,114	100.00%

2. Future Supply and Demand Situation and Growth Potential of the Market

(1) The Connector Industry

China is the world's largest consumer market for connectors, but the connectors produced are mainly low-to-mid-range. As China's demand and investment in high-end connectors for military industries such as aerospace, electronics, and shipbuilding continue to increase, the connector technology in various application fields has gradually reached international standards. Currently, China has a high and rapidly growing demand for high-end products, especially in areas such as electric vehicles, telecommunications and data communications, cloud computing and peripheral equipment, industrial, military, and aviation sectors, driving rapid growth in the high-end connector market.

Due to their financial advantages and combining technology with Taiwanese companies, China companies have expanded their market share in various Apple product lines; However, under immense pressure from the U.S. government demanding Apple to decouple from China and accelerate supply chain diversification, Apple has already dispersed its supply chain to India, Vietnam, Malaysia, and Ireland, with India emerging as a major relocation destination; Although Apple has been trying to reduce its reliance on China, especially as the U.S.-China trade tensions escalate, Apple and China are tightly intertwined, making it difficult for the supply chain to completely move out of China. While Taiwanese companies have benefited from order transfers due to the U.S.-China trade war, they must continue to transform, upgrade, and increase the added value of their services to enter new blue oceans, thereby enhancing their competitiveness and maintaining a foothold in the international market.

There are two types of connector manufacturers in China: state-owned and private. State-owned companies focus on aviation, military, and industrial-grade products, including AVIC Jonhon Optoelectronics and Guizhou Space Appliance, while private enterprises concentrate on consumer electronics,

automotive, and communication markets, with major players such as Luxshare Precision and XKB Holding. Notable Chinese connector companies include Luxshare Precision, Everwin Precision, AVIC Jonhon Optoelectronics, Deren Electronics, and Guizhou Space Appliance. The industry is becoming more concentrated, and competition is intense. It is evident that Chinese connector manufacturers have entered the realm of intelligent manufacturing with the largest scale and highest added value, leveraging emerging fields such as AI, Industry 4.0, civil-military integration, Internet of Things, Internet of Vehicles, 5G communications, and the metaverse, coupled with big data research and analysis. Related connector products will likely capture substantial profits in the future, and China's competitiveness and growth potential cannot be overlooked.

The future market demand for connectors will require smaller, more reliable, higher cableless performance, and some intelligence. Meanwhile, connectors will need to have high frequency, high speed, cableless transmission, higher precision, lower cost, and higher automation. As 5G smart devices become more prevalent, more applications may also be introduced, and the need for high data and high transmission rates in 5G will drive the need for connectors with high-frequency and high-speed characteristics, which is expected to drive upgrades and business opportunities for connector products. In the era of the Internet of Things, cableless technology will be ubiquitous, and ensuring cableless transmission connectivity in various scenarios such as industry and automotive will be crucial. The era of AI has arrived, and connectors may be able to perform simple intelligent judgments and protection. With the development of Industry 4.0, precision machining, tools, and CAD for connectors will require advanced machines to become the main force in the industry.

In 2023, the consumer electronics industry was weakened due to factors such as the Federal Reserve's aggressive interest rate hikes and destocking of terminal inventories. However, with the rise of generative AI, inventory adjustments nearing completion, and the end of the Fed's rate hike cycle, coupled with the rapid growth of AI servers and the continued global demand for electric vehicles, the demand for high-speed data transfer interfaces, high-current, and high-voltage transmission lines for connectors has also increased. Notably, in 2023, industries such as electric vehicles, aerospace, green energy, and industrial applications continued to grow. It is expected that the second half of 2024 will be better than the first half, and the economic recovery will drive the growth momentum of the connector industry.

(2) Electric Vehicle Industry

The downstream products of the electric vehicle industry include electric buses, electric cars, electric motorcycles and electric bicycles, golf carts, and other end-use products. As major countries shift their policies from banning the sale of gasoline vehicles to complete zero emissions, and stimulate electric vehicle

sales through subsidy policies, it is expected that most countries around the world will completely ban the sale of gasoline vehicles between 2030 and 2035. Furthermore, it is estimated that electric vehicles will account for 7% to 12% of total road vehicles by 2030.

Benefiting from carbon emission restrictions and favorable government incentive and subsidy policies, according to the International Energy Agency (IEA)'s "Global Electric Vehicle Outlook" report released in May 2023, global electric vehicle (abbreviated as: EV (including battery electric vehicles and plug-in hybrid electric vehicles) sales exceeded 10 million units, with the penetration rate in new car sales increasing from 9% to 14%, more than 10 times higher than in 2017. In 2022, there were approximately 26 million EVs on the roads globally, an increase of 65%. By the end of 2022, there were 500 EV models available. In the first quarter of 2023, global EV sales increased by 25% year-on-year to 2.3 million units. It is estimated that by the end of 2023, EV sales will reach 14 million units, a 35% increase, and the new car penetration rate will also rise to 18%.

In the IEA's Stated Policies Scenario (STEPS) based on current national policy commitments and company targets, global electric vehicle sales will account for more than 30% of total car sales by 2030, up from less than 25% in the previous outlook. China will maintain its position as the largest electric vehicle market, with electric vehicles accounting for 40% of total sales in STEPS by 2030. The United States will double its share to 20% due to recent policies, while Europe will maintain its current 25% share.

IEA's recommendations for accelerating global electric vehicle development include: 1. Continuously adjust the strategies for promoting electric vehicles (gradually shifting from direct subsidies to vehicle efficiency and carbon dioxide emission standards, etc.); 2. Promote the market for electric heavy-duty vehicles (trucks, buses, etc.); 3. Facilitate the electrification of vehicles in emerging and developing economies; 4. Plan and expand the deployment of charging infrastructure and smart grids; 5. Ensure a safe, resilient, and sustainable battery and electric vehicle supply chain.

President Biden of the United States announced an executive order on August 5, 2021, aiming for half of all new vehicle sales in the U.S. to be zero-emission vehicles by 2030, including battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs), or fuel cell electric vehicles (FCEVs). Simultaneously, the order initiated the development of long-term fuel efficiency and emission standards to reduce costs, decrease pollution, promote public health, advance environmental justice, and address the climate crisis. In August 2022, the Inflation Reduction Act was passed, and starting in 2023 until the end of 2032, Americans can receive a maximum tax credit of \$7,500 when purchasing an electric vehicle. However, to receive the full credit, the electric vehicle must be assembled in North America, and at least 40% of the critical

battery materials must come from the United States or countries with a free trade agreement (FTA) with the United States.

Additionally, California will push for stricter new car bans, planning to ban the sale of new cars that run solely on gasoline from 2035 and setting gradual phase-out targets for cars. 16 other states may follow suit, in which case the 2035 gas car sales ban would apply to about one-third of the U.S. car market. Many U.S. automakers have also stated that their corporate policies align with California's zero-carbon vehicle goals. General Motors (GM) is still evaluating California's new regulations, but the company has also set a target of only selling electric vehicles by 2035. Ford plans to increase its investment in electric vehicles and batteries by \$50,000 million by 2026 and said California's new regulations set a model for the United States.

The European Union has recently changed its planned policy to ban the sale of new gasoline and diesel engine vehicles from 2035. Instead, it acknowledges that a portion of engine vehicles can still be sold. At the Energy Ministers Council on March 28, 2023, the EU approved the ban on the sale of new vehicles equipped with internal combustion engines from 2035, it also accepted Germany's proposal to continue selling vehicles with synthetic fuel engines, provided they use zero-emission synthetic fuels (e-fuels). The Energy Ministers Council, the European Commission will propose in the fall of 2023 to allow the continued sale of synthetic fuel engine vehicles after 2035, to complete the legal process for the proposal.

For mainland China, electric vehicles have been included as a key development focus during the "14th Five-Year Plan" period (2021-2025). Both the central and local governments are actively promoting policies related to electric vehicles, stimulating continued growth in demand for electric vehicles. Major central government policies include: To curb blind investment by electric vehicle manufacturers, subsidies for electric vehicles and electric-oil hybrid vehicles will end by the end of 2022, and a pilot program to accelerate the electrification of government vehicles will be launched instead. A "rural outreach" program for new energy vehicles will also be initiated to accelerate the construction of charging piles and urban parking facilities, encouraging automakers to develop vehicle models suitable for rural areas and accelerating the electrification of public transportation vehicles. The exemption from vehicle purchase tax will continue to be implemented until the end of 2023, with new energy vehicles purchased between January 1, 2023 and December 31, 2023 being exempt from vehicle purchase tax, allowing consumers to enjoy discounts ranging from thousands to tens of thousands RMB when purchasing cars. Additionally, national efforts will be made to heavily invest in Africa, which holds two-thirds of the world's mineral resources as a strategic advantage. In terms of industrial planning targets, in August 2023, seven ministries and commissions in mainland China, including the Ministry of Industry and Information Technology, the Ministry of Finance, and the Ministry of

Commerce, jointly released the “Automotive Industry Stabilization and Growth Work Plan (2023-2024 Edition)” (hereinafter referred to as the “Work Plan”). The main goal of the Work Plan is to achieve annual auto sales of 27 million units in 2023, an increase of about 3% compared to the same period last year. Of these, sales of new energy vehicles should reach 9 million units, an increase of about 30% compared to the same period last year.

On the Taiwan side, in March 2022, the National Development Council announced the “2050 Net Zero Emissions Pathway and Strategy”. In terms of electric mobility, the goal is to fully electrify urban buses and government vehicles by 2030, and 100% electrification of new passenger cars and motorcycles by 2040. Although many countries have set deadlines to ban the sale of gasoline-powered vehicles, the Taiwanese government will not adopt a mandatory ban on the sale or purchase of gasoline-powered vehicles. Instead, it will provide subsidies and improve the convenience of the usage environment to increase the incentive for people to purchase electric vehicles.

3. Competitive Niche

(1) Building a Vertically Integrated Production Process

In order to reduce production costs and enhance competitiveness, our company has transitioned to 100% in-house production of major raw materials such as copper cable, cable materials, and various precision stamping molds at our invested subsidiary Hotron (Suzhou). We have fully grasped the key materials and components, which has relatively enhanced our product competitiveness compared to other companies in the same industry.

(2) Stable Customer Relationships

For a long time, our company has maintained a solid relationship with our customers. Not only do we satisfy their diverse product needs, but we also cooperate with them to establish production bases for their overseas factories. Additionally, we constantly monitor their dynamics to ensure the smooth mass production of new models, thereby maintaining a stable cooperative relationship with our customers.

(3) Stable Product Quality

Our company has always gained long-term trust from customers. Our company and 100% invested subsidiaries have obtained ISO9001, ISO14001, ISO18000, QC080000, OHSAS 18001 and TS16949 certifications for the automotive industry, which are sufficient to provide customers with stable product quality.

(4) Diversified Product Specifications

In response to market trends and demands, our company’s products have also developed accordingly, offering a diverse and comprehensive range of products.

We possess advanced product development capabilities to meet the application needs of various 3C products.

(5) Actively Promote Corporate Transformation, and Venture Into the Electric Vehicle and new Energy Industries:

Our company has utilized cable expertise and experience to complete the development and shipment of electric vehicle charging guns, entering the electric vehicle market. In the future, we will accompany the development of the electric vehicle industry, developing related charging and energy storage equipment, as well as peripherals for solar power plants.

4. Favorable and Unfavorable Factors and Corresponding Strategies for Future Development

(1) Favorable Factors

A. Mastering Autonomy Over Raw Materials

Our company has completed the vertical integration of the production line, capable of self-producing everything from copper cables, cables to components. We can provide raw materials for production without being limited by external suppliers, thus having autonomy over raw materials.

B. The Main Customers Are Well-Known Manufacturers, With Good Customer Relationships

The main customers of our company are internationally renowned large enterprises. In the global market, they all have a significant position, and the market integration trend is evident. In the future, we will continue to focus on international giants and develop towards the “big gets bigger” direction. Therefore, for our company, based on the solid foundation of having major international corporations as our main customers, we can maintain stable revenue and market share.

C. Actively Promote Corporate Transformation, and Venture Into the Electric Vehicle Industries

Electric vehicles have become an inevitable global development trend. Our company’s developed electric vehicle charging gun has been mass-produced and shipped, officially entering the electric vehicle market. It will accompany the development of electric vehicles and expand the application range of related charging equipment and cables, such as electric vehicles, energy storage cabinets, and solar power plants.

(2) Unfavorable Factors and Countermeasures

A. Product Price Competition Is Intense, Gross Profit Margins Are Declining

In recent years, with the booming development of network products and

consumer electronics, the demand for related integrated signal connectors has grown rapidly, leading to an increase in the number of competitors entering the market. As competition within the industry intensifies, product pricing pressure increases, and profits may potentially decline.

Countermeasures:

We continue to invest in the research and development of new technologies and new manufacturing processes for potential applications, and in the R&D of new products to enhance product quality and provide integrated and high-value-added products that are more competitive. We also continue to promote automation in production to improve production efficiency and reduce unit production costs. Furthermore, we actively develop new customer sources to expand our revenue streams and increase profitability. In recent years, our company has been actively transforming towards the electric vehicle industry, successfully developing electric vehicle charging guns, officially entering the electric vehicle market, and expanding the application scope of related charging equipment and cables for electric vehicles, energy storage cabinets, and solar power plants.

B. The Main Raw Material Prices Fluctuate Greatly

Affected by global economic changes, raw material prices have fluctuated dramatically, and the prices of copper products, which are precious metals, have also fluctuated significantly.

Countermeasures:

Our company's copper procurement strategy follows a prudent principle. The quantity of copper rods purchased is based on the needs of the factory. The purchase price is determined by the trend of copper prices, either through an average price or a spot price approach. However, the purchase price is measured against being lower than the customer's quoted price and the monthly average price. We do not engage in futures price operations to avoid the risk of price fluctuations.

C. The Labor Costs in Mainland China Continue to Rise

Due to the steady increase in the minimum wage protection for labor contracts in China, it is estimated that China will accelerate the increase of basic wages and various social insurance minimums in the following years. China's past advantage of low labor costs is no longer viable, and it will also lose its future competitiveness.

Countermeasures:

To avoid rising labor costs at its China subsidiaries affecting product costs, in addition to introducing professional personnel, the company is continuously improving its product manufacturing processes toward automation by gradually purchasing automated production equipment to reduce manpower requirements. It is also strengthening outsourced

production and manufacturing management, as well as increasing capacity to meet order demands.

In addition, to cope with the impact of US import tariffs arising from the US-China trade war, the company has also cooperated with customers and established the Hotron Vietnam factory in Vietnam's Henan Province, adopting a local supply system for customers' production and sales.

(2) Major Applications and Manufacturing Processes of Main Products

1. Major Applications of Main Products

(1) Cable Product

Main Product	Major Applications
1. Raw Cable	Applicable to computer peripherals such as monitors, printers, CD-ROM drives, and more, as well as computer systems and communication network systems as an electronic signal transmission medium for vehicles.
2. Connector	Computer, communication system, home appliances, office equipment, etc., various connectors between systems.
3. Cable Assembly	The connecting cable with attached connectors is suitable for signal transmission in consumer electronics, system products, and automotive applications.
4. Copper Rods	Raw materials for the production of electrical cables and cables.

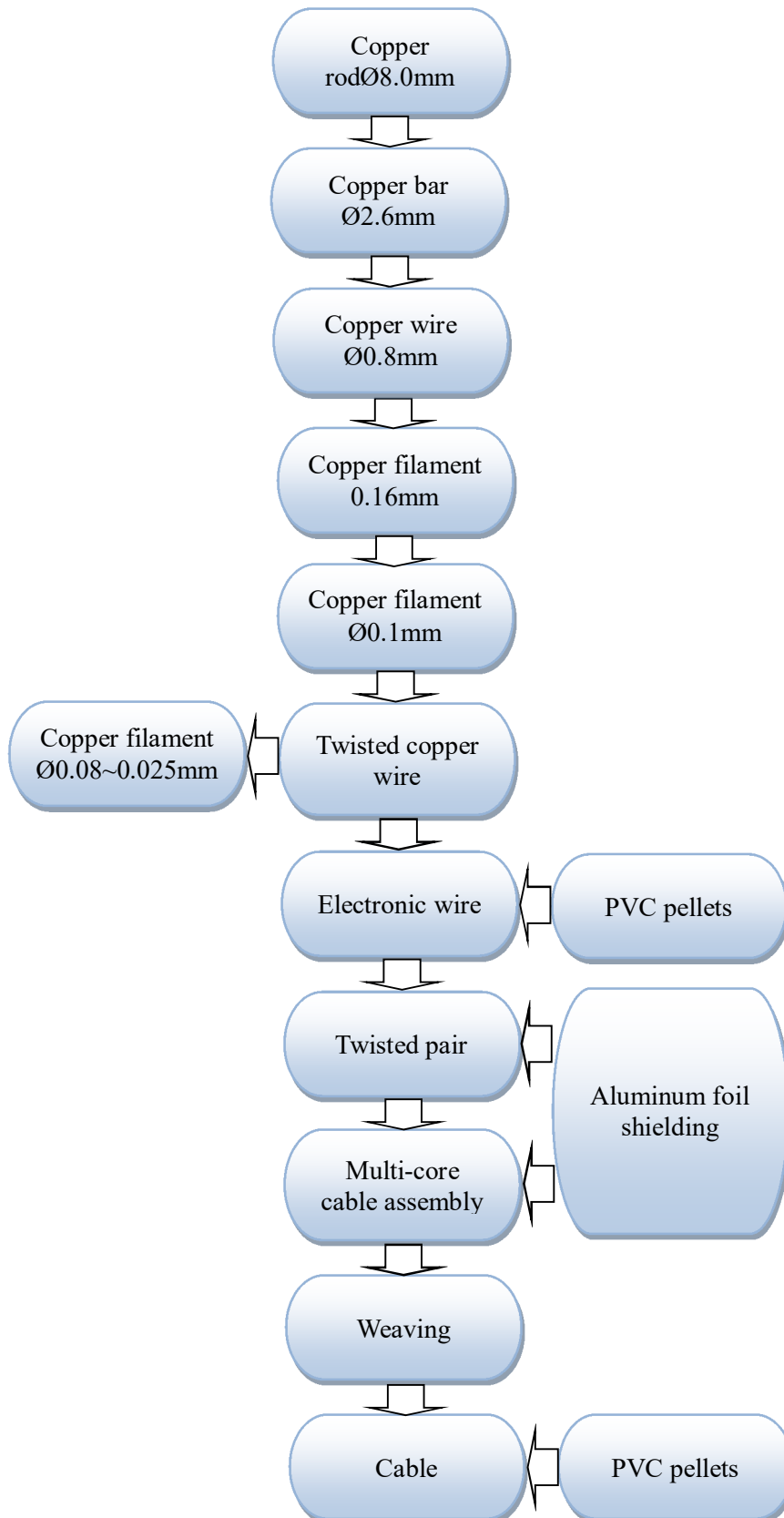
(2) Charging Gun Products

Main Product	Major Applications
1. EV Charging Cable	Applicable to DC charging or AC charging for electric vehicles.
2. Connector	The electric vehicle charging cable and connectors between the vehicle and the power source.
3. Cable Assembly	The connecting cable with attached connector terminal is suitable for use in power transmission for electric vehicles.
4. Copper Rods	Raw materials for the production of electrical cables and cables.

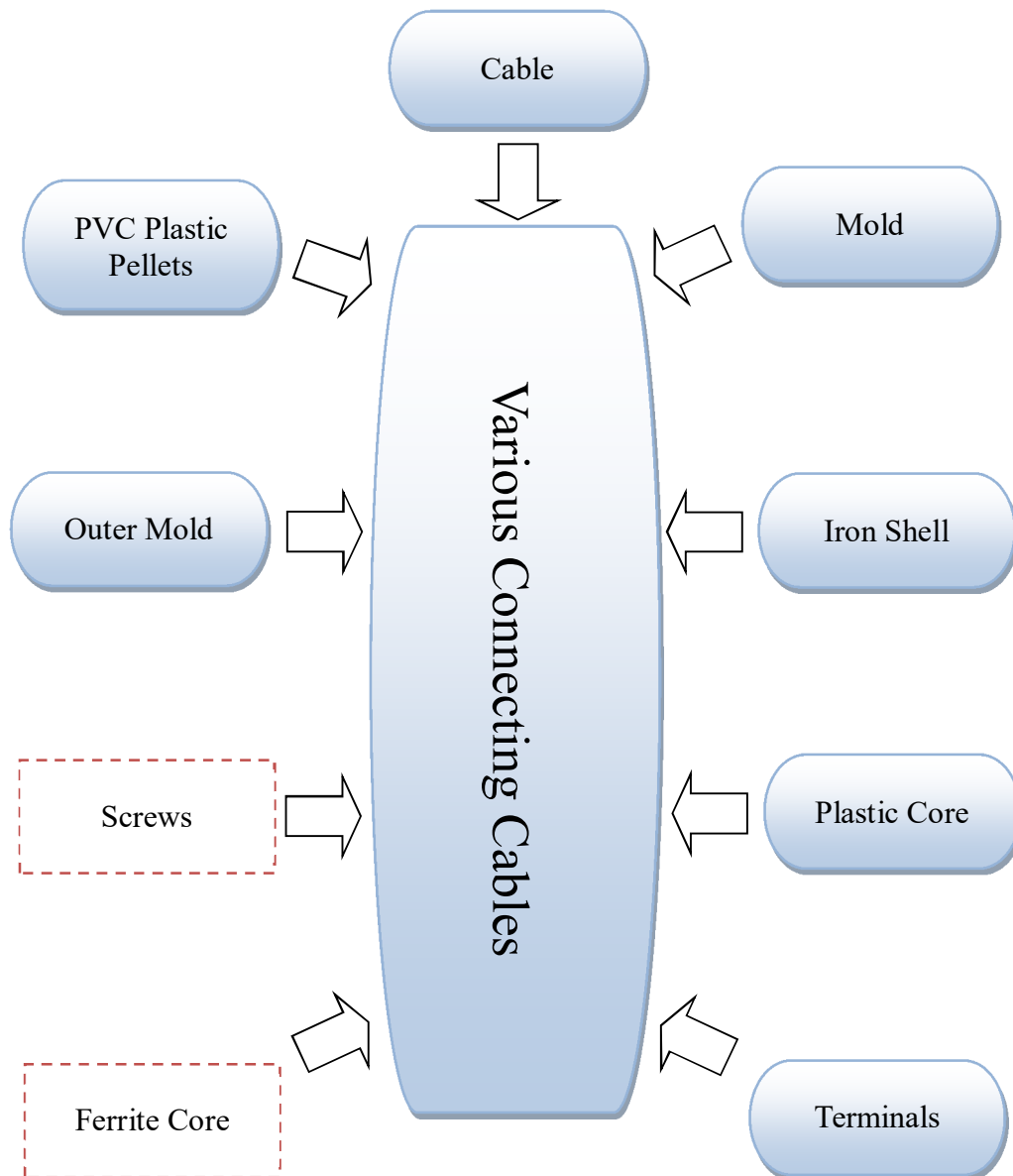
2. Manufacturing Processes of Main Products



(1) Cable Product

A. Drawing Copper Cable and Copper Strands Process



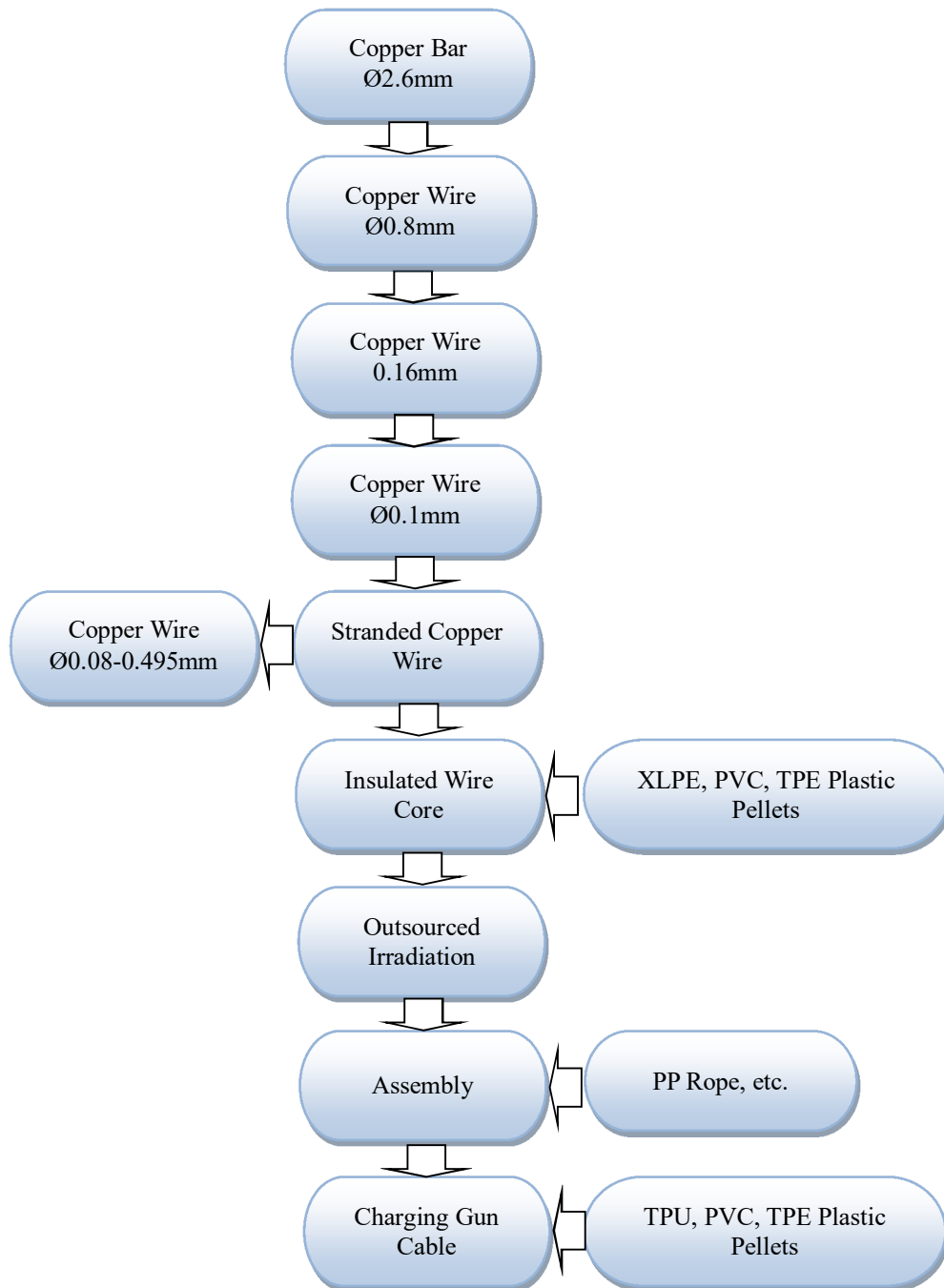
B. Signal Connecting Cable Production Process



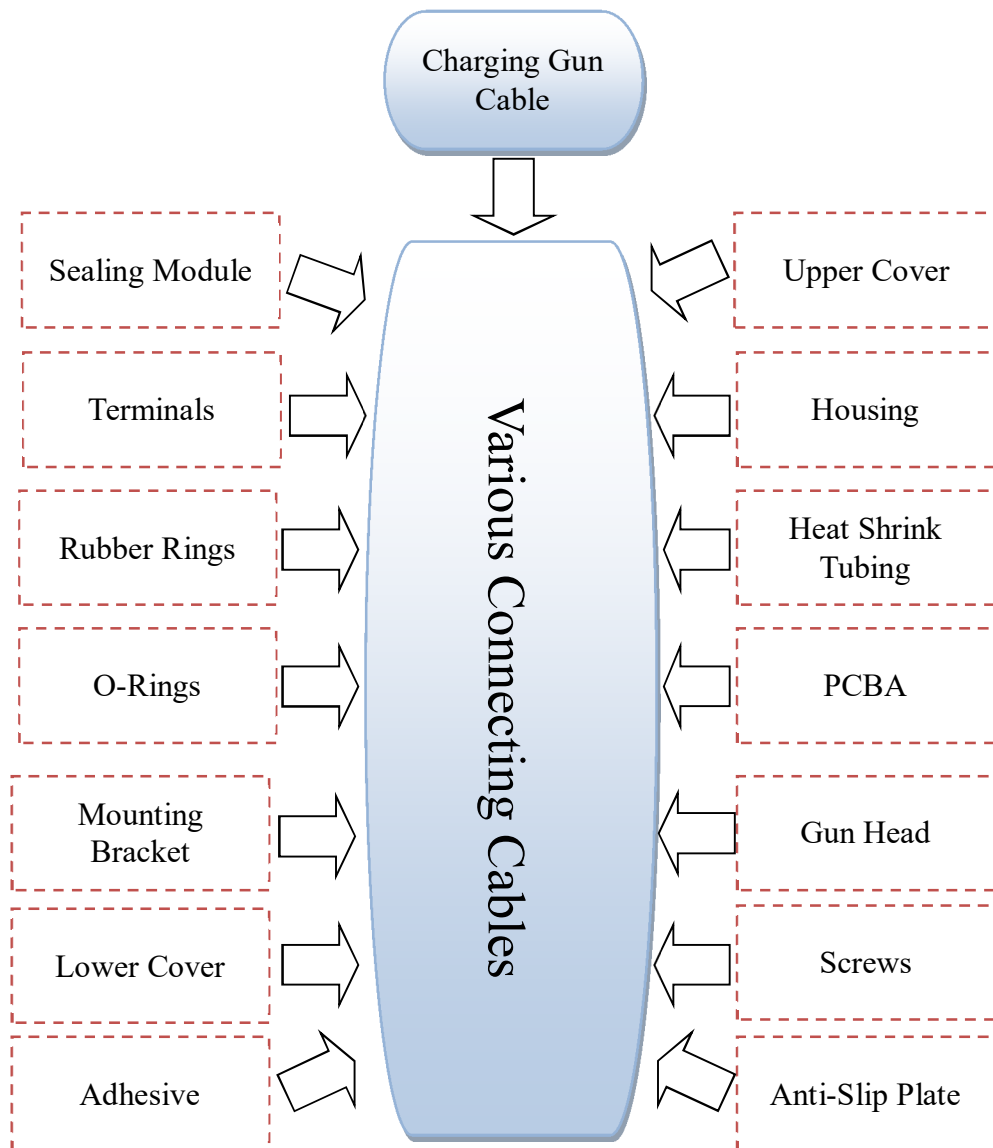
Note:  Self-Manufactured Parts
 Parts Processing


(2) Charging Gun Products

A. Charging Gun Cable Production Process



B. Charging Gun Production Process



Note:  Self-Manufactured Parts

 Parts Processing

(3) Supply Status of Major Raw Materials

Main raw Materials	Supply Source	Current Supply Status
Copper bar	JDHJ company, SX company	Good
PVC powder	HS company, MY company	Good
Aluminum magnesium ribbon	GL company, LT company	Good
Copper-clad steel	BC company, YZSH company	Good
Connector	JQ company, JRP company, YFS company, RF company, RJ company, LT company, QFW company, CL company, XEC company, SH company	Good
Tinplate	JTD company	Good
CORE (ring core)	QS company, RX company	Good

(4) List of Major Sales and Purchase Customers for the Most Recent Two Fiscal Years

1. Information on Major Suppliers for the Past Two Years:

Unit: NT\$ Thousand

Items	2022				2023				As of first quarter, 2024			
	Name	Amount	Percentage of Annual Net Purchases (%)	Relationship With the Issuer	Name	Amount	Percentage of Annual Net Purchases (%)	Relationship With the Issuer	Name	Amount	Proportion of net Annual Purchases to Previous Quarter (%)	Relationship With the Issuer
1	HX company	230,072	13%	None	SX company	68,014	9%	None	SX company	32,511	18%	None
2	JR company	141,179	8%	None	RJ company	62,384	8%	None	RJ company	15,058	8%	None
3	RJ company	92,964	5%	None	JDHJ company	42,267	6%	None	XEC company	12,748	7%	None
4	Others	1,348,854	74%	None	Others	561,942	77%	None	Others	122,368	67%	None
	Net Purchases	1,813,069	100%	-	Net Purchases	734,607	100%	-	Net Purchases	182,685	100%	-

The main copper rod raw materials were purchased in 2023, from SX Company and JDHJ Company, while in 2022, the main copper rod raw materials were purchased from HX Company and JR Company. In both 2023 and 2022, connector raw materials were purchased from RJ Company. There was no significant difference in the main raw materials purchased in these two years.

2. Information on Major Sales Customers in the Last Two Years:

Unit: NT\$ Thousand

Items	2022				2023				As of first quarter, 2024			
	Name	Amount	Percentage of Annual Net Sales (%)	Relationship With the Issuer	Name	Amount	Percentage of Annual Net Sales (%)	Relationship With the Issuer	Name	Amount	Proportion of net Annual Sales to Previous Quarter (%)	Relationship With the Issuer
1	Company A	723,778	22%	None	Company A	583,568	27%	None	Company B	143,617	32%	None
2	Company B	611,844	18%	None	Company B	481,183	22%	None	Company A	138,598	31%	None
3	Company C	597,181	18%	None	Company C	331,588	15%	None	Company E	45,344	10%	None
4	Company D	588,659	18%	None	Company D	203,991	10%	None	Company C	31,412	7%	None
5	Company E	344,387	10%	None	Company E	158,706	7%	None	Company F	26,874	6%	None
	Others	496,340	14%	None	Others	400,078	19%	None	Others	64,049	14%	None
	Net sales	3,362,189	100%	-	Net sales	2,159,114	100%	-	Net sales	449,894	100%	-

From the ranking of major sales customers in the recent two years, it is known that the company's main sales customers are mainly the world's top ten major LCD display OEMs. The customers have not changed much in the past two years. The company will continue to introduce new customers, maintain and actively expand its performance, and gradually increase its capacity and output according to plan to diversify customer concentration and reduce the risk of excessive sales concentration. The others are customers with a sales ratio of less than 10%.

(5) The Production Volume and Value for the Recent Two Years

Production Output/Value Unit: Thousand PCS/ NT\$ Thousand

Output Main Product	Year	2023			2022		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Monitor cable		4,352	4,352	111,646	7,925	7,925	188,880
Phone cable		599	599	15,421	1,474	1,474	32,565
Set-top box cable		24,772	24,772	634,380	35,966	35,966	947,757
Vehicle-mounted high-level connection line		28,777	28,777	836,145	45,010	45,010	1,976,014
Others cable		1,502	1,502	20,990	3,197	3,197	30,165
Total		60,002	60,002	1,618,582	93,572	93,572	3,175,381

The difference between the company's fiscal year 2023 and 2022 is mainly due to the adjustment of the product sales structure in line with company policies and market trends.

(6) Sales Volume and Value for the Most Recent Two Years

Unit of quantity: Thousand PCS/ Unit of Value: NT\$ Thousand

Sales Main product	Year	2023				2022			
		Local		Export		Local		Export	
		Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Cable		9,507	391,612	46,627	1,717,348	3,611	76,816	82,055	3,280,293
Others		1,658	40,141	226	10,014	0	4,810	17	270
Total		11,165	431,753	46,853	1,727,362	3,611	81,626	82,072	3,280,563

1. Cable

The company's main business is the production and sale of connection signal cables, accounting for more than 97.68% of the company's revenue. The main application area is in 3C products. In 2023, the sales volume decreased by 29,532 thousand PCS compared to the year 2022, a decrease of 34.47%; the sales amount decreased by NT\$1,248,149 thousand, a decrease of 37.18%. The main reason is that the module configuration was different, resulting in a decrease in sales volume and amount in 2023.

2. Others

The main income sources are rental income and sales of semi-finished power cords, connectors, and cable materials. In 2023, other revenue increased by NT\$45,075 thousand compared to 2022, representing an 887.3% increase, mainly due to an

increase in semi-finished products. However, as the sales volume of other items is extremely low, their contribution to overall sales revenue is insignificant.

3. Employees Information

The information of employees incurred in the most recent two fiscal year and up to the printing date of the annual report:

Year		2022	2023	As of March 31, 2024
Items				
Number of employees	Managerial officer	9	9	9
	General staff	63	52	57
	Total	72	61	66
Average age		45	38	40
Average years of service		5.16	5.14	5.18
Education distribution percentage (%)	PhD	0%	0%	0%
	Master	11.11%	9.84%	13.64%
	Bachelor	84.72%	83.60%	80.30%
	High School	2.78%	4.92%	4.55%
	Below high school	1.39%	1.64%	1.51%
	Total	100.00%	100.00%	100.00%

Note: Disclose only Taiwanese employees of the Taipei headquarters and affiliated companies.

4. Environmental Protection Expenditure Information

For the most recent fiscal year and up to the date of printing of the annual report, disclose the amount of losses incurred due to environmental pollution, as well as the estimated amount that may occur currently and in the future, along with the corresponding countermeasures. If it is not reasonably possible to estimate, state the fact that reasonable estimation is not possible.

- (1) Our group headquarters is located in Neihu District, Taipei City, which is not an ecological conservation area or habitat. We do not have any factories, and hence do not have any impact on the natural ecological environment or violate any environmental protection laws or air pollution regulations.
- (2) Due to the nature of our operations, our company does not require a significant amount of electricity and water consumption. The main consumption in our operations is for general domestic wastewater discharge and waste disposal. Therefore, there is no significant environmental protection expenditure.
- (3) We are committed to improving the efficiency of resource utilization, including paper recycling, energy conservation and carbon reduction, air conditioning restrictions, turning off lights when not in use, and minimizing the environmental impact, ensuring the sustainable use of the Earth's resources. In line with the government's energy conservation and carbon reduction policies, the company aims to save electricity and reduce waste, contributing its part to environmental protection.

- (4) Our company has implemented the following measures in the office:
1. Set air conditioning temperature to 27-28°C.
 2. Set air conditioning temperature to 27-28°C. Prohibit smoking in all office and building spaces to reduce air pollution.
 3. Turn off lights when not in use, and all office lights are turned off during the noon break.
 4. Encourage employees to bring their own utensils for lunch to reduce the use of disposable tableware.
 5. After work, designated employees check if any lights or computers are left on. Unplug all electrical appliances except refrigerators in the pantry.
 6. In addition to implementing garbage sorting in all workplaces, the company also encourages employees to use eco-friendly cups, chopsticks, and bags, and avoids providing paper cups during meetings to reduce waste generation.
 7. Promote double-sided printing to reduce paper consumption and encourage reusing internal envelopes, actively promoting office environmental measures to reduce resource waste.
 8. Promote garbage bin reduction to decrease the amount of waste.
- (5) Our factory is located in Suzhou High-Tech Industrial Development Zone, Jiangsu Province, Mainland China, which is a high-tech park area. Based on social responsibility and in response to global environmental protection policies, our products completed the RoHS certification required by the European Union in 2004-2005. We have also obtained certifications related to environmentally friendly production, such as ISO 14001, QC 080000. In addition, we have obtained certifications related to production management, such as ISO 9001, ISO 45001, and TS 16949. Adhering to the systematic certification standards of “no harmful substances,” we develop environmentally friendly halogen-free products as a commitment to environmental protection. In terms of production, we comply with local laws and regulations. Our product manufacturing processes are not a polluting industry, and there have been no major violations.
- (6) In the most recent year and up to the date of publication of the annual report, the Group’s operational headquarters located in Neihu District, Taipei City has not been penalized by the environmental protection authorities for environmental pollution, nor has there been any pollution disputes.

5. Labor Relations

- (1) List the company’s various employee welfare measures, training, retirement systems, and their implementation status, as well as the agreements between labor and management, and the measures taken to protect employee rights and interests:

1. Employee Welfare Measures, Continuing Education and Training

- (1) In accordance with relevant laws and regulations, the company has organized an employee welfare committee, allocated employee welfare funds, to plan, supervise and handle employee welfare matters, and promote the custody, disbursement and related employee welfare activities of employee welfare funds.
- (2) Labor Insurance and National Health Insurance:
The employees participate in labor insurance and national health insurance in accordance with the law.
- (3) Group Medical Insurance:
Our company provides group accident insurance for employees and business travel insurance applicable to staff deployed outside the company.
- (4) Regular health checkups:
Our company regularly arranges physical health check-ups for employees.
- (5) Employee remuneration and year-end bonuses:
The company takes into consideration the operating conditions and individual work performance evaluations of employees for the year, and distributes employee remuneration and year-end bonuses accordingly.
- (6) Year-end party
- (7) Allowances for marriage, funerals, congratulatory events, and condolence payments.
- (8) Birthday bonus
- (9) Festive Bonus: Dragon Boat Festival and Mid-Autumn Festival employee bonuses.
- (10) Employee travel allowance.
- (11) Education and Training:
Employees can apply for external education and training courses due to work requirements. Each department will arrange appropriate internal education and training courses as needed for employees' on-the-job training. Appropriate internal training courses are also provided for new employees to provide them with comprehensive professional skills and self-growth development.

The implementation of various training programs provided to employees by our company in 2023 is as follows:

Items	Training and Course Programs	Number of Classes	Number of Trainees	Course Hours	Training Expenditure (NTD)
A	New employee training	24	24	48	-
B	Professional skills training	11	30	42.5	12,500
C	Management skills training	8	8	54	29,500
D	Others training	2	2	4	3,000

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

B. Professional skills training: It refers to the company's internal training provided to colleagues in various units for system operations in sales, manufacturing, finance, etc., as well as external professional training courses attended.

C. Management skills training: It is according to the regulations of the competent authority that only unit supervisors attending external events (financial and accounting supervisors, audit supervisors, corporate governance supervisors) can receive training.

D. Others training: Notice of explanation meeting for matters to note on insider equity reporting and continuing education courses for directors and supervisors.

2. Retirement System and its Implementation Status

The Company has established a defined benefit pension plan in accordance with the Labor Standards Act, which is applicable to all formal employees' service years prior to the implementation of the Labor Pension Act on July 1, 2005, and to the service years of employees who elect to continue applying the Labor Standards Act after the implementation of the Labor Pension Act. When employees meet the retirement criteria, their retirement benefits are calculated based on their service years and the average salary for the six months prior to retirement. For each service year within the first 15 years, two base units are granted, and for each service year thereafter, one base unit is granted, with a maximum of 45 base units. The Company contributes an amount equivalent to 2% of the total salaries to a retirement fund, which is deposited in a dedicated account at the Bank of Taiwan under the name of the Labor Retirement Fund Supervisory Committee. In compliance with the new labor pension system implemented on July 1, 2005, employees can choose the appropriate system based on their entitlement. If employees are eligible for retirement benefits under the old system, they can continue to choose the old system without affecting the amount of their retirement benefits. If employees choose the new system, an amount equal to 6% of their monthly salaries is contributed to their individual retirement accounts at the Bureau of Labor Insurance. Number of retirement applicants in the past three years (2022-2024): 0.

3. Situation Regarding Agreements Between Labor and Management and Measures to Safeguard Employee Rights and Benefits

We have always placed great emphasis on labor-management relations, and convenes labor-management meetings every quarter to establish smooth internal communication channels. This allows employees' ideas and opinions to be immediately responded to and addressed. As a result, various policies have been formulated that take employee interests into consideration, ensuring that the rights and interests of employees are protected.

4. Measures to Protect the Work Environment and Personal Safety of Employees

Items	Content
Maintenance and Inspection of Various Equipment	<ol style="list-style-type: none"> 1. According to fire regulations, an external fire inspection of the building is conducted annually. 2. Cooperate with a building public safety inspection company to conduct fire safety inspections to ensure a safe working environment. 3. Our company conducts monthly maintenance and inspections on various equipment such as high and low voltage electrical equipment, elevators, water and electricity, air conditioning, and fire extinguishers.
Access Control Security	<ol style="list-style-type: none"> 1. Appoint a security company for building security management. Appoint a security company for building security management. 2. Conduct an annual fire safety training seminar for the building. Purchase public liability insurance for the building to protect the safety of employees and visitors entering and exiting the building.
The Building Is Closely Monitored by Security Personnel Around the Clock	<ol style="list-style-type: none"> 1. The company has established a labor safety management unit and formulated the "Safety and Health Work Rules.", it clearly specifies the response and task content for relevant major contingencies. 2. Fire and disaster prevention for the building lecture every year.
Physiological Hygiene	<ol style="list-style-type: none"> 1. Health Examination: New employees undergo physical health check. Current employees undergo health check annually or every three years in accordance with the Occupational Safety and Health Act. 2. Workplace Sanitation: Smoking is completely prohibited in the business premises according to regulations. A cleaning company is appointed to clean the building daily with fixed cleaning staff. Every Friday is designated as office environment cleaning day, where employees tidy up their own workstations. Additionally, the office is disinfected annually by an outsourced company.
Mental Health	<ol style="list-style-type: none"> 1. Opinion Expression: Quarterly labor-management meetings are held to provide employees with channels for expressing their opinions, venting emotions, and interaction. 2. Prevention of Sexual Harassment: Relevant regulations have been established and a complaint channel has been set up.
Insurance and Medical Condolences	<p>In accordance with the law, labor insurance (including occupational hazard insurance) and health insurance will be provided. In addition, an insurance company will be contacted for the following:</p> <ol style="list-style-type: none"> 1. The company will provide employees with an accidental injury insurance policy with a coverage of NT\$2 million. For employees who suffer injuries or death due to work-related incidents, the insurance claims will be used to assist the employees or their heirs. 2. The company will provide overseas employees with an overseas travel insurance policy with a coverage of NT\$5 million, protecting employees' travel safety and providing medical coverage when they travel abroad on business trips.

- (2) For the most recent fiscal year and up to the date of printing of the annual report, disclose the amount of losses incurred due to labor-management disputes, as well as the estimated amount that may occur currently and in the future, along with the corresponding countermeasures:

The company has maintained harmonious labor relations. In the most recent fiscal year and up until the date of printing this annual report, there have been no labor disputes or losses, and it is expected that no labor disputes or losses will occur in the future.

6. Information Security Management

- (1) Describe the information security risk management framework, information security policies, specific management plans, and resources invested in information security management.

The Company's Information Security Policy

1. Purposes of Information Security Risk Management:

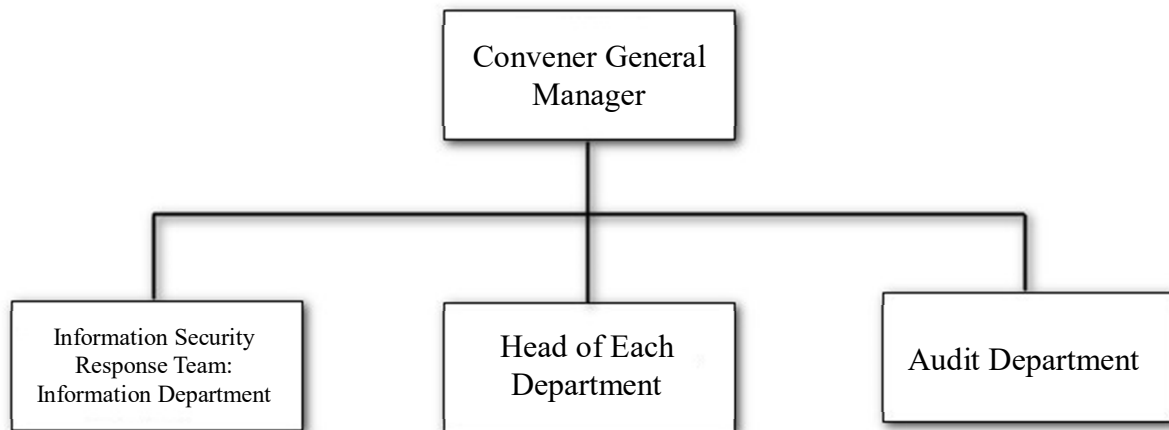
Enhance information security management, ensure the confidentiality, integrity, and availability of information, the reliability of information equipment (including computer hardware, software, peripherals) and network systems, and personnel's awareness of information security, and ensure that the above resources are not interfered with, damaged, invaded, or subjected to any adverse actions or attempts.

2. Information Security Risk Management Organization:

The "Information Security Promotion Team" coordinates, plans, audits and promotes matters related to information security management and establishes a cross-unit information security promotion organization. If there are major changes in the organization (such as organizational adjustments, significant operational changes, etc.), the applicability of this policy will be re-evaluated. This policy will be appropriately revised in accordance with the evaluation results, relevant laws and regulations, technological and business developments, and the latest situation to ensure that it meets actual needs.

3. Information Security Promotion Team:

The members of the organization include the highest supervisors from each unit, with the President serving as the convener of this organization. In the event of job transfers, replacements should be immediately assigned and handover procedures should be carried out.



4. Responsibilities on Information Security Implementation:

The highest information department executive appoints information department personnel to serve in the information security response team, responsible for researching, establishing and evaluating information security guidelines, plans and technical specifications, as well as carrying out various information security operations, including information security prevention and incident handling. The audit department is responsible for maintaining information confidentiality and security audits.

5. Information Security Protection and Control Measures:

According to the Cybersecurity Framework (CSF) of the National Institute of Standards and Technology (NIST) in the United States, the steps of “Recognition”, “Defense”, “Detection”, “Contingency”, “Recovery”, and “Training” are taken to safeguard enterprise cybersecurity.



Step 1: Recognition

Understand the organizational environment and key resources and services, conduct risk assessments, and implement risk management strategies that align with daily operations.

Step 2: Defense

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

Step 3: Detection

Establish a mechanism for real-time detection of network security incidents and alerts, and regularly update systems and antivirus software virus codes.

Step 4: Contingency

Smooth internal and external communication channels to handle cybersecurity incident response, including investigation, forensics, and proposing improvement solutions.

Step 5: Recovery

Establishing a data backup plan can restore normal operations in the shortest possible time.

Step 6: Training

Information Security, Everyone's Responsibility" - Continue to strengthen employees' awareness of information security.

Information Security Implementation Plan:

1. Personnel Management and Information Security Education and Training:

- (1) For information-related positions and tasks, security assessments should be conducted, and the suitability of personnel should be carefully evaluated during recruitment, job assignment, and task assignment, and necessary examinations should be carried out.
- (2) Conduct information security awareness campaigns tailored to the needs of different job categories such as management, business, and information, to establish employee information security awareness and enhance information security levels.

2. Computer System Security Management:

- (1) For outsourced information operations, information security requirements should be studied in advance, and the information security responsibilities and confidentiality requirements of the contractor should be clearly stated and included in the contract, requiring the contractor to comply.
- (2) Reproduce and use software in accordance with relevant laws and regulations or contractual provisions, and establish a software usage management system.

- (3) Implement necessary preventive and protective measures in advance, detect and prevent computer viruses and other malicious software to ensure normal system operation.

3. Network Security Management:

- (1) For information systems open to external connections, different security levels of technology or measures such as data encryption, identity authentication, electronic signatures, firewalls, and security vulnerability detection should be adopted according to the importance and value of the data and systems, to prevent data and systems from being intruded, damaged, altered, deleted, and accessed without authorization.
- (2) For network nodes connected to external networks, data transmission and resource access between the external and internal networks should be controlled by firewalls and other necessary security facilities. The firewall settings and work log files should be regularly checked and reviewed by appropriate supervisors.
- (3) When publishing and disseminating information on the Internet and the World Wide Web, data security level assessments should be implemented. Confidential, sensitive, and personal privacy data and documents without the consent of the parties involved should not be published online.
- (4) Update virus detection software versions regularly, automatically scan for viruses regularly, and train all personnel in the use of virus detection software to prevent external viruses.
- (5) Establish regulations for the use of email, and confidential data and documents should not be transmitted via email or other electronic means.
- (6) Disable unnecessary network services. Any network service needs to be applied for and activated by IT personnel after approval by the person in charge.

4. System Access Control:

Establish system access policies and authorization regulations, and inform employees and users of their relevant rights and responsibilities in writing, electronically or by other means.

For departing (retiring) employees, all access rights to information resources should be immediately revoked, and this should be included as a necessary procedure for departure (retirement). For personnel job adjustments and transfers, access rights should be adjusted within a limited period in accordance with the system access authorization regulations.

Establish a system user registration management system, strengthen user password management, and the user password update cycle should be no longer than three months in principle.

For system service providers who remotely log in to perform system maintenance, security control should be strengthened, a personnel roster should be established, and relevant security and confidentiality responsibilities should be imposed.

Establish an information security audit system and conduct regular or irregular information security audits.

5. System Development and Maintenance Security Management:

For in-house developed or outsourced system development, information security requirements should be taken into consideration from the initial stage of the system life cycle; the maintenance, updates, rollouts, and version changes of the system should be subject to security control to avoid threats to system security such as improper software, backdoors, and computer viruses.

For the system setup and maintenance personnel of vendors' software and hardware systems, the systems and data they can access should be regulated and limited, and long-term system IDs and passwords should be strictly prohibited. If necessary for actual operational needs, short-term and temporary system IDs and passwords may be issued for vendor use, but their access rights should be revoked immediately after use.

When outsourcing the setup and maintenance of important software and hardware facilities to vendors, it should only be carried out under the supervision and accompaniment of relevant personnel of the company.

6. Information Asset Security Management:

Establish a catalog of information assets related to information systems, and define the items, owners, and security level classifications of information assets.

Establish information security protection measures corresponding to relevant laws and regulations such as company confidentiality protection, computer processing of personal data protection, and company information disclosure.

7. Physical and Environmental Security Management:

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

8. Business Continuity Planning and Management:

- (1) Establish business continuity plans, evaluate the impact of various man-made and natural disasters on business operations, establish emergency response and recovery procedures and the responsibilities of relevant personnel, and conduct regular drills and plan updates.
- (2) Establish an information security incident emergency response mechanism. In the event of an information security incident, the information unit or personnel should be notified immediately in accordance with the prescribed handling procedures, countermeasures should be taken, and law enforcement agencies should be contacted for assistance in investigation.

Major information security management measures implemented in 2023:

Items	Contents of the Plan
Firewall Protection Control	<p>The firewall connection rules are set up, and by default, only basic internet access, email sending and receiving, and other connections are allowed.</p> <p>If there are special connection requirements, approval from the department supervisor and the highest authority of the IT department must be obtained before opening.</p> <p>The firewall network connection status is monitored at all times.</p>
Information Room Security Management	<p>The server room has a locked door, and a key is required to enter and exit. Entry is not allowed without permission.</p> <p>The server room has an Uninterruptible Power Supply (UPS) system, so in case of an abnormal power outage, the power supply will not be interrupted. The building's generator will start up, allowing normal operation, and IT personnel will have time to take subsequent measures.</p> <p>The server room inspection record logs the temperature and humidity of the server room, as well as the status of servers and network equipment.</p>
Antivirus Software Management	<p>The company has installed an enterprise endpoint antivirus software server for centralized monitoring and management.</p> <p>All users' computers must install enterprise endpoint antivirus software and update the virus codes regularly to reduce the risk of infection.</p>
Email Security Management	<p>The email server has proactive email threat scanning protection, preventing unsafe attachment files, phishing emails, spam emails, and emails with malicious link content before users receive the emails.</p> <p>After receiving emails, the antivirus software on personal computers will also scan for unsafe attachment files.</p> <p>The email server retains backup data for all incoming and outgoing emails.</p>
Data Backup Mechanism Control	<p>The information system programs and databases are set up for daily full backups, and then a copy is backed up to the NAS backup server.</p> <p>Files from various departments of the company are stored on the file server, and the IT department centrally backs them up to the NAS backup server for storage.</p> <p>Every week, the backup data is transferred to a portable hard drive for offsite backup storage by the management department personnel.</p> <p>Important related documents are version and permission controlled by the document management system, and offsite backups of the hosts and data are performed at different sites.</p>

- (2) State the losses, potential impacts and response measures due to major cybersecurity incidents in the most recent fiscal year and up to the date of printing the annual report. If a reasonable estimate cannot be made, explain the fact that a reasonable estimate is not possible.

The Company actively strengthens network firewalls and network controls, as well as prevents the spread of computer viruses across machines and plants. Measures related to malicious software protection are being studied, and it is proposed to allocate an appropriate budget to enhance information technology security, but there is still no guarantee that the company will be free from malicious software attacks. In the most recent year and as of the date of printing of the annual report, there have been no

significant losses incurred due to major information and communication security incidents.

7. Important Contracts

Nature of Contract	Parties	Beginning and End Dates of Contract	Main Content	Restrictive Clauses
Endorsement guarantee	Taipei Fubon Commercial Bank	2023.08.07-2024.08.07	Fortuna International Holdings Ltd. Guarantee to Taipei Fubon Bank for Loan Repayment	None
Endorsement guarantee	CTBC Bank	2023.04.25-2024.04.30	Hotron Precision Electronic Industrial (Vietnam) Co., Ltd. provides a commitment to guarantee repayment of loans from CTBC Bank.	None
Endorsement guarantee	Taipei Fubon Commercial Bank	2023.08.07-2024.08.07	Hotron Precision Electronic Industrial (Vietnam) Co., Ltd. provides a commitment to guarantee repayment of loans from Taipei Fubon Bank	None
Endorsement guarantee	Mega Commercial Bank	2023.11.04-2024.11.03	Hotron Precision Electronic Industrial (Vietnam) Co., Ltd. provides a commitment to guarantee repayment of loans from Mega Bank	None
Endorsement guarantee	Taipei Fubon Commercial Bank	2023.08.07-2024.08.07	Hotlink Company Limited provides a commitment to guarantee repayment of loans from Taipei Fubon Bank	None
Endorsement guarantee	Mega Securities Co., Ltd.	2023.05.30-2024.05.29	Hotlink Company Limited provides a commitment to guarantee repayment of loans from Mega Securities	None
Endorsement guarantee	Taishin International Commercial Bank	2023.05.31-2024.05.31	Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. provides a commitment to guarantee repayment of loans from Taishin Bank	None
Endorsement guarantee	Hua Nan Commercial Bank	2023.08.11-2024.08.11	Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. provides a commitment to guarantee repayment of loans from Hua Nan Bank	None
Loan Agreement	Mega Commercial Bank	2023.11.04-2024.11.03	Comprehensive borrowing operated by Hotlink Company Limited	None
Loan Agreement	CTBC Bank	2023.04.25-2024.04.30	Comprehensive borrowing operated by Hotlink Company Limited	None
Loan Agreement	Taipei Fubon Commercial Bank	2023.08.07-2024.08.07	Comprehensive borrowing operated by Hotlink Company Limited	None
Loan Agreement	Cathay United Bank	2023.06.24-2024.06.24	Comprehensive borrowing operated by Hotlink Company Limited	None
Loan Agreement	Mega Securities Co., Ltd.	2023.05.30-2024.05.29	Comprehensive borrowing operated by Hotlink Company Limited	None
Loan Agreement	Taishin International Commercial Bank	2023.05.31-2024.05.31	Short-term borrowings operated by Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	None
Loan Agreement	Hua Nan Commercial Bank	2023.08.11-2024.08.11	Short-term borrowings operated by Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	None
Loan Agreement	Cathay United Bank	2023.06.24-2024.06.24	Comprehensive borrowing operated by the Corporation	None
Loan Agreement	Hua Nan Commercial Bank	2023.10.06-2024.10.06	Comprehensive borrowing operated by the Corporation	None
Loan Agreement	Taipei Fubon	2023.08.07-2024.08.07	Comprehensive borrowing operated	None

Nature of Contract	Parties	Beginning and End Dates of Contract	Main Content	Restrictive Clauses
	Commercial Bank		by the Corporation	
Loan Agreement	Mega Commercial Bank	2023.11.04-2024.11.03	Comprehensive borrowing operated by the Corporation	None
Loan Agreement	KGI Commercial Bank	2023.03.15-2024.03.15	Comprehensive borrowing operated by the Corporation	None
Loan Agreement	CTBC Bank	2023.04.25-2024.04.30	Comprehensive borrowing operated by the Corporation	None
Loan Agreement	Taishin International Commercial Bank	2023.05.31-2024.05.31	Comprehensive borrowing operated by the Corporation	None
Loan Agreement	Agricultural Bank of Taiwan	2023.06.16-2024.06.16	Comprehensive borrowing operated by the Corporation	None
Loan Agreement	Bank SinoPac	2024.03.08-2025.03.31	Comprehensive borrowing operated by the Corporation	None
Loan Agreement	China Bills Finance Co., Ltd.	2023.05.31-2024.05.30	Comprehensive borrowing operated by the Corporation	None
Loan Agreement	Mega Securities Co., Ltd.	2023.05.10-2024.05.09	Comprehensive borrowing operated by the Corporation	None
Loan Agreement	Mega Commercial Bank	2023.11.04-2024.11.03	Comprehensive borrowing operated by SmartGreen Solution Co., Ltd.	None
Investment Agreement (including Supplementary Agreement) (Hubei)	Tianmen City People's Government	2019.02. 23	Hotron Precision Electronic Industrial Park Project Investment	None
Second Supplementary Investment Agreement (Hubei)	Tianmen City People's Government	2019.05. 20	Hotron Precision Electronic Industrial Park Project Investment	None
Third Supplementary Investment Agreement (Hubei)	Tianmen City People's Government	2019.09. 02	Hotron Precision Electronic Industrial Park Project Investment	None
Fourth Supplementary Investment Agreement (Hubei)	Tianmen City People's Government	2020.04. 23	Hotron Precision Electronic Industrial Park Project Investment	None
Fifth Supplementary Investment Agreement (Hubei)	Tianmen City People's Government	2022.03.31	Hotron Precision Electronic Industrial Park Project Investment	None

VI. Financial Overview

1. Summary of Financial Data for the Past Five Years

(1) Balance Sheet

Adoption of International Financial
Reporting Standards- Consolidated Financial Statements

Unit: NT\$ Thousand

Year (Note 1)		2019	2020	2021	2022	2023	As May 31, 2024 (Note 3)
Items							
Current assets		2,582,114	2,539,340	2,716,442	2,728,549	2,639,394	N/A
Property, plant, and equipment (Note 2)		590,493	1,287,476	1,790,292	2,313,052	2,170,148	
Intangible assets		819	386	377	5,853	6,406	
Other assets (Note 2)		27,101	31,571	236,079	99,755	52,512	
Total assets		3,540,887	4,241,380	5,005,518	5,422,823	5,188,740	
Non-current liabilities	Before distribution	1,814,902	1,434,606	2,049,806	2,254,428	1,557,595	
	After distribution	2,001,309	1,559,528	2,049,806	2,254,428	-	
Non-current liabilities		98,521	1,112,518	1,025,501	1,105,564	1,499,104	
Total liabilities	Before distribution	1,913,423	2,547,124	3,075,307	3,359,992	3,056,699	
	After distribution	2,099,8308	2,672,046	3,075,307	3,359,992	-	
Equity attributable to owners of the parent company		1,627,464	1,694,256	1,930,211	2,062,831	2,132,041	
Capital stock		745,628	832,810	923,181	932,210	1,065,520	
Additional paid in capital		272,635	366,325	616,880	641,858	854,024	
Retained earnings	Before distribution	726,453	607,722	505,196	571,597	322,623	
	After distribution	480,396	482,800	505,196	571,597	-	
Other equity interest		(117,252)	(112,601)	(115,046)	(82,834)	(110,126)	
Treasury shares		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	1,627,464	1,694,256	1,930,211	2,062,831	2,132,041	
	After distribution	1,441,057	1,569,334	1,930,211	2,062,831	-	

Note 1: The financial data from the 2019 to 2023 have all been audited and certified by accountants.

Note 2: There were no asset revaluations conducted from 2019 to 2023.

Note 3: The consolidated financial statements for the first quarter of 2024 are under review by an accountant, so they are not included in the disclosure.

Note 4: The figures listed after the distribution are filled in according to the resolutions of the board of directors or the shareholders' meeting of the following year, reflecting the distribution situation for 2023. As the annual general meeting has not been convened yet, the figures after distribution have not been disclosed.

Adoption of International Financial
Reporting Standards- Individual Financial Statements

Unit: NT\$ Thousand

Year (Note 1)		2019	2020	2021	2022	2023	As March 31, 2024 (Note 3)
Items							
Current assets		732,786	800,838	840,534	972,292	1,015,198	N/A
Property, plant, and equipment (Note 2)		155,311	152,215	107,576	105,244	81,079	
Intangible assets		0	0	111	887	699	
Other assets (Note 2)		1,153	1,769	2,034	2,920	3,007	
Total assets		2,769,386	2,920,371	2,964,150	3,172,646	3,176,601	
Non-current liabilities	Before distribution	1,048,799	748,968	940,445	1,015,679	713,020	
	After distribution	1,235,206	873,890	940,445	1,015,679	-	
Non-current liabilities		93,123	477,147	93,494	94,136	331,540	
Total liabilities	Before distribution	1,141,922	1,226,115	1,033,939	1,109,815	1,044,560	
	After distribution	1,328,329	1,351,037	1,033,939	1,109,815	-	
Equity attributable to owners of the parent company		1,627,464	1,694,256	1,930,211	2,062,831	2,132,041	
Capital stock		745,628	832,810	923,181	932,210	1,065,520	
Additional paid in capital		272,635	366,325	616,880	641,858	854,024	
Retained earnings	Before distribution	726,453	607,722	505,196	571,597	322,623	
	After distribution	480,396	482,800	505,196	571,597	-	
Other equity interest		(117,252)	(112,601)	(115,046)	(82,834)	(110,126)	
Treasury shares		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	1,627,464	1,694,256	1,930,211	2,062,831	2,132,041	
	After distribution	1,441,057	1,569,334	1,930,211	2,062,831	-	

Note 1: The financial data from the 2019 to 2023 have all been audited and certified by accountants.

Note 2: There were no asset revaluations conducted from 2019 to 2023.

Note 3: The financial statements are prepared in accordance with International Financial Reporting Standards, hence no separate individual financial statements are issued.

Note 4: The figures listed after the distribution are filled in according to the resolutions of the board of directors or the shareholders' meeting of the following year, reflecting the distribution situation for 2023. As the annual general meeting has not been convened yet, the figures after distribution have not been disclosed.

(2) Statement of Comprehensive Income

Adoption of International Financial Reporting Standards- Consolidated Financial Statements

Unit: NT\$ Thousand (except earnings per share which are in NT\$)

Items \ Year (Note 1)	2019	2020	2021	2022	2023	As March 31, 2024 (Note 3)
Operating revenue	3,102,961	2,651,387	3,006,985	3,362,189	2,159,114	N/A
Gross profit	772,649	640,425	490,483	578,812	313,515	
Operating profit or loss	361,112	159,445	26,862	82,256	(189,233)	
Non-operating income and expenses	2,431	2,045	(379)	(4,680)	(10,184)	
Net Profit (Loss) Before Tax	363,543	161,490	26,483	77,576	(199,417)	
Net Profit (Loss) for the Period	300,124	127,304	22,676	65,746	(165,079)	
Other comprehensive income (Net after tax)	(49,950)	4,676	(2,725)	32,867	(28,610)	
Total comprehensive income (loss) for the period	250,174	131,977	19,951	98,613	(193,689)	
Net profit attributable to owners of the parent company	300,124	127,301	22,676	65,746	(165,079)	
Net income attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to owners of the parent	250,174	131,977	19,951	98,613	(193,689)	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings (Loss) per Share (Note 2)	3.73	1.58	0.25	0.69	(1.58)	

Note 1: The financial data from the 2019 to 2023 have all been audited and certified by accountants.

Note 2: Calculated based on the weighted average No of Shares outstanding after retroactive adjustment.

Note 3: The consolidated financial statements for the first quarter of 2024 are under review by an accountant, so they are not included in the disclosure.

Adoption of International Financial
Reporting Standards- Individual Financial Statements

Unit: NT\$ Thousand (except earnings per share which are in NT\$)

Items \ Year (Note 1)	2019	2020	2021	2022	2023	As March 31, 2024 (Note 3)
Operating revenue	492,602	331,833	538,469	778,225	447,396	N/A
Gross profit	205,709	165,314	74,401	77,703	22,814	
Operating profit or loss	127,508	64,927	20,178	90,955	(27,103)	
Non-operating income and expenses	201,269	76,461	8,052	(7,384)	(141,860)	
Net profit (loss) before tax	328,777	141,388	28,230	83,571	(168,963)	
Net Profit (Loss) for the Period	300,124	127,301	22,676	65,746	(165,079)	
Other comprehensive income (Net after tax)	(49,950)	4,676	(2,725)	32,867	(28,610)	
Total comprehensive income (loss) for the period	250,174	131,977	19,951	98,613	(193,689)	
Earnings per share (Note 2)	3.73	1.58	0.25	0.68	(1.58)	

Note 1: The financial data from the 2019 to 2023 have all been audited and certified by accountants.

Note 2: Calculated based on the weighted average No of Shares outstanding after retroactive adjustment.

Note 3: The financial statements are prepared in accordance with International Financial Reporting Standards, hence no separate individual financial statements are issued.

(3) Important Matters Affecting the Consistency of the Aforementioned Financial Statements for Comparison and Their Impact on the Financial Statements for the Current Year: None.

(4) The Names of the Certified Public Accountants who Audited the Company and Their Audit Opinions Over the Past Five Years

Year	Notary CPAs Firm	CPAs Name	Opinions	Description
2019	PricewaterhouseCoopers Taiwan	Wu, Han-Chi, Lin, Ya-Hui	Unqualified opinion	Note 1
2020	PricewaterhouseCoopers Taiwan	Wu, Han-Chi, Lin, Ya-Hui	Unqualified opinion	-
2021	PricewaterhouseCoopers Taiwan	Wu, Han-Chi, Lin, Ya-Hui	Unqualified opinion	-
2022	PricewaterhouseCoopers Taiwan	Wu, Han-Chi, Lin, Ya-Hui	Unqualified opinion	-
2023	PricewaterhouseCoopers Taiwan	Wu, Han-Chi, Lin, Ya-Hui	Unqualified opinion	-

Note 1: The Company changed its accountants to comply with the accountant rotation regulations of PWC Taiwan, with Wu, Han-Chi and Zhi, Bing-Jun accountants being replaced by Wu, Han-Chi and Lin, Ya-Hui accountants.

2. Financial Analysis for the Past Five Years

Financial Analysis

(1) Adoption of International Financial Reporting Standards- Analysis of Consolidated Financial

Item (Note 3) \ Year (Note 1)		Financial Analysis					As March 31, 2024 (Note 2)
		2019	2020	2021	2022	2023	
Financial Structure (%)	Debt-to-asset ratio	54.04	60.05	61.44	61.96	58.91	N/A
	Ratio of long-term capital to property, plant and equipment	275.61	218.01	165.10	136.98	167.32	
Solvency (%)	Current ratio	142.27	177.01	132.52	121.03	169.45	
	Quick ratio	111.54	139.69	90.65	73.61	127.93	
	Times interest earned	30.86	16.21	4.29	4.7	-3.77	
Operating Capabilities	Accounts receivable turnover (times)	2.48	2.27	2.41	2.78	2.26	
	Average collection days	147	161	152	131	162	
	Inventory turnover (times)	3.73	3.63	3.6	2.82	2.05	
	Accounts payable rate (times)	4.57	4.67	5.05	6.37	7.47	
	Average days in sales	98	101	101	129	178	
	Property, plant and equipment turnover (times)	5.25	2.06	1.68	1.45	0.99	
	Total asset turnover (times)	0.88	0.63	0.6	0.62	0.42	
Profitability	Return on total assets (%)	8.72	3.49	0.63	1.58	-2.48	
	Return on Equity (%)	18.06	7.66	1.25	3.29	-7.87	
	Ratio of pretax net profit to paid-in capital (%) (Note 7)	48.76	19.39	2.87	8.32	-18.72	
	Net profit ratio (%)	9.67	4.8	0.75	1.96	-7.65	
	Earnings (loss) per share (NT\$)	4.03	1.58	0.25	0.69	-1.58	
Cash flows	Cash flows ratio (%)	23.61	18.86	-17.90	-1.09	30.49	
	Cash flow adequacy ratio (%)	146.11	121.61	55.63	29.20	39.02	
	Cash reinvestment ratio (%)	4.67	2.43	-13.46	-0.61	9.27	
Leverage	Operating leverage	1.25	1.92	4.93	2.15	0.11	
	Financial leverage	1.03	1.07	1.43	1.34	0.84	

- * Please explain the reasons for changes in various financial ratios in the past two fiscal years. (If the increase or decrease is less than 20%, the analysis can be omitted):
1. Financial Structure:
Increase in the ratio of long-term funds to property, plant, and equipment: Mainly due to the decrease in property, plant, and equipment in 2023.
 2. Solvency:
 - (1) Increase in current ratio: Mainly due to the decrease in current liabilities in 2023.
 - (2) Increase in quick ratio: Mainly due to the decrease in current liabilities in 2023.
 - (3) Decrease in interest coverage ratio: Mainly due to the decrease in pre-tax profit in 2023.
 3. Operating capabilities:
 - (1) Increase in average collection period: Mainly due to the decrease in accounts receivable turnover (times) in 2023.
 - (2) Decrease in inventory turnover (times): Mainly due to the decrease in ending inventory in 2023.
 - (3) Increase in average sales days: Mainly due to the decrease in inventory turnover (times) in 2023.
 - (4) Decrease in property, plant, and equipment turnover (times): Mainly due to the decrease in net sales in 2023.
 - (5) Decrease in total asset turnover (times): Mainly due to the decrease in net sales in 2023.
 4. Profitability:
 - (1) Decrease in return on assets: Mainly due to the decrease in net profit after tax in 2023, resulting in a decrease in return on assets.
 - (2) Decrease in return on equity: Mainly due to the decrease in after-tax profit in 2023.
 - (3) Decrease in pre-tax profit to paid-in capital ratio: Mainly due to the decrease in pre-tax profit in 2023.
 - (4) Decrease in net profit margin: Mainly due to the decrease in after-tax profit in 2023.
 - (5) Decrease in earnings per share: Mainly due to the decrease in after-tax profit in 2023.
 5. Cash Flows:
 - (1) Increase in cash flow ratio: Mainly due to net cash inflow from operating activities in 2023.
 - (2) Increase in cash flow adequacy ratio: Mainly due to the increase in cash inflow from operating activities in the past five years and the decrease in cash dividends in the past five years.
 - (3) Increase in cash reinvestment ratio: Mainly due to the net cash inflow from operating activities in 2023, as well as the increase in property, plant, and equipment.
 6. Leverage:
 - (1) Operating leverage decreased: Mainly due to the decrease in operating profit in 2023.
 - (2) Financial leverage decreased: Mainly due to the decrease in operating profit in 2023.

(2) Adoption of International Financial Reporting Standards- Analysis of Individual Financial

Items (Note 3)		Year (Note 1)	Financial Analysis					As March 31, 2024 (Note 2)
		2019	2020	2021	2022	2023		
Financial Structure (%)	Debt to assets ratio	41.23	41.98	34.88	34.98	32.88	N/A	
	Ratio of long-term capital to property, plant and equipment	1047.87	1426.54	1794.28	2049.49	3038.49		
Solvency (%)	Current ratio	69.87	106.93	89.38	95.73	142.38		
	Quick ratio	63.01	106.10	62.28	57.75	141.18		
	Times interest earned	42.59	15.12	4.91	9.22	-9.94		
Operating Capabilities	Accounts receivable turnover (times)	3.05	1.57	2.12	2.21	1.70		
	Average collection days	120	232	173	166	215		
	Inventory turnover (times)	25.49	14.62	64.84	56.87	35.02		
	Accounts payable rate (times)	104.48	29.49	82.19	0	0		
	Average days in sales	14	25	6	6	10		
	Property, plant and equipment turnover (times)	3.17	2.18	5.01	7.39	5.52		
	Total asset turnover (times)	0.18	0.11	0.18	0.25	0.14		
Profitability	Return on assets (%)	11.41	4.76	0.97	2.41	-4.81		
	Return on Equity (%)	18.06	7.66	1.25	3.29	-7.87		
	Ratio to paid-in capital (%) (Note 7)	44.09	16.98	3.06	8.96	-15.86		
	Net profit ratio (%)	60.93	38.36	4.21	8.45	-36.90		
	Earnings per share (NT\$)	4.03	1.58	0.25	0.71	-1.58		
Cash flows	Cash flows ratio (%)	-21.74	44.15	-59.51	6.23	61.71		
	Cash flow adequacy ratio (%)	68.48	86.75	12.87	-6.49	6.46		
	Cash reinvestment ratio (%)	-31.48	6.59	-33.45	2.90	15.59		
Leverage	Operating leverage	1.15	1.79	1.77	0.38	1.16		
	Financial leverage	1.07	1.18	1.56	1.13	0.64		
* Please explain the reasons for changes in various financial ratios in the past two fiscal years. (If the increase or decrease is less than 20%, the analysis can be omitted):								
1. Financial Structure:								
Increase in the ratio of long-term funds to property, plant, and equipment: Mainly due to the decrease increase in long-term liabilities and a decrease in property, plant, and equipment in 2023.								
2. Solvency:								
(1) Increase in current ratio: Mainly due to the decrease in current liabilities in 2023.								
(2) Increase in quick ratio: Mainly due to the decrease in current liabilities in 2023.								
(3) Interest coverage ratio decreased: Mainly due to the decrease in pre-tax profit in 2023.								

3. Operating Capabilities:

- (1) Accounts receivable turnover rate (times) decreased: Mainly due to the decrease in net sales in 2023.
- (2) Increase in average collection period: Mainly due to the decrease in accounts receivable turnover (times) in 2023.
- (3) Decrease in inventory turnover (times): Mainly due to the decrease in ending inventory in 2023.
- (4) Increase in average sales days: Mainly due to the decrease in inventory turnover (times) in 2023.
- (5) Decrease in property, plant, and equipment turnover (times): Mainly due to the decrease in net sales in 2023.
- (6) Decrease in total asset turnover (times): Mainly due to the decrease in net sales in 2023.

4. Profitability:

- (1) Decrease in return on assets: Mainly due to the decrease in net profit after tax in 2023, resulting in a decrease in return on assets.
- (2) Decrease in return on equity: Mainly due to the decrease in after-tax profit in 2023.
- (3) Decrease in pre-tax profit to paid-in capital ratio: Mainly due to the decrease in pre-tax profit in 2023.
- (4) Decrease in net profit margin: Mainly due to the decrease in after-tax profit in 2023.
- (5) Decrease in earnings per share: Mainly due to the decrease in after-tax profit in 2023.

5. Cash Flows:

- (1) Increase in cash flow ratio: Mainly due to net cash inflow from operating activities in 2023.
- (2) Increase in cash flow adequacy ratio: Mainly due to the increase in cash inflow from operating activities in the past five years and the decrease in cash dividends in the past five years.
- (3) Increase in cash reinvestment ratio: Mainly due to net cash inflow from operating activities in 2023.

6. Leverage:

- (1) Operating leverage decreased: Mainly due to the decrease in operating profit in 2023.
- (2) Financial leverage decreased: Mainly due to the decrease in operating profit in 2023.

Note 1: The financial data for each of the above years has been audited and certified by an accountant.

Note 2: The consolidated financial statements for the first quarter of 2024 are under review by an accountant, so they are not included in the disclosure. The financial statements are prepared in accordance with International Financial Reporting Standards, hence no separate individual financial statements are issued.

Note 3: At the end of the annual report, the calculation formulas should be listed as follows:

1. Financial structure:

- (1) Debt-to-asset ratio = Total liabilities / Total assets.
- (2) Long-term funds to property, plant and equipment ratio = (Total equity + Non-current liabilities) / Property, plant and net equipment.

2. Solvency

- (1) Current ratio = Current assets / Current liabilities.
- (2) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities.
- (3) Interest Coverage Ratio = Earnings before Interest and Taxes / Interest Expenses for the Period.

3. Operating capabilities

- (1) Accounts receivable turnover ratio (including accounts receivable and notes receivable arising from operations) = Net sales / Average accounts receivable balance (including accounts receivable and notes receivable arising from operations) for each period.
- (2) Average collection period = 365 / Accounts receivable turnover ratio.
- (3) Inventory turnover ratio = Cost of goods sold / Average inventory.
- (4) Accounts payable turnover ratio = Cost of goods sold / Average accounts payable balance (including accounts payable and notes payable arising from operations) for the period.

- (5) Average days of sales = $365 / \text{Inventory turnover ratio}$.
 - (6) Property, plant and equipment turnover ratio = $\text{Net sales} / \text{Average property, plant and equipment (net)}$
 - (7) Total Asset Turnover Ratio = $\text{Net Sales} / \text{Average Total Assets}$.
 4. Profitability
 - (1) Return on Assets = $[\text{Net Income after Tax} + \text{Interest Expense} \times (1 - \text{Tax Rate})] / \text{Average Total Assets}$.
 - (2) Return on Equity = $\text{Net Income after Tax} / \text{Average Total Equity}$.
 - (3) Net profit rate = $\text{Net profit after tax} / \text{Net sales revenue}$.
 - (4) Earnings per share = $(\text{Profit or loss attributable to owners of the parent} - \text{Preferred share dividends}) / \text{Weighted average No of Shares outstanding. (Note 4)}$
 5. Cash flows
 - (1) Cash flow ratio = $\text{Net cash flow from operating activities} / \text{Current liabilities}$.
 - (2) Cash Flow Adequacy Ratio = $\text{Net Cash Flow from Operating Activities for the Past 5 Years} / (\text{Capital Expenditure} + \text{Increase in Inventory} + \text{Cash Dividends}) \text{ for the Past 5 Years}$.
 - (3) Cash reinvestment ratio = $(\text{Net cash flow from operating activities} - \text{Cash dividends}) / (\text{Gross property, plant and equipment} + \text{Long-term Investment} + \text{Other Non-Current Assets} + \text{Working Capital})$. (Note 5)
 6. Leverage:
 - (1) Operating leverage = $(\text{Net operating revenue} - \text{Variable operating costs and expenses}) / \text{Operating profit}$. (Note 6)
 - (2) Financial leverage ratio = $\text{Operating income} / (\text{Operating income} - \text{Interest expense})$.
- Note 4: The calculation formula for earnings per share should pay special attention to the following matters when evaluating:
1. Use the weighted average number of common shares as the basis, rather than the year-end issued shares.
 2. For any cash capital increase or treasury stock transaction, the period of circulation should be considered and the weighted average No of Shares should be calculated.
 3. In cases of capitalizing surplus or capital reserves, the calculations of earnings per share for previous years and half-years should be retrospectively adjusted based on the ratio of the capital increase, regardless of the issuance period of the capital increase.
 4. If the preferred stock is non-convertible and cumulative preferred stock, the dividend for the current year (whether paid or not) should be deducted from or added to the net income after tax. For non-cumulative preferred stock, if there is after-tax net income, preferred stock dividends should be deducted from the after-tax net income; if there is a loss, no adjustment is necessary.
- Note 5: When measuring cash flow analysis, the following items should be paid special attention to:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
 2. Capital expenditure refers to the annual cash outflow for capital investments.
 3. The increase in inventory is only counted when the ending balance is greater than the beginning balance. If the inventory decreases at the end of the year, it is calculated as 0.
 4. Cash dividends include cash dividends on common and preferred stocks.
 5. Gross property, plant, and equipment refers to the total amount of property, plant, and equipment before deducting accumulated depreciation.
- Note 6: The issuer should categorize each operating cost and operating expense into fixed and variable based on their nature. If estimates or subjective judgments are involved, the reasonableness and consistency should be maintained.
- Note 7: For companies whose stocks have no par value or whose par value per share is not NT\$10, the calculation of the aforementioned percentages of paid-in capital shall be based on the ratio of equity attributable to owners of the parent company on the balance sheet.

3. The Audit Committee Review Report From the Most Recent Annual Financial Report

Audit Committee's Review Report

The Board of Directors has submitted the Company's individual financial statements and consolidated financial statements for the year 2023, which have been audited and completed by Certified Public Accountants Wu, Han-Chi and Lin, Ya-Hui of PricewaterhouseCoopers Taiwan, along with the business report and deficit remuneration proposal. After review by the Audit Committee, it is considered to be in compliance with relevant regulations, and this report is hereby prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Please review.

To

Hotron Precision Electronic Industrial Co., Ltd. 2024 Annual Shareholders' Meeting

Convener of the Audit Committee: Chou, Che- Yi

February 27, 2024

4. The Most Recent Annual Financial Report, Including the Auditor's Report, Comparative Balance Sheets for the Past two Years, Income Statement, Statement of Changes in Equity, Cash Flow Statement, and Notes to the Financial Statements or Schedules to the Auditor's Report

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES

**DECLARATION OF CONSOLIDATED FINANCIAL
STATEMENTS OF AFFILIATES**

In 2023 (from January 1, 2023 to December 31, 2023), the companies required to be included in the consolidated financial statements of affiliates under the standards Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Financial Reporting Standards (IFRS) 10, and 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. The Corporation hereby produces this declaration to the effect that no preparation for the separate consolidated financial statements of affiliates is required.

Sincerely,

Name of Company: Hotron Precision Electronic Industrial Co., Ltd.

Chairman: Chang, Li-Jung

February 27, 2024

INDEPENDENT AUDITORS' REPORT

(2024) C.S.B.Z. No. 23003434

To: Hotron Precision Electronic Industrial Co., Ltd.,

Opinions

Hotron Precision Electronic Industrial Co., Ltd. and Its Subsidiaries (hereinafter “Hotron Group”) as of December 31, 2023 and 2022, in addition to the Consolidated balance sheet, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies) from January 1 to December 31, 2023 and 2022, have been audited by the CPAs.

In the opinion of the CPAs, the above Consolidated Financial Statements have been prepared in all material respects in accordance with the Financial Reporting Standards for Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretation and Interpretation Notices as endorsed and issued into effect by the Financial Supervisory Commission, and are sufficient to give a fair representation of the consolidated financial position of Hotron Group as at December 31, 2023 and 2022, and the consolidated financial performance and consolidated cash flow from January 1 to December 31, 2023 and 2022.

Basis for Opinions

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS) of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Hotron Group in accordance with the Norm of Professional Ethics for Certified Public Accountant, and 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 refer to those which, in accordance with the professional judgment of the CPA, are most important for the audit of the Consolidated Financial Statements of Hotron Group for the year 2023. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Consolidated Financial Statements of Hotron Group for the year 2023 are listed as follows:

Inventory Evaluation

Description

Please refer to Note 4(11) of the consolidated financial report for the accounting policy of inventory evaluation; please refer to Note 5(2) of the consolidated financial report for the uncertainty of accounting estimates and assumptions of inventory evaluation; and refer to Note 6(4) to the consolidated financial report for the description of allowance for inventory impairment loss. As of December 31, 2023, the Hotron Group's inventories and allowance for inventory impairment loss amounted to NT\$680,973 thousand and NT\$60,573 thousand, respectively.

The Hotron Group is engaged in the manufacturing and sale of various 3C product cables and signal cables. Due to the short life cycles of electronic products and intense market competition, there is a higher risk of inventory impairment losses. Hotron Group's inventories are measured at the lower of cost and net realizable value. The net realizable value is calculated based on the actual average selling price less variable selling expenses. For the net realizable value used in inventory valuation, it often involves subjective judgments and therefore has a high degree of estimation uncertainty. The CPAs believe that the assessment of the inventory of Hotron Group and its allowance for inventory impairment loss is one of the most important matters in this year's audit.

Response Audit Procedures

The key audit procedures performed by the CPA regarding the allowance for inventory impairment loss are summarized as follows:

1. Understand the Hotron Group's operations and industry nature, evaluate the reasonableness of the policies and procedures adopted for the allowance for inventory impairment loss, including determining the reasonableness of the basis for the net realizable value.
2. Identify the warehouse management process of Hotron Group, review its annual inventory plan and participate in the annual inventory checking to evaluate the effectiveness of management in distinguishing and controlling inventory.
3. Verify the properness of the inventory age report used by Hotron Group for evaluation, To confirm that the report information is consistent with its policies.
4. Execute the verification of the calculation logic of the net realizable value of inventories, and then evaluate the rationality of the allow for impairment loss determined by Hotron Group.

Revenue Recognition Cut-Off for Ex-Works Sales

Description

Please refer to Note 4(24) to the consolidated financial report for the accounting policy for revenue recognition.

The Hotron Group's sales models are mainly categorized into recognizing revenue after ex-factory shipments and after ex-warehouse shipments. For ex-works sales, revenue is recognized only when the customer takes delivery and the risks and rewards are transferred. The Hotron Group primarily recognizes revenue based on the actual ex-works sales to customers as provided in the reports or other information from warehouse custodians.

As revenue recognition for ex-works sales is based on the information and reports provided by custodians, it typically involves more manual processes. Considering the significant transaction volume of the Hotron Group's ex-works sales and the material impact of transactions around the financial statement date on the financial statements, the CPA considers the revenue recognition cut-off for the Group's ex-works sales as one of the most important audit matters this year.

Response Audit Procedures

The key audit procedures performed by the CPA regarding the revenue recognition cut-off for ex-warehouse sales are summarized as follows:

1. Understand the Hotron Group's revenue recognition procedures for ex-works sales, evaluate the appropriateness of recognizing ex-works revenue, including understanding relevant internal control procedures, and obtain information and reports provided by custodians.
2. Perform internal control testing on ex-works sales revenue to ensure the Hotron Group recognizes revenue only after the customer takes delivery and the risks and rewards are transferred.
3. Perform cut-off testing on ex-works sales revenue transactions for a certain period before and after the balance sheet date, including verifying supporting documents from warehouse custodians, shipping documents, and that revenue is recorded in the appropriate period.
4. Perform sample physical inventory observation and count for ex-works inventory quantities and reconcile with book balances.

Other Matters—Financial Report

We have also audited the Parent Company Only Financial Statements of Hotron Electronics Corp. for 2023 and 2022, on which we have issued an unqualified opinion.

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

To ensure that the Consolidated Financial Statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent Consolidated Financial Statements in accordance with the Financial Reporting Standards for Securities Issuers, as well as the IFRS, IAS, Interpretation and Interpretation Notices as endorsed and issued into effect by the Financial Supervisory Commission, and for preparing and maintaining necessary internal control procedures pertaining to the Consolidated Financial Statements.

In preparing the Consolidated Financial Statements, the management is responsible for assessing Hotron 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 the management either intends to liquidate Hotron Group or to cease operations, or has no realistic alternative but to do so.

Those in charge with Hotron Group's governance (including the Audit Committee) are responsible for overseeing its 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 misstatements, 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 error or fraud 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 financial statements.

As part of an and 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 evaluate the risk of material misstatements due to fraud or error in the consolidated financial statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hotron Group's internal control.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
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 Hotron 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 Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Hotron Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Consolidated Financial Statements (including relevant Notes), and whether the Consolidated Financial Statements fairly present relevant transactions and items.
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 and for expressing an opinion on the Consolidated Financial Statements of the Group.

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 of the Republic of China, 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 communication with the management unit, the accountant decided on the key audit matters for the Consolidated Financial Statements of Hotron Group for 2023. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter

or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Wu, Han-Chi and Lin, Ya-Hui.

PWC Taiwan
Taipei, Taiwan
Republic of China
February 27, 2024

Notice to Reader

For the convenience of readers, this report has been translated into English from the original Chinese version. The English version has not been audited or reviewed by independent auditors. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2023 and 2022

Unit: NT\$ thousand

Assets		Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Current Assets						
1100	Cash and cash equivalents	6(1)	\$ 486,087	9	\$ 566,947	10
1136	Financial assets at amortized cost – current	6(2)	531,553	10	-	-
1150	Notes receivable, net	6(3)	11,166	-	8,683	-
1170	Accounts receivable, net	6(3)	917,199	18	975,045	18
1200	Other receivables		12,529	-	32,164	1
1220	Current tax assets		885	-	-	-
130X	Inventories	6(4)	620,400	12	1,041,669	19
1410	Prepayments		26,326	1	27,312	1
1479	Other current assets – other	6(5)	33,249	1	76,729	1
11XX	Total Current Assets		<u>2,639,394</u>	<u>51</u>	<u>2,728,549</u>	<u>50</u>
Non-Current Assets						
1600	Property, plant, and equipment	6(6), 8	2,170,148	42	2,313,052	43
1755	Right-of-use assets	6(7)	88,676	2	97,533	2
1760	Investment property	6(9), 8	162,097	3	139,996	2
1780	Intangible assets		6,406	-	5,853	-
1840	Deferred income tax assets	6(29)	69,507	1	38,085	1
1900	Other non-current assets	6(10)	52,512	1	99,755	2
15XX	Total Non-Current Assets		<u>2,549,346</u>	<u>49</u>	<u>2,694,274</u>	<u>50</u>
1XXX	Total Assets		<u>\$ 5,188,740</u>	<u>100</u>	<u>\$ 5,422,823</u>	<u>100</u>
Liabilities and Equity		Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Current Liabilities						
2100	Short-term loans	6(11), 8	\$ 1,043,606	20	\$ 1,387,703	26
2110	Short-term notes and bills payable	6(12)	9,996	-	139,840	3
2120	Financial liabilities at fair value through profit or loss – current	6(14)	-	-	2,116	-
2130	Contract liabilities – current	6(23)	4,154	-	6,669	-
2150	Notes payable		-	-	8,815	-
2170	Accounts payable		231,035	5	254,304	5
2200	Other payables	6(13)	233,163	5	400,978	7
2230	Current income tax liabilities		6,736	-	34,034	1
2280	Lease liabilities – current		2,282	-	2,325	-
2320	Current portion of long-term liabilities	6(15)(16), 8	20,337	-	8,182	-
2399	Other current liabilities – others		6,286	-	9,462	-
21XX	Total Current Liabilities		<u>1,557,595</u>	<u>30</u>	<u>2,254,428</u>	<u>42</u>
Non-Current Liabilities						
2500	Financial liabilities at fair value through profit or loss – non-current	6(14)	1,100	-	-	-
2530	Bonds payable	6(16)	236,212	5	-	-
2540	Long-term loans	6(15)	162,138	3	-	-
2570	Deferred income tax liabilities	6(29)	86,528	2	87,410	1
2580	Lease liabilities – non-current		-	-	2,208	-
2600	Other non-current liabilities	6(17)	1,013,126	19	1,015,946	19
25XX	Total Non-CurrentLiabilities		<u>1,499,104</u>	<u>29</u>	<u>1,105,564</u>	<u>20</u>
2XXX	Total Liabilities		<u>3,056,699</u>	<u>59</u>	<u>3,359,992</u>	<u>62</u>
Equity						
Equity Sttributable to Owners of the Parent Company						
Capital stock		6(20)				
3110	Capital stock – common shares		1,065,520	20	932,210	17
Capital surplus		6(21)				
3200	Capital surplus		854,024	17	641,858	12
Retained earnings		6(22)				
3310	Legal reserve		226,931	4	220,291	4
3320	Special reserve		82,834	2	115,046	2
3350	Unappropriated earnings		12,858	-	236,260	4
Other equity						
3400	Other equity		(110,126)	(2)	(82,834)	(1)
31XX	Total Equity Attributable to Owners of Parent Company		<u>2,132,041</u>	<u>41</u>	<u>2,062,831</u>	<u>38</u>
3XXX	Total Equity		<u>2,132,041</u>	<u>41</u>	<u>2,062,831</u>	<u>38</u>
Significant contingent liabilities and unrecognized contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	Total Liabilities and Equity		<u>\$ 5,188,740</u>	<u>100</u>	<u>\$ 5,422,823</u>	<u>100</u>

Please also refer to the attached Notes to the Consolidated Financial Statements as part of these Consolidated Financial Statements.

Chairman: Chang, Li-Jung

Managerial officer: Lu, I-Hsuan

Accounting manager: Hsu, Kuo-Huang

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2023 and 2022

Unit: NT\$ thousand (Except earnings (deficit) per share in NT\$)

	Item	Note	2023		2022	
			Amount	%	Amount	%
4000	Operating revenue	6(23)	\$ 2,159,114	100	\$ 3,362,189	100
5000	Operating costs	6(4)(28), 7	(1,845,599)	(85)	(2,783,377)	(83)
5900	Gross profit		313,515	15	578,812	17
	Operating expenses	6(28), 7				
6100	Selling and marketing expense		(117,984)	(6)	(132,966)	(4)
6200	General and administrative expenses		(286,068)	(13)	(306,782)	(9)
6300	Research and development expenses		(95,288)	(4)	(121,045)	(4)
6450	Expected credit impairment losses	12(2)	(276)	-	-	-
6000	Total operating expenses		(499,616)	(23)	(560,793)	(17)
6500	Other non-operating income and expenses	6(24)	(3,132)	-	64,237	2
6900	Operating profit (loss)		(189,233)	(8)	82,256	2
	Non-operating income and expenses					
7100	Interest income		35,572	2	6,316	-
7010	Other income	6(25)	22,110	1	11,795	-
7020	Other gains or losses	6(26)	274	-	(1,851)	-
7050	Financial costs	6(27)	(41,764)	(2)	(20,940)	-
7055	Expected credit impairment losses	12(2)	(26,376)	(1)	-	-
7000	Total non-operating income and expenses		(10,184)	-	(4,680)	-
7900	Net Profit (Loss) Before Tax		(199,417)	(8)	77,576	2
7950	Income tax benefits (expenses)	6(29)	34,338	1	(11,830)	-
8200	Net Profit (Loss) for the Period		(\$ 165,079)	(7)	\$ 65,746	2
	Item	Note	2023		2022	
			Amount	%	Amount	%
	Other Comprehensive Income (Net)					
	Items that May Not Be Reclassified to Profit or Loss					
8311	Remeasurements of defined benefit plan	6(18)	(\$ 1,647)	-	\$ 819	-
8349	Income tax related to items that may not be reclassified	6(29)	329	-	(164)	-
8310	Total of items that may not be reclassified to profit or loss		(1,318)	-	655	-
	Items that May Be Subsequently Reclassified to Profit or Loss					
8361	Exchange differences on translation of financial statements of foreign operations		(37,590)	(2)	32,212	1
8399	Income tax related to items that may be reclassified	6(29)	10,298	1	-	-
8360	Total of items that may be subsequently reclassified to profit or loss		(27,292)	(1)	32,212	1
8300	Net Amount of Other Comprehensive (Loss) Income After Tax for the Period		(\$ 28,610)	(1)	\$ 32,867	1
8500	Total Comprehensive Income for the Period		(\$ 193,689)	(8)	\$ 98,613	3
	Net income attributable to:					
8610	Owners of the parent company		(\$ 165,079)	(7)	\$ 65,746	2
	Total comprehensive income attributable to:					
8710	Owners of the parent company		(\$ 193,689)	(8)	\$ 98,613	3
	Earnings (deficit) per share	6(30)				
9750	Basic earnings (deficit) per share		(\$ 1.58)		\$ 0.69	
9850	Diluted earnings (deficit) per share		(\$ 1.58)		\$ 0.68	

Please also refer to the attached Notes to the Consolidated Financial Statements as part of these Consolidated Financial Statements.

Chairman: Chang, Li-Jung

Managerial officer: Lu, I-Hsuan

Accounting manager: Hsu, Kuo-Huang

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31, 2023 and 2022

Unit: NT\$ thousand

Equity Attributable to Owners of the Parent Company												
		Capital Surplus						Retained Earnings			Other Equity	
											Exchange Differences on Translation of Financial Statements of Foreign Operations	Total Equity
	Note	Capital Stock – Common Shares	Share Premium	Treasury Share Transactions	Employee Share Options Forfeited	Share Option	Others	Legal Reserve	Special Reserve	Unappropriated Earnings		
2022												
Balance as of January 1, 2022		\$ 923,181	\$ 613,797	\$ 1,615	\$ -	\$ 1,450	\$ 18	\$ 218,051	\$ 112,601	\$ 174,544	(\$ 115,046)	\$ 1,930,211
Net profit for the period		-	-	-	-	-	-	-	-	65,746	-	65,746
Other comprehensive income		-	-	-	-	-	-	-	-	655	32,212	32,867
Total comprehensive income (loss) for the period		-	-	-	-	-	-	-	-	66,401	32,212	98,613
Appropriation of earnings in 2021:		6(22)										
Legal reserve		-	-	-	-	-	-	2,240	-	(2,240)	-	-
Provision of special reserve		-	-	-	-	-	-	-	2,445	(2,445)	-	-
Conversion of convertible bonds		6(16)(20)	9,029	26,140	-	(1,171)	-	-	-	-	-	33,998
Overdue Dividends converted to capital surplus		-	-	-	-	-	9	-	-	-	-	9
Balance as of December 31, 2022		\$ 932,210	\$ 639,937	\$ 1,615	\$ -	\$ 279	\$ 27	\$ 220,291	\$ 115,046	\$ 236,260	(\$ 82,834)	\$ 2,062,831
2023												
Balance as of January 1, 2023		\$ 932,210	\$ 639,937	\$ 1,615	\$ -	\$ 279	\$ 27	\$ 220,291	\$ 115,046	\$ 236,260	(\$82,834)	\$ 2,062,831
Current loss		-	-	-	-	-	-	-	-	(165,079)	-	(165,079)
Other comprehensive income		-	-	-	-	-	-	-	-	(1,318)	(27,292)	(28,610)
Total comprehensive income (loss) for the period		-	-	-	-	-	-	-	-	(166,397)	(27,292)	(193,689)
Appropriation and distribution of earnings in 2022:		6(22)										
Legal reserve		-	-	-	-	-	-	6,640	-	(6,640)	-	-
Reversed Special Reserve		-	-	-	-	-	-	-	(32,212)	32,212	-	-
Cash dividends		-	-	-	-	-	-	-	-	(51,611)	-	(51,611)
Stock dividends		6(20)	30,966	-	-	-	-	-	-	(30,966)	-	-
Cash capital increase		6(20)	100,000	162,100	-	-	-	-	-	-	-	262,100
Cash capital increase reserved for employee subscription compensation cost		6(19)(20)	-	9,527	-	2,163	-	-	-	-	-	11,690
Issuance of convertible corporate bonds		6(16)	-	-	-	30,297	-	-	-	-	-	30,297
Conversion of convertible bonds		6(16)(20)	2,344	8,359	-	(291)	-	-	-	-	-	10,412
Overdue dividends converted to capital surplus		-	-	-	-	-	11	-	-	-	-	11
Balance as of December 31, 2023		\$ 1,065,520	\$ 819,923	\$ 1,615	\$ 2,163	\$ 30,285	\$ 38	\$ 226,931	\$ 82,834	\$12,858	(\$ 110,126)	\$ 2,132,041

Please also refer to the attached Notes to the Consolidated Financial Statements as part of these Consolidated Financial Statements.

Chairman: Chang, Li-Jung

Managerial Officer: Lu, I-Hsuan

Accounting Manager: Hsu, Kuo-Huang

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

Unit: NT\$ thousand

	Note	January 1-December 31, 2023	January 1-December 31, 2022
Cash Flows From Operating Activities			
Net profit (loss) before tax of the period		(\$ 199,417)	\$ 77,576
Adjustment item			
Incomes, expenses and losses that do not affect cash flow			
Depreciation expenses (including right-of-use assets)	6(6)(7)(9)(28)	186,856	157,368
Amortization expenses	6(28)	1,341	1,123
Expected credit impairment losses	12(2)	26,652	-
Interest expenses	6(27)	39,085	20,735
Interest income	(	35,572)	(6,316)
Share-based payment compensation expense	6(19)	11,690	-
Amortization of corporate bond discounts	6(27)	2,679	205
Gains on disposals of property, plant and equipment	6(26)	(214)	(1,633)
Net loss (gain) at fair value through profit or loss	6(14)(26)	(50)	225
Amortization of long-term deferred revenue	6(17)	(546)	-
Changes in operating assets and liabilities			
Net change in assets related to operating activities			
Notes receivable	(	2,483)	6,348
Accounts receivable		57,570	440,440
Other receivables		3,271	(23,916)
Inventories		421,269	(238,297)
Prepayments		986	27,665
Other current assets		43,480	(27,239)
Other non-current assets	(	1,568)	(2,950)
Net change in liabilities related to operating activities			
Contract liabilities	(	2,515)	6,669
Notes payable	(	8,815)	1,937
Accounts payable	(	23,269)	(349,963)
Other payables	(	8,426)	(93,422)
Other current liabilities	(	3,176)	(995)
Other non-current liabilities		5,322	(674)
Cash inflow (outflow) generated from operations		514,150	(5,114)
Interest received		25,560	6,745
Interest paid	(	38,623)	(19,653)
Income tax paid	(	26,224)	(6,486)
Net cash inflow (outflow) generated from operating activities		474,863	(24,508)
Cash Flows From Investing Activities			
Increase in financial assets at amortized cost – current		(\$ 531,553)	\$ -
Acquisition of property, plant, and equipment	6(31)	(262,039)	(243,131)
Proceeds from disposal of property, plant, and equipment		26,827	32,078
Acquisition of intangible assets	(	2,121)	(6,541)
Decrease (increase) in refundable deposits		51	(733)
Increase in prepayments for equipment	(	7,816)	(40,077)
Receipt of property, plant and equipment award	6(17)	11,683	-
Net cash flows used in investing activities	(	764,968)	(258,404)
Cash Flows From Financing Activities			
Increase (decrease) in short-term loans	6(32)	(344,097)	521,748
Decrease in short-term notes and bills payable	6(32)	(129,844)	(40,082)
Issuance of corporate bonds	6(16)(32)	268,316	-
Costs of corporate bond issuance	6(32)	(3,223)	-
Proceeds from long-term borrowings	6(32)	191,562	-
Repayment of long-term borrowings	6(32)	(9,087)	-
Increase in refundable deposits		2,884	5,854
Repayment of the principal portion of leases	6(32)	(2,202)	(2,103)
Cash dividends paid	6(22)	(51,611)	-
Cash capital increase	6(20)	262,100	-
Net cash inflows from financing activities		184,798	485,417
Effect of exchange rate changes		24,447	(7,147)
Increase (decrease) in cash and cash equivalents for the current period	(	80,860)	195,358
Beginning balance of cash and cash equivalents	6(1)	566,947	371,589
Ending balance of cash and cash equivalents	6(1)	\$ 486,087	\$ 566,947

Please also refer to the attached Notes to the Consolidated Financial Statements as part of these Consolidated Financial Statements.

Chairman: Chang, Li-Jung

Managerial Officer: Lu, I-Hsuan

Accounting Manager: Hsu, Kuo-Huang

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**For the Years Ended December 31, 2023 and 2022**

Unit: NT\$ thousand (Unless Stated Otherwise)

1. Company History

Hotron Precision Electronic Industrial Co., Ltd. (hereinafter referred to as “the Company”) was established in December 1991 with the original name Goldfull Electronics & Telecommunications Corp., Ltd. It was renamed Hotron Precision Electronic Industrial Co., Ltd. in June 2006. The Company has been listed on the Taipei Exchange since May 11, 2010, and was approved by the Taiwan Stock Exchange for listing and trading on May 13, 2021. The Company and its subsidiaries (hereinafter referred to as “the Group”) are primarily engaged in the manufacturing and sale of various 3C product cables, signal cables, and wires. As of December 31, 2023, the Group has 1,614 employees.

2. Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

The consolidated financial statements were adopted and issued by the Corporation’s Board of Directors on February 27, 2024.

3. Application of New and Amended Standards and Interpretations

- (1) The impact of adopting new and amended IFRSs as endorsed and issued into effect by the Financial Supervisory Commission (“FSC”).

The following table summarizes the new, amended and revised standards and interpretations of the applicable IFRSs for 2023 as endorsed and issued into effect by the FSC:

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the IASB
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendment to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023
Amendment to IAS 12 “International Tax Reform - Pillar Two Model Rules”	May 23, 2023

The Group assessed the above standards and interpretations and there is no material impact on the Group's financial condition and financial performance.

(2) The impact of not adopting new and revised IFRSs recognized by the FSC

The following table summarizes the new, amended and revised standards and interpretations of the applicable IFRSs for 2024 endorsed by the FSC:

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by The IASB
Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024
Amendment to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendment to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements"	January 1, 2024

The Group assessed the above standards and interpretations and there is no material impact on the Group's financial condition and financial performance.

(3) Impact of IFRSs issued by the IASB but not yet endorsed by the FSC

The following table summarizes the new, amended and revised IFRSs and interpretations published by the IASB but not yet endorsed by the FSC:

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by The IASB
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
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"	January 1, 2023
Amendment to IAS 21 "Lack of Exchangeability"	January 1, 2025

The Group assessed the above standards and interpretations and there is no material impact on the Group's financial condition and financial performance.

4. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are described below. Unless otherwise stated, these policies apply consistently throughout all reporting periods.

(1) Compliance Declaration

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the

International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations (hereinafter referred to as IFRSs) endorsed and issued into effect by the FSC.

(2) Preparation Basis

1. Except for financial liabilities at fair value through profit or loss and defined benefit liabilities recognized at the net amount of retirement fund assets less the present value of defined benefit obligations, these consolidated financial statements have been prepared at historical cost.
2. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates and the use of management's judgment in the process of applying the Group's accounting policies. For items involving a high degree of judgment or complexity, or involving significant assumptions and estimates in the consolidated financial statements, please refer to Note 5 for details.

(3) Basis of Consolidation

1. Principles for the preparation of the Consolidated Financial Statements
 - (1) The Group includes all subsidiaries as entities for the preparation of consolidated financial statements. Subsidiary means an entity (including structured entity) that is controlled by the Group when the Group is exposed to or entitled to variable remuneration arising from participation in such entity and is able to influence such remuneration through its power over such entity. Subsidiaries are included in the consolidated financial statements from the date the Group gains control, and the consolidation shall be terminated on the date of loss of control.
 - (2) Intra-corporation transactions, balances and unrealized gains or losses have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary to be consistent with those adopted by the Group.

2. Subsidiaries Included in the Consolidated Financial Statements:

Name of Investor	Name of Subsidiary	Nature of Business	Percentage of Equity Held		Description
			December 31, 2023	December 31, 2022	
The Corporation	Fortuna International Holdings Ltd (Fortuna International)	Investment business and merchandise trade	100	100	-
The Corporation	SmartGreen Solution Co., LTD	Production and operation of energy technology services	100	100	-
Fortuna International	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd. (Hotron Precision (Suzhou))	Production and operation of 3C product cables, signal cables, electric vehicle charging guns, high-voltage wires, and new energy materials	100	100	-
Hotron Precision (Suzhou)	Hotron Precision Electronic Industrial (HuBei) Co., Ltd. (Hotron Precision (HuBei))	Production and operation of copper products, 3C product cables, signal cables, electric vehicle charging guns, high-voltage wires, and new energy materials	100	100	-
Hotron Precision (Suzhou)	Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	Processing of various 3C product cables and signal cables	100	100	-
Hotron Precision (Suzhou)	Hotlink Company Limited (Hotlink Company)	Merchandise trade	100	100	-
Hotron Precision (Suzhou)	Hotron Real Estate Development (Tianmen) Co., Ltd.	Real estate development, construction, sales, leasing, and housing agency services	100	100	-
Hotlink Company	Hotron Precision Electronic Industrial (Vietnam) Co., Ltd. (Hotron Precision (Vietnam))	Production and operation of 3C product cables and signal cables, etc.	100	100	-

3. Subsidiaries Not Included in the Consolidated Financial Statements: None.

4. Adjustments and Treatment Methods for Different Accounting Periods of Subsidiaries: None.

5. Significant Restrictions: None.

6. Subsidiaries with Non-Controlling Interests in the Group: None.

(4) Foreign Currency Conversion

Items included in the financial statements of each entity within the Group are measured in the currency of the primary economic environment in which the entity operates (i.e., the functional currency). The Consolidated Financial Statements are presented in the New Taiwan dollar, the Corporation's functional currency.

1. Foreign Currency Transactions and Balances

- (1) Foreign currency transactions are translated into the functional currency using the spot exchange rate on the transaction date or measurement date, and translation differences arising from the translation of such transactions are recognized as current profit and loss.
- (2) The balance of monetary assets and liabilities denominated in foreign currencies shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the translation differences arising from the adjustment shall be recognized as current profit and loss.
- (3) The balance of non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value through profit or loss, is adjusted according to the spot exchange rate on the balance sheet date, and the exchange differences arising from the adjustment is recognized as the current profit and loss; for those measured at fair value through other comprehensive income, the adjustment is evaluated at the spot exchange rate on the balance sheet date, and the exchange differences arising from the adjustment is recognized in other comprehensive income; those not measured at fair value are measured at the historical exchange rate on the initial transaction date.
- (4) All foreign exchange gains and losses are reported as "Other gains and losses, net" in the income statement based on the nature of the transactions.

2. Translation of Foreign Operating Entities

- (1) For all entities and affiliates of the Group whose functional currency is different from the presentation currency, the operating results and financial position are converted into the presentation currency in the following manner:
 - A. Assets and liabilities presented on each balance sheet are translated at the closing exchange rate on that balance sheet date.
 - B. The gains or losses presented in each consolidated statement of gains or losses are translated at the average exchange rate for the period.

C. All exchange differences arising from translation are recognized in other comprehensive income.

- (2) When a foreign operating entity partially disposed or sold is a subsidiary, the accumulated exchange differences recognized as other comprehensive income shall be re-attributed to the non-controlling interests of the foreign operating entity on a pro rata basis. However, if the Group still retains part of the equity in the former subsidiary, but has lost its control over the foreign operating entity that is a subsidiary, it shall dispose of all the equity in such foreign operating entity.

(5) Classification Criteria for Distinguishing Current and Non-Current Assets and Liabilities

1. Assets That Meet One of the Following Conditions Are Classified as Current Assets:

- (1) Those expected to be realized in the normal operating cycle, or intended to be sold or consumed.
- (2) Those held primarily for trading purposes.
- (3) Those expected to be realized within 12 months after the balance sheet date.
- (4) Cash or a cash equivalents, unless the assets are restricted from being exchanged or used to pay off liabilities at least 12 months after the balance sheet date.

The Group classifies all assets that do not meet the above criteria as non-current.

2. Liabilities That Meet One of the Following Conditions Are Classified as Current Liabilities:

- (1) Those expected to be paid off in the normal operating cycle.
- (2) Those held primarily for trading purposes.
- (3) Those expected to be paid off within 12 months after the balance sheet date.
- (4) Those of which the settlement term cannot be deferred unconditionally to at least 12 months after the balance sheet date. The terms of a liability which may result in the settlement of an equity instrument at the option of the counterparty will not affect its classification.

The Group classifies all liabilities that do not meet the above criteria as non-current.

(6) Cash Equivalents

Cash equivalents refer to short-term investments with highly liquidity that can be converted into quota cash at any time with little risk of change in value. Time deposits and repurchase bond investments that meet the above definition and are held for the purpose of meeting short-term cash commitments from operations are classified as cash equivalents.

(7) Financial Assets at Amortized Cost

The Corporation holds time deposits that do not qualify as cash equivalents. Due to the short holding period, the impact of discounting is not significant and is measured at the investment amount.

(8) Accounts and Notes Receivable

1. Refer to the account with the right to unconditionally receive the consideration amount in exchange for the transfer of goods or services according to the contract.
2. Short-term accounts and notes receivable without interest paid which are measured by the Group at the original invoice amount as the effect of discounting is insignificant.

(9) Impairment of Financial Assets

On each balance sheet date, for financial assets measured at amortized cost and accounts receivable containing significant financing components, the Group considers all reasonable and supportable information (including forward-looking information) and measures the loss allowance at an amount equal to 12-month expected credit losses for those that have not had a significant increase in credit risk since initial recognition; for those whose credit risk has increased significantly since the original recognition, the Corporation measures the allowance loss at the expected credit loss amount during the duration; for accounts receivable that do not include significant financial components, the allowance losses are measured at the expected credit loss amount during the duration.

(10) Lessor's Lease Transactions – Operating Leases

Operating lease revenue is recognized on a straight-line basis over the lease term after deducting any incentives granted to the lessee.

(11) Inventories

Inventories are measured at the lower of cost and net realizable value, and cost carry-forward is calculated using the weighted average method. The cost of finished

goods and work in progress includes raw materials, direct labor, other direct costs and manufacturing overheads (allocated based on normal operating capacity), but excludes borrowing costs. When comparing the lower of the cost and the net realizable value, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the normal course of business deducting the estimated cost to be invested until completion and estimated cost of completion of sale.

(12) Property, Plant, and Equipment

1. Property, plant and equipment are recorded on the basis of acquisition cost, and the relevant interest during the period of acquisition and construction is capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow into the Group and the cost of the item can be measured reliably. The carrying amount of the replacement part shall be derecognized. All other maintenance costs shall be recognized as current profit or loss when incurred.
3. For property, plant and equipment, subsequent measurement is based on the cost model, with depreciation provided on a straight-line basis over the estimated useful lives, except for land which is not depreciated. The depreciation of each component of property, plant and equipment is provided separately if it is significant. The depreciation of each component of property, plant and equipment is provided separately if it is significant.
4. The Corporation reviews the residual value, useful life and depreciation method of each asset at the end of each financial year. If the expected value of residual value and useful life is different from previous estimates, or if there is a material change in the expected consumption pattern of future economic benefits contained in the asset, it shall be treated in accordance with the provisions of IAS 8 "Changes in Accounting Policies, Estimates and Errors" for changes in accounting estimates since the date of the change. The useful life of each asset are as follows:

Buildings and improvements 5-50 years, machinery and equipment 2-13 years, office equipment 2-10 years, and other equipment 2-15 years.

(13) Lessee's Lease Transaction – Right-Of-Use Asset/Lease Liability

1. Lease assets are recognized as right-of-use assets and lease liabilities when they become available for use by the Group. When the lease contract is for a short-term lease or a lease of a low-value underlying asset, the lease payment is recognized as an expense by the straight-line method during the lease term.

2. With respect to lease liabilities, the outstanding lease payments shall be recognized on the commencement date of the lease at the present value after discounting at the interest rate of the Group's incremental loan. The lease payments include fixed payments minus any lease inducements that may be collected. The lease liabilities shall be measured by the interest method and the amortized cost method subsequently, and the provision for interest expense shall be made during the lease term. The lease liabilities will be reassessed and the remeasurement amount will be adjusted to right-of-use asset when there is a change in the lease term or lease payments due to non-contractual modification.
3. Right-of-use assets are recognized at cost on the commencement date of the lease, including the initial measurement of lease liabilities. Right-of-use assets are subsequently measured by cost model. The depreciation provision for right-of-use assets shall be made on at the end of the useful life of the assets or the end of the lease term, whichever is earlier. When the lease liability is reassessed, the right-of-use assets will be adjusted to any remeasurement of the lease liability.

(14) Investment Property

Investment properties are initially recognized at cost and subsequently measured using the cost model. Depreciation is provided on a straight-line basis over the estimated useful lives of 50 years, except for land.

(15) Intangible Assets

Computer software is recognized at cost of acquisition and amortized on a straight-line basis over an estimated useful life of 1 to 5 years.

(16) Impairment of Non-Financial Assets

The Group estimates the recoverable amount of assets with signs of impairment on the balance sheet date, and recognizes impairment losses when the recoverable amount is lower than its book value. The recoverable amount is the fair value of an asset less the cost of disposal or its use value, whichever is higher. When the impairment of an asset recognized in previous years does not exist or decreases, the impairment loss shall be reversed, provided that the increase in the carrying amount of the asset resulting from the reversal of the impairment loss shall not exceed the carrying amount of the asset after deducting depreciation or amortization if the impairment loss is not recognized.

(17) Loans

These refer to short-term borrowings from banks and other long-term borrowings. They are measured by the Group at their fair value less transaction costs at the time of initial recognition, and with respect to any difference between the price after deducting

transaction costs and the redemption value, the interest expenses are subsequently recognized as profit or loss during the circulation period by the effective interest method according to the amortization procedures.

(18) Accounts and Notes payable

1. These refer to payables arising from purchases of raw materials, goods or services on credit, and notes payable arising from operating and non-operating activities.
2. Short-term accounts payable without interest paid which are measured by the Group at the original invoice amount as the effect of discounting is insignificant.

(19) Convertible Bonds Payable

The Company's convertible bonds payable issued contain conversion rights (i.e., the holder's option to convert into the Company's ordinary shares at a fixed amount for a fixed number of shares), put rights, and call rights. At initial issuance, the issue price is allocated to financial liabilities or equity components based on the issuance terms, with the following treatments:

1. Embedded put and call rights: Initially recognized at their fair value net amount as "Financial liabilities at fair value through profit or loss"; Subsequently measured at fair value on the balance sheet date, with the difference recognized as "Gains (losses) on financial assets (liabilities) at fair value through profit or loss".
2. For the host debt contract: Initially measured at fair value, with the difference between fair value and redemption price recognized as discounts on bonds payable; Subsequently measured at amortized cost using the effective interest method over the circulation period and recognized in profit or loss as an adjustment to "finance costs".
3. Embedded conversion rights (meeting the definition of equity): Initially recognized at the residual amount after deducting the aforementioned "financial liabilities at fair value through profit or loss" and "bonds payable" from the issue price, and not subsequently remeasured.
4. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.
5. When the bondholder exercises the conversion option, the liability components (including "bonds payable" and "financial liabilities at fair value through profit or loss") are accounted for based on their respective subsequent measurement methods, and the sum of the carrying amounts of the liability components and the carrying amount of

“capital surplus – share options” is used as the issuance cost of the ordinary shares exchanged.

(20) Employee Benefits

1. Short-Term Employee Benefits

Short-term employee benefits are measured at the undiscounted amount expected to be paid and are recognized as an expense when the related services are rendered.

2. Pensions

(1) Defined Contribution Plans

The amount of the retirement fund to be contributed is recognized as the current pension cost on an accrual basis for determining the contribution plan. Advance contribution is recognized as asset to the extent of refundable cash or reduced future payments.

(2) Defined Benefit Plan

- A. The net obligation under the defined benefit plan is calculated by discounting the future benefit amount earned by the employee's current or past service, using the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The net defined benefit obligation is calculated annually by actuaries using the projected unit credit method. The discount rate is based on the market yield of government bonds that have maturity dates approximating the terms of the Group's obligations and are denominated in the same currency in which the benefits are expected to be paid.
- B. Remeasurements arising from defined benefit plans are recognized in other comprehensive income in the period in which they occur and are presented in retained earnings.

3. Remunerations of Employees and Directors

Remunerations of employees and directors are recognized as expenses and liabilities when there is a legal or constructive obligation and the amount can be reasonably estimated. If there is a discrepancy between the actual distribution amount and the estimated amount in subsequent resolutions, it shall be treated as a change in accounting estimate.

(21) Employee Share-Based Payments

For equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted on the grant date, with a corresponding increase in equity recognized over the vesting period. The fair value of the equity instruments should reflect the impact of market and non-vesting conditions. The amount recognized as an expense is adjusted to reflect the number of awards for which the service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the service and non-market performance conditions at the vesting date.

(22) Income Tax

1. Income tax expense includes current and deferred income taxes. Income tax shall be recognized in profit and loss, except that income tax related to items included in other comprehensive income or directly included in equity shall be separately included in other comprehensive income or directly included in equity.
2. The Group calculates current income tax based on the tax rates enacted or substantively enacted on the balance sheet date in the countries in which it operates and generates its taxable income. Management periodically evaluates the status of income tax returns in respect of applicable income tax regulations and, where applicable, estimates income tax liabilities based on the taxes expected to be paid to tax authorities. The income tax imposed on undistributed earnings under the Income Tax Act shall not be recognized for the distribution of undistributed earnings until the year next to the year in which the surplus is generated after the shareholders' meeting has approved the distribution of surplus.
3. Deferred income tax is recognized using the balance sheet method at temporary differences arising from the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax liabilities arising from initial recognition of goodwill are not recognized. If the deferred tax arises from the initial recognition of assets or liabilities in a transaction (excluding business combinations) that does not affect accounting profit or taxable income (taxable loss) at the time of the transaction, it is also not recognized. Temporary differences arising from investments in subsidiaries where the Group can control the timing of the reversal of the temporary differences are not recognized if it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax is subject to the tax rates (and tax laws) that are enacted or substantively enacted at the balance sheet date and that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is paid off.

4. Deferred income tax assets are recognized to the extent that temporary differences are likely to be used to offset future taxable income, and unrecognized and recognized deferred income tax assets are reassessed on each balance sheet date.
5. The current income tax assets and current income tax liabilities can be offset only when there is a legal enforcement right to offset the recognized amount of current income tax assets and liabilities, and there is an intention to realize the assets and pay off the liabilities on a net basis; Only when the current income tax assets and current income tax liabilities can be offset against each other by a statutory enforcement right, and the deferred income tax assets and liabilities are generated by the same taxpayer subject to taxation by the same tax authority, or by different taxpayers but each entity intends to pay off the liabilities on a net basis or simultaneously realize the assets and pay off the liabilities, can the deferred income tax assets and liabilities be offset against each other.

(23) Dividend Distribution

Dividends distributed to shareholders of the Corporation are recognized in the financial statements when the Corporation's shareholders' meeting resolves to distribute dividends. Cash dividends are recognized as liabilities, while stock dividends are recognized as undistributed stock dividends and are recognized as ordinary shares on the base date of issuance.

(24) Revenue Recognition

1. Sale of Goods

- (1) The Hotron Group manufactures and sells various 3C product cables and signal cables. Revenue from the sale of goods is recognized when control of the products is transferred to the customer, i.e., when the products are delivered to the customer, the customer has discretion over the sales channels and prices for the products, and the Group has no outstanding performance obligations that may affect the customer's acceptance of the products. Product delivery occurs only when the product has been shipped to the designated location, the risk of obsolescence and loss has passed to the customer and the customer has accepted the products pursuant to the sales contract or there is objective evidence that all acceptance criteria have been met.
- (2) Revenue from the sale is recognized at the contract price net of sales tax, returns of sales, quantity discounts and allowances. The revenue shall be recognized to the extent that there will be no highly probable significant reversal in the future, and the estimate is updated on each balance sheet date. For sales of goods that transfer the promised goods to customers, the time gap between the transfer of goods to customers and customer payment does not

exceed one year, and thus the Group does not adjust transaction prices to reflect the time value of money.

- (3) Accounts receivable are recognized when the goods are delivered to the customer, as the Group has an unconditional right to the contract price from that point on, and it only takes time to receive the consideration from the customer.

2. Lease Services

The Group's office leasing business recognizes revenue on a period basis over the lease term.

(25) Government Grants

Government grants are recognized at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. If government grants related to costs are recognized as income over the periods necessary to match them with the costs they are intended to compensate, on a systematic basis. Government grants related to property, plant and equipment are recognized as non-current liabilities and recognized in profit or loss over the estimated useful lives of the related assets on a systematic basis.

(26) Operating Divisions

Information on the Group's operating divisions is reported in a manner consistent with the internal management reports provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources to operating departments and evaluating their performance, and the chief operating decision maker of the Group is identified as the Board of Directors.

5. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

In preparing the consolidated financial statements of the Group, the management has used its judgment to determine the accounting policies to be adopted and has made accounting estimates and assumptions based on reasonable expectations of future events based on the conditions prevailing at the balance sheet date. Significant accounting estimates and assumptions made may differ from actual results and will be continuously evaluated and adjusted by taking into account historical experience and other factors. Such estimates and assumptions carry risks that will result in a material adjustment to the carrying amounts of assets and liabilities in the next financial year. Please refer to the following explanations on the uncertainty of significant accounting judgments, estimates and assumptions:

(1) Important Judgments on Accounting Policies

Investment properties are held by the Group for the purpose of earning rentals or capital appreciation, although a portion is occupied for its own use. When the portions cannot be sold or leased out separately under a finance lease, the leased property is classified as investment property.

(2) Significant Accounting Estimates and Assumptions

Inventory Evaluation

Since inventories are to be valued at the lower of cost and net realizable value, the Group must use judgment and estimates to determine the net realizable value of inventories at the balance sheet date. Due to the rapid changes in technology, the Group assesses the amount of inventories at the balance sheet date due to normal wear and tear, obsolescence or no market value, and writes down the cost of inventories to net realizable value. Such inventory evaluation is made primarily based on product demand for specific periods in the future and is therefore subject to material change.

The carrying amount of the Group's inventory on December 31, 2023 was \$620,400.

6. Details of Significant Accounting Subjects

(1) Cash and Cash Equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on Hand and Working Capital	\$ 2,150	\$ 797
Demand deposits and checking accounts	87,255	232,551
Cash Equivalents		
– Time deposits	227,682	333,599
– Repurchase bonds	<u>169,000</u>	<u>-</u>
	<u>\$ 486,087</u>	<u>\$ 566,947</u>

1. The financial institutions with which the Group is engaged with are of good credit standing, and the Group has contacts with a number of financial institutions to diversify credit risks, so the possibility of default is expected to be low.

2. The Group did not provide any cash and cash equivalents as collateral.

(2) Financial assets at amortized cost – current

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposits	<u>\$ 531,553</u>	<u>\$ -</u>

1. The financial institutions with which the Group is engaged with are of good credit standing, and the Group has contacts with a number of financial institutions to diversify credit risks, so the possibility of default is expected to be low.

2. Financial Assets at Amortized Cost

Item	December 31, 2023	December 31, 2022
Interest income	<u>\$ 25,280</u>	<u>\$ -</u>

- For financial assets at amortized cost, without considering collateral or other credit enhancements, the maximum exposure to credit risk as of 2023 and December 31, 2022 is \$531,553 and \$0, respectively.
- The Group did not provide any financial assets measured at amortized cost as collateral.

(3) Notes and Accounts Receivable

	December 31, 2023	December 31, 2022
Notes Receivable	<u>\$ 11,166</u>	<u>\$ 8,683</u>
Accounts Receivable	\$ 917,475	\$ 975,045
Less: Loss allowances	<u>(276)</u>	<u>-</u>
	<u>\$ 917,199</u>	<u>\$ 975,045</u>

- The aging analysis of the notes and accounts receivable is as follows:

	December 31, 2023	December 31, 2022
Not Past Due	\$ 928,554	\$ 983,699
Up to 30 days past due	<u>87</u>	<u>29</u>
	<u>\$ 928,641</u>	<u>\$ 983,728</u>

The above aging schedule was based on the number of days past due from the end of the credit term.

- As of 2023 and December 31, 2022, the ending balances of accounts receivable (including notes receivable) were all derived from customer contracts. Additionally, as of January 1, 2022, the balance of accounts receivable (including notes receivable) from customer contracts was \$1,431,148.
- Without considering collateral or other credit enhancements, the maximum exposure to credit risk for notes receivable as of 2023 and December 31, 2022 is \$11,166 and \$8,683, respectively; the maximum exposure to credit risk for accounts receivable as of 2023 and December 31, 2022 is \$917,199 and \$975,045, respectively.
- Please refer to Note 12(2) for relevant credit risk information.

(4) Inventories

December 31, 2023			
	Costs	Allowance for Inventory Impairment Loss	Carrying Amount
Raw materials	\$ 81,871	(\$ 6,673)	\$ 75,198
Semi-finished Products	240,683	(27,916)	212,767
Work in progress	70,337	(70)	70,267
Finished good	<u>288,082</u>	(<u>25,914</u>)	<u>262,168</u>
	<u>\$ 680,973</u>	(<u>\$ 60,573</u>)	<u>\$ 620,400</u>
December 31, 2022			
	Costs	Allowance for Inventory Impairment Loss	Carrying Amount
Raw materials	\$ 139,578	(\$ 19,933)	\$ 119,645
Semi-finished Products	356,170	(21,762)	334,408
Work in progress	144,595	(4,958)	139,637
Finished good	<u>476,214</u>	(<u>28,235</u>)	<u>447,979</u>
	<u>\$ 1,116,557</u>	(<u>\$ 74,888</u>)	<u>\$ 1,041,669</u>

Current cost of inventories recognized by the Group as expense or loss:

	2023	2022
Cost of inventories sold	\$ 1,870,435	\$ 2,806,986
Inventory (reversal of write-down) write-down loss (Note)	(14,315)	24,200
Income from sales of scraps and defective goods	(22,928)	(52,594)
Underutilized loss	8,876	4,017
Loss on physical inventory	2,418	1,426
Net exchange differences	<u>1,113</u>	(<u>658</u>)
	<u>\$ 1,845,599</u>	<u>\$ 2,783,377</u>

Note: In 2023, inventory write-down reversals resulted in a reversal gain.

(5) Other Current Assets—Other

	December 31, 2023	December 31, 2022
Overpaid sales tax	\$ 19,488	\$ 60,909
Others	<u>13,761</u>	<u>15,820</u>
	<u>\$ 33,249</u>	<u>\$ 76,729</u>

(6) Property, Plant, and Equipment

2023						
	Land	Housing and Construction	Machinery and Equipment	Office Equipment	Equipment Pending Acceptance and Other Equipment	Total
January 1						
Costs	\$ 170,446	\$ 1,642,673	\$ 1,068,829	\$ 50,005	\$ 207,967	\$ 3,139,920
Accumulated depreciation	<u>-</u>	<u>(277,388)</u>	<u>(372,161)</u>	<u>(29,241)</u>	<u>(148,078)</u>	<u>(826,868)</u>
	<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>
January 1	\$ 170,446	\$ 1,365,285	\$ 696,668	\$ 20,764	\$ 59,889	\$ 2,313,052
Addition	-	151	44,680	1,774	58,327	104,932
Reclassification (Note)	-	27,168	(12,882)	-	(8,379)	5,907
Net disposal	-	-	(23,023)	(98)	(3,492)	(26,613)
Depreciation expenses	-	(66,172)	(88,988)	(6,151)	(18,203)	(179,514)
Net exchange differences	<u>-</u>	<u>(31,612)</u>	<u>(14,145)</u>	<u>(315)</u>	<u>(1,544)</u>	<u>(47,616)</u>
December 31	<u>\$ 170,446</u>	<u>\$ 1,294,820</u>	<u>\$ 602,310</u>	<u>\$ 15,974</u>	<u>\$ 86,598</u>	<u>\$ 2,170,148</u>
December 31						
Costs	\$ 170,446	\$ 1,631,865	\$ 1,017,112	\$ 50,242	\$ 236,137	\$ 3,105,802
Accumulated depreciation	<u>-</u>	<u>(337,045)</u>	<u>(414,802)</u>	<u>(34,268)</u>	<u>(149,539)</u>	<u>(935,654)</u>
	<u>\$ 170,446</u>	<u>\$ 1,294,820</u>	<u>\$ 602,310</u>	<u>\$ 15,974</u>	<u>\$ 86,598</u>	<u>\$ 2,170,148</u>

2022

	Land	Housing and Construction	Machinery and Equipment	Office Equipment	Equipment Pending Acceptance and Other Equipment	Total
January 1						
Costs	\$ 170,446	\$ 1,526,426	\$ 574,523	\$ 41,642	\$ 176,985	\$ 2,490,022
Accumulated depreciation	<u>-</u>	<u>(219,299)</u>	<u>(322,868)</u>	<u>(27,099)</u>	<u>(130,464)</u>	<u>(699,730)</u>
	<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
Addition	-	55,087	355,761	11,552	40,592	462,992
Reclassification (Note)	-	30,733	186,588	325	(7,753)	209,893
Net disposal	-	-	(29,769)	(311)	(365)	(30,445)
Depreciation expenses	-	(55,310)	(70,030)	(5,544)	(19,689)	(150,573)
Net exchange differences	<u>-</u>	<u>27,648</u>	<u>2,463</u>	<u>199</u>	<u>583</u>	<u>30,893</u>
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						
Costs	\$ 170,446	\$ 1,642,673	\$ 1,068,829	\$ 50,005	\$ 207,967	\$ 3,139,920
Accumulated depreciation	<u>-</u>	<u>(277,388)</u>	<u>(372,161)</u>	<u>(29,241)</u>	<u>(148,078)</u>	<u>(826,868)</u>
	<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>

Note: Primarily due to transfers to and from prepayments for equipment and investment properties.

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

Item	Significant Components	Useful Life
Housing and Construction	Plant and building improvements, etc.	5-50 years
Machinery and equipment	Wire drawing machines, etc.	2-13 years
Office Equipment	Computer	2-10 years
Other Equipment	Trucks, etc.	2-15 years

2. Please refer to Note 8 for information on guarantees provided with property, plant and equipment.
3. According to the fifth supplementary investment agreement of the Hotron Precision Electronic Industrial Park project (hereinafter referred to as the “Supplementary Agreement”) signed between the Company’s subsidiary Hotron Precision (Hubei) and the Tianmen Municipal People’s Government of Hubei Province (hereinafter referred to as the “Tianmen Municipal Government”), upon obtaining the property ownership certificate for the plant construction project by March 31, 2022, and after full production capacity is reached subsequently, Hotron Precision (Hubei) is required to achieve the agreed production value and investment amount stipulated in the Supplementary Agreement from October 2022 onwards. Hotron Precision (Hubei) has commenced production. As of December 31, 2023, in accordance with the provisions of the Supplementary Agreement, the Tianmen Municipal Government has the right to require Hotron Precision (Hubei) to take remedial measures or pursue Hotron Precision (Hubei)’s breach of contract. However, if force majeure prevents the performance of the Supplementary Agreement, Hotron Precision (Hubei) may be partially or fully exempted from liability based on the impact of force majeure. As of December 31, 2023, Hotron Precision (Hubei)’s production value has increased, and the Tianmen Municipal Government has not made further requests regarding the aforementioned agreement.

(7) Lease Transactions – Lessee

1. The leased assets of the Group include land (land use rights), buildings, machinery and equipment, and office equipment, with lease terms typically ranging from 1 to 70 years. The lease contracts are negotiated individually and contain different terms and conditions, and no other restrictions are imposed except that the leased assets shall not be used as loan guarantees.
2. The information on the carrying value of the right-of-use assets and the recognized depreciation expenses is as follows:

	2023		
	Land	Housing	Total
January 1			
Costs	\$ 100,499	\$ 12,566	\$ 13,065
Accumulated depreciation	(<u>7,386</u>)	(<u>8,146</u>)	(<u>15,532</u>)
	<u>\$ 93,113</u>	<u>\$ 4,420</u>	<u>\$ 97,533</u>
January 1			
Depreciation expenses	\$ 93,113	\$ 4,420	\$ 97,533
Net exchange differences	(2,249)	(2,204)	(4,453)
December 31	(<u>4,357</u>)	(<u>47</u>)	(<u>4,404</u>)
	<u>\$ 86,507</u>	<u>\$ 2,169</u>	<u>\$ 88,676</u>
December 31			
Costs			
Accumulated depreciation	\$ 95,730	\$ 12,336	\$ 108,066
	(<u>9,223</u>)	(<u>10,167</u>)	(<u>19,390</u>)
	<u>\$ 86,507</u>	<u>\$ 2,169</u>	<u>\$ 88,676</u>
	2022		
	Land	Housing	Total
January 1			
Costs	\$ 95,925	\$ 12,384	\$ 108,309
Accumulated depreciation	(<u>4,941</u>)	(<u>5,850</u>)	(<u>10,791</u>)
	<u>\$ 90,984</u>	<u>\$ 6,534</u>	<u>\$ 97,518</u>
January 1	\$ 90,984	\$ 6,534	\$ 97,518
Depreciation expenses	(2,256)	(2,217)	(4,473)
Net exchange differences	<u>4,385</u>	<u>103</u>	<u>4,488</u>
December 31	<u>\$ 93,113</u>	<u>\$ 4,420</u>	<u>\$ 97,533</u>
December 31			
Costs	\$ 100,499	\$ 12,566	\$ 113,065
Accumulated depreciation	(<u>7,386</u>)	(<u>8,146</u>)	(<u>15,532</u>)
	<u>\$ 93,113</u>	<u>\$ 4,420</u>	<u>\$ 97,533</u>

3. Information on the items of gains or losses related to the lease contracts is as follows:

	2023	2022
Items Affecting Profit or Loss for The Period		
Interest expense on lease liabilities	\$ 182	\$ 295
Expense attributable to short-term leases	121	1,219

4. The Group's total lease cash outflows in 2023 and 2022 were \$2,505 and \$3,617, respectively.

5. The land use rights obtained by the Group have usage periods ranging from 46 to 70 years from the acquisition date. Depreciation expenses recognized in 2023 and 2022 were \$2,249 and \$2,256, respectively. To encourage the Group to establish a plant in the local area, the Tianmen Municipal People's Government agreed to sell the land use rights to the Group for RMB 7,034 thousand, with the difference between the stated price and the land use right price being borne by the Tianmen Municipal Government. Additionally, to incentivize the Group's establishment of a plant in Vietnam and as Hotron Precision (Vietnam) is an export processing enterprise, the Vietnamese government granted Hotron Precision (Vietnam) an exemption from the 10% value-added tax, requiring only a payment of VND 38,387,250 thousand (equivalent to approximately NT\$46,065 thousand) for the land use rights.

(8) Lease Transactions – Lessor

1. The leased assets of the Group are buildings, with lease terms typically ranging from 1 to 5 years. Lease contracts are individually negotiated and contain various different terms and conditions. To protect the usage of the leased assets, lessees are generally required not to use the leased assets as loan collateral.
2. In 2023 and 2022, the Group recognized rental income of \$6,574 and \$4,672, respectively, based on operating lease contracts, none of which were variable lease payments.
3. An analysis of the lease payment due dates for the Group's operating leases is as follows:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>
2023	\$ 6,574	2022	\$ 4,672
2024	9,815	2023	4,461
2025	9,415	2024	4,419
2026	5,371	2025	5,339
2027	5,371	2026	-
2028 and thereafter	<u>2,686</u>	2027 and thereafter	<u>-</u>
	<u>\$ 39,232</u>		<u>\$ 18,891</u>

(9) Investment Property

	2023		
	Land	Housing and Construction	Total
January 1			
Costs	\$ 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>
January 1	\$ 90,554	\$ 44,442	\$ 139,996
Reclassification (Note)	-	24,990	24,990
Depreciation expenses	<u>-</u>	<u>(2,889)</u>	<u>(2,889)</u>
December 31	<u>\$ 90,554</u>	<u>\$ 71,543</u>	<u>\$ 162,097</u>
December 31			
Costs	\$ 90,554	\$ 108,630	\$ 199,184
Accumulated depreciation	<u>-</u>	<u>(37,087)</u>	<u>(37,087)</u>
	<u>\$ 90,554</u>	<u>\$ 71,543</u>	<u>\$ 162,097</u>
	2022		
	Land	Housing and Construction	Total
January 1			
Costs	\$ 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 expenses	<u>-</u>	<u>(2,332)</u>	<u>(2,332)</u>
December 31	<u>\$ 90,554</u>	<u>\$ 49,442</u>	<u>\$ 139,996</u>
December 31			
Costs	\$ 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>

Note: Mainly transferred from property, plant and equipment.

1. Rental income and direct operating expenses from investment properties:

	2023	2022
Rental income from investment properties	<u>\$ 6,574</u>	<u>\$ 4,672</u>
Direct operating expenses incurred for investment properties generating rental income during the period	<u>\$ 2,889</u>	<u>\$ 2,322</u>

2. The fair values of the Group's investment properties as of 2023 and December 31, 2022 were \$309,365 and \$203,055, respectively, which are Level 2 fair values based on the reasonable market prices at which willing buyers and sellers, who are well-informed of the real estate prices, would be willing to transact.
3. Please refer to Note 8 for information on guarantees provided with investment property.

(10) Other Non-Current Assets

	December 31, 2023	December 31, 2022
Prepayments for equipments	\$ 28,853	\$ 77,614
Overpaid sales tax	22,238	20,484
Refundable deposits	847	898
Others	<u>574</u>	<u>759</u>
	<u>\$ 52,512</u>	<u>\$ 99,755</u>

(11) Short-Term Loans

Nature of Borrowings	December 31, 2023	December 31, 2022
Bank Loan		
Credit Loan	\$ 943,606	\$ 1,097,703
Secured loans	<u>100,000</u>	<u>290,000</u>
	<u>\$ 1,043,606</u>	<u>\$ 1,387,703</u>
Interest Rate	<u>0.50%-6.80%</u>	<u>1.44%-5.42%</u>

Please refer to Note 8 for information on the collateral provided for the bank loan facilities mentioned above.

(12) Short-Term Notes and Bills Payable

	December 31, 2023	December 31, 2022
Commercial papers payable	\$ 10,000	\$ 140,000
Less: Discount on short-term notes and bills payable	(<u>4</u>)	(<u>160</u>)
	<u>\$ 9,996</u>	<u>\$ 139,840</u>
Interest Rate	<u>1.89%</u>	<u>1.35%-1.91%</u>

The aforementioned commercial papers payable of the Group were issued by Mega Bills Finance Co., Ltd. and China Bills Finance Corporation.

(13) Other Payables

	December 31, 2023	December 31, 2022
Equipment payable	\$ 67,919	\$ 207,071
Salaries and Bonus payable	47,190	68,989
Hardware and consumables payable	22,491	27,226
Commission payable	15,934	15,281
Freight and other logistics costs payable	13,666	15,148
Insurance premium payable	9,205	16,722
Service fee payable	6,746	4,619
Outsourced processing payable	6,111	12,367
Payables for construction	819	277
Others	43,082	33,278
	<u>\$ 233,163</u>	<u>\$ 400,978</u>

(14) Financial Liability at Fair Value Through Profit or Loss

Item	December 31, 2023	December 31, 2022
Current:		
Financial liability held for trading		
Put and call rights of convertible bonds	\$ -	\$ 3,367
Assessment adjustment	-	(1,251)
	<u>\$ -</u>	<u>\$ 2,116</u>
Non-current:		
Financial liability held for trading		
Put and call rights of convertible bonds	\$ 1,150	\$ -
Assessment adjustment	(50)	-
	<u>\$ 1,100</u>	<u>-</u>

1. The Company recognized net gains (losses) of \$50 and (\$225) on financial liabilities held for trading in 2023 and 2022, respectively.
2. Please refer to Note 6(16) for details on the Company's domestic unsecured convertible bonds.

(15) Long-Term Loans

Nature of borrowings	Borrowing Period and Repayment Method	Nominal Interest Rate	Collateral	December 31, 2023
Long-term bank loans				
Credit Loans	From May 15, 2023 to June 20, 2025, principal repayments are made semi-annually starting six months after the initial drawdown date, with interest paid monthly.	3.95%	None	\$ 182,475
Less: Current portion of long-term Loans				(<u>20,337</u>)
				<u>\$ 162,138</u>

December 31, 2022: None

(16) Bonds Payable

	December 31, 2023	December 31, 2022
Bonds payable	\$ 249,900	\$ 8,200
Less: Discount on bonds payable	(<u>13,688</u>)	(<u>18</u>)
	236,212	8,182
Less: Current portion of bonds payable or bonds subject to put rights	<u>-</u>	(<u>8,182</u>)
	<u>\$ 236,212</u>	<u>\$ -</u>

1. The Company's Domestic Unsecured Convertible Bonds

(1) The Issuance Conditions for The Company's First Domestic Secured Convertible Bonds Are as Follows:

- A. The Company was approved by the competent authority to issue its first domestic secured convertible bonds with a total issuance amount of \$510,000, a par value of \$100 per bond, a coupon rate of 0%, a maturity period of 3 years, and a circulation period from September 21, 2020 to September 21, 2023. The convertible bonds will be redeemed in cash at par value upon maturity. The convertible bonds were listed on the Taipei Exchange on September 21, 2020.
- B. The bondholders may, except during the book closure period as specified in the relevant laws and regulations, request the Company's share registration agent to convert the bonds into the Company's ordinary shares at any time from the day after the three-month period following the issuance date (December 22, 2020) until the maturity date (September 21, 2023). The rights and obligations of the ordinary shares converted shall be the same as those of the Company's originally issued ordinary shares.

- C. The bondholders have the right to require the Company to redeem the convertible bonds at 101.0025% of the par value (equivalent to a 0.5% yield to put) upon the second anniversary of the issuance date.
- D. The initial conversion price of the convertible bonds was determined based on the pricing model stipulated in the Conversion Rules, with the initial conversion price set at NT\$38.9 per share. Subsequently, due to the Company's cash dividend distribution and cash capital increase for issuance of ordinary shares, the conversion price was adjusted to NT\$35.4 per share.
- E. If the closing price of the Company's ordinary shares exceeds 30% (inclusive) of the then-prevailing conversion price for 30 consecutive business days between the day after the three-month period following the issuance date (December 22, 2020) and the 40th day before the maturity date (August 12, 2023), or if the outstanding balance of the convertible bonds falls below 10% of the original issuance amount during the same period, the Company may redeem the bonds in cash at par value. The Company must give a 30-day prior notice to the bondholders via registered mail, announce it through the TPEx, and complete the redemption within five business days after the redemption benchmark date.
- F. In accordance with the Conversion Rules, all convertible bonds redeemed (including those redeemed by securities firms), repaid or converted by the Company will be canceled and cannot be re-issued or re-sold, with all rights and obligations attached to the bonds extinguished.
- G. Upon issuance of the convertible bonds, in accordance with IAS 32 "Financial Instruments: Presentation", the Company separated the conversion rights component that meets the definition of equity from the liability components and recognized it as "capital surplus – share options" in the amount of \$17,023. Additionally, the embedded put and call rights, which are not closely related to the host debt instrument in terms of economic characteristics and risks as required by IFRS 9 "Financial Instruments", were separated and recognized at their net amount as "financial liabilities at fair value through profit or loss". After separation, the effective interest rate of the host debt instrument was 0.91%.
- H. As of December 31, 2023, convertible bonds with a face value of \$510,000 were converted into 12,924 thousand ordinary shares, with the change registration completed on November 2, 2023.
- I. Please refer to Note 8 for information on the collateral provided for the Company's first domestic secured convertible bonds.

(2) The Issuance Conditions for The Company's Second Domestic Unsecured Convertible Bonds Are as Follows:

- A. The Company was approved by the competent authority to issue its second domestic unsecured convertible bonds with a total issuance amount of \$268,316, a par value of \$100 per bond, a coupon rate of 0%, a maturity period of 3 years, and a circulation period from July 4, 2023 to July 4, 2026. The convertible bonds will be redeemed in cash at par value upon maturity. The convertible bonds were listed on the Taipei Exchange on July 4, 2023.
- B. The bondholders may, except during the book closure period as specified in the relevant laws and regulations, request the Company's share registration agent to convert the bonds into the Company's ordinary shares at any time from the day after the three-month period following the issuance date (October 5, 2023) until the maturity date (July 4, 2026). The rights and obligations of the ordinary shares converted shall be the same as those of the Company's originally issued ordinary shares.
- C. The bondholders have the right to require the Company to redeem the convertible bonds at 101.0025% of the par value (equivalent to a 0.5% yield to put) upon the second anniversary of the issuance date.
- D. The initial conversion price of the convertible bonds was determined based on the pricing model stipulated in the Conversion Rules, with the initial conversion price set at NT\$37.6 per share. Subsequently, due to the Company's cash dividend distribution, the conversion price was adjusted to NT\$36 per share.
- E. If the closing price of the Company's ordinary shares exceeds 30% (inclusive) of the then-prevailing conversion price for 30 consecutive business days between the day after the three-month period following the issuance date (October 5, 2023) and the 40th day before the maturity date (May 25, 2026), or if the outstanding balance of the convertible bonds falls below 10% of the original issuance amount during the same period, the Company may redeem the bonds in cash at par value. The Company must give a 30-day prior notice to the bondholders via registered mail, announce it through the TPEx and complete the redemption within five business days after the redemption benchmark date.
- F. In accordance with the Conversion Rules, all convertible bonds redeemed (including those redeemed by securities firms), repaid or converted by the Company will be canceled and cannot be re-issued or re-sold, with all rights and obligations attached to the bonds extinguished.

- G. Upon issuance of the convertible bonds, in accordance with IAS 32 “Financial Instruments: Presentation”, the Company separated the conversion rights component that meets the definition of equity from the liability components and recognized it as “capital surplus – share options” in the amount of \$30,297. Additionally, the embedded put and call rights, which are not closely related to the host debt instrument in terms of economic characteristics and risks as required by IFRS 9 “Financial Instruments”, were separated and recognized at their net amount as “financial liabilities at fair value through profit or loss”. After separation, the effective interest rates of the host debt instruments were 2.26%.
- H. As of December 31, 2023, convertible bonds with a face value of \$100 were converted into 3 thousand ordinary shares, with the change registration completed on February 15, 2024.

(17) Other Non-Current Liabilities

	December 31, 2023	December 31, 2022
Payables for construction (Note 1)	\$ 859,039	\$ 875,120
Payables for equipment financing (Note 2)	129,022	131,438
Long-term deferred revenue (Note 3)	11,137	-
Guarantee deposits received	11,502	8,619
Others	<u>2,426</u>	<u>769</u>
	<u>\$ 1,013,126</u>	<u>\$ 1,015,946</u>

Note 1: These represent the construction costs incurred by the Group in Tianmen City, Hubei Province. Please refer to Note 9(2)5. for details.

Note 2: These represent financing provided by the Tianmen Municipal Government of Hubei Province to the Group for the purchase of hardware equipment (excluding machinery and equipment) required for plant construction. Please refer to Note 9(2)5. for details.

Note 3: The Group obtained machinery and equipment investment incentives originally totaling RMB 2,700 thousand (recorded as other non-current liabilities) from the Economic and Information Technology Bureau of Tianmen City, Hubei Province. In 2023, the long-term deferred revenue recognized in profit or loss for the period based on the straight-line method over the estimated useful lives of the machinery and equipment was \$546.

(18) Pensions

- (1) In accordance with the Labor Standards Act, the Company and Hotlink have defined benefit pension plans covering all regular employees’ service years prior to July 1, 2005, the effective date of the Labor Pension Act, and service years after the Act took effect for employees who chose to continue applying the Labor Standards Act. For employees who meet the retirement criteria, the pension payment is calculated based on service years and the average salary for the six months prior to retirement. For service years up to 15 years, two base units are given for each year of service; for service years beyond 15 years, one

base unit is given for each year of service, with a maximum of 45 base units. The Company contributes 2% of total salaries to a pension fund on a monthly basis, which is deposited in a designated account at the Bank of Taiwan under the supervision of the Pension Fund Monitoring Committee. Additionally, before the end of each fiscal year, the Company estimates the balance of the aforementioned pension fund account. If the balance is insufficient to pay the estimated pension payments for employees meeting the retirement criteria in the following year based on the above calculation, the Company will make a lump-sum contribution to cover the shortfall by the end of March of the following year.

(2) The amounts recognized in the balance sheet are as follows:

	December 31, 2023	December 31, 2022
Present value of a defined benefit obligation	\$ 5,318	\$ 3,573
Fair value of plan assets	(<u>2,892</u>)	(<u>2,804</u>)
Net defined benefit liability	<u>\$ 2,426</u>	<u>\$ 769</u>

(3) Changes in net defined benefit liability are as follows:

	2023		
	Present Value of a Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
Balance as of January 1	\$ 3,573	(\$ 2,804)	\$ 769
Interest expenses (revenue)	<u>47</u>	(<u>37</u>)	<u>10</u>
	<u>3,620</u>	(<u>2,841</u>)	<u>779</u>
Remeasurement Amount:			
Plan assets (excluding amounts included in net interest expense)	-	(51)	(51)
Effects of changes in financial assumptions	5	-	5
Experience adjustments	1,693	-	1,693
	<u>1,698</u>	(<u>51</u>)	<u>1,647</u>
Balance as of December 31	<u>\$ 5,318</u>	(<u>\$ 2,892</u>)	<u>\$ 2,426</u>

	2022		
	Present Value of a Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
Balance as of January 1	\$ 8,480	(\$ 6,217)	\$ 2,263
Interest expenses (revenue)	59	(45)	14
	<u>8,539</u>	<u>(6,262)</u>	<u>2,277</u>
Remeasurement Amount:			
Plan assets (excluding amounts included in net interest expense)	-	(442)	(442)
Effects of changes in financial assumptions	(345)	-	(345)
Experience adjustments	(32)	-	(32)
	<u>377</u>	<u>(442)</u>	<u>(819)</u>
Pension contribution fund	-	(689)	(689)
Payment of retirement benefits	(4,589)	4,589	-
Balance as of December 31	<u>\$ 3,573</u>	<u>(\$ 2,804)</u>	<u>\$ 769</u>

(4) The Group's defined benefit pension fund is managed by the Bank of Taiwan in accordance with the regulations on the investment operations prescribed by the Labor Pension Fund Supervisory Committee, including investments in domestic and foreign securities as stipulated in the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The minimum annual distribution of the fund's earnings should not be less than the interest rate for a 2-year time deposit with local banks. If there is any shortfall, it will be covered by the national treasury upon approval by the competent authority. Since the Group does not have the right to participate in the operation and management of the fund, it is unable to disclose the classification of plan assets fair value in accordance with paragraph 142 of IAS 19. Please refer to the annual labor pension fund utilization reports published by the government for the fair value of the total plan assets as of 2023 and December 31, 2022.

(5) The principal actuarial assumptions are summarized as follows:

	2023	2022
Discount rate	1.28%	1.30%
Future salary increase rate	2.50%	2.50%

Assumptions for future mortality rates are based on the Actuarial Life Table of the Taiwan Life Insurance Industry with a 90% weighting.

An analysis of the impact of changes in the principal actuarial assumptions on the present value of the defined benefit obligation is as follows:

Discount rate	Future salary increase rate
---------------	-----------------------------

	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2023				
Impacts on present value of defined benefit obligation	(\$ <u>107</u>)	\$ <u>110</u>	\$ <u>95</u>	(\$ <u>93</u>)
	<u>Discount rate</u>		<u>Future salary increase rate</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2022				
Impacts on present value of defined benefit obligation	(\$ <u>65</u>)	\$ <u>67</u>	\$ <u>57</u>	(\$ <u>56</u>)

The above sensitivity analysis is based on a change in one assumption while all other assumptions remain constant. In practice, changes in some of the assumptions may be correlated. The sensitivity analysis is consistent with the method used to calculate the net pension liability on the balance sheet.

The method and assumptions used for the current period's sensitivity analysis are the same as those for the prior period.

- (6) The Company's expected contributions to the defined benefit plans for 2024 are \$0.
- (7) As of December 31, 2023, the weighted average duration of the defined benefit plans is 0-1 year. The analysis of the timing of future pension payments is as follows:

Less than 1 year	\$ <u>5,914</u>
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2. (1) Since July 1, 2005, the Corporation, Hotlink and SmartGreen Solution have formulated a retirement method with defined contributions in accordance with the "Labor Pension Act", which is applicable to employees in Taiwan. Where the Corporation, Hotlink and SmartGreen Solution choose to apply the labor pension system for their employees stipulated in the "Labor Pension Act", the labor pension shall be paid at 6% of the salary to the employee's personal account at the Labor Insurance Bureau. The employee's pension shall be paid on a monthly pension basis or on a lump sum basis according to the dedicated pension account and the amount of accumulated incomes. In 2023 and 2022, the Corporation, Hotlink and SmartGreen Solution's pension costs recognized by the above-mentioned pension method were \$3,244 and \$3,375 respectively.
- (2) For subsidiaries in mainland China, pension insurance premiums are contributed monthly based on a certain percentage of the total salaries of local employees in accordance with the pension insurance system stipulated by the Chinese government. In 2023 and 2022, the Group recognized pension costs of

\$35,626 and \$37,132, respectively, in accordance with the regulations. Employees' pensions are administered and arranged by the government, and the Group has no further obligations other than making the monthly contributions.

- (8) The remaining consolidated entities have no employees and thus no related employee retirement plans or pension costs.

(19) Share-Based Payment

1. As of December 31, 2023, the Group's share-based payment arrangements are as follows:

Type of Arrangement	Grant date	Number of Shares Granted (in Thousands)	Contract Period	Vesting Conditions
Cash capital increase reserved for employee subscription	2023.03.06	1,000	N/A.	Immediately vested

The above share-based payment arrangements are equity-settled.

2. Details of the above share-based payment arrangements are as follows:

	2023	
	Share option Quantity (thousand shares)	Exercise price (NT\$)
Outstanding options at beginning of period	-	\$ -
Options granted during the period	1,000	26.21
Options forfeited during the period	(185)	26.21
Options exercised during the period	(815)	26.21
Outstanding options at end of period	=	-
Outstanding options at end of period	=	-

3. On March 6, 2023, the grant date, the Group used the Black-Scholes option pricing model to estimate the fair value of the share options granted for the cash capital increase reserved for employee subscription, with the relevant information as follows:

Type of Arrangement	Grant Date	Share Price (NT\$)	Exercise Price (NT\$)	Expected Fluctuation Rate	Expected Duration	Expected Dividends	Risk-Free Interest Rate	Fair Value Per Unit (NT\$)
Cash capital increase reserved for employee subscription	2023.03.06	37.90	26.21	37.97%	0.03 years	-	0.46%	11.69

4. The share-based payment expenses for 2023 amounted to \$11,690.

(20) Capital Stock

1. After being amended by the shareholders' meeting on May 26, 2022, the Company's authorized capital was \$2,000,000, divided into 200,000 thousand shares (including shares for employee share options and convertible bonds of 30,000 thousand shares). As of December 31, 2023, the Company's paid-in capital was \$1,065,520, with a par value of NT\$10 per share, and the share payments for all issued shares have been collected.

A reconciliation of the number of the Company's outstanding ordinary shares (in thousands) at the beginning and end of the period is as follows:

	2023	2022
January 1	93,221	92,318
Cash capital increase	10,000	-
Stock dividends	3,097	-
Conversion of convertible bonds	234	903
December 31	106,552	93,221

2. On December 14, 2022, the Company's Board of Directors approved a cash capital increase through the issuance of 10,000 thousand ordinary shares. On February 24, 2023, the Board of Directors further approved an issuance price of NT\$26.21 per share, with a total issuance amount of \$262,100. The base date for the capital increase was March 6, 2023, and the change registration for this capital increase was completed on April 7, 2023.
3. On May 30, 2023, the Company's shareholders' meeting approved the capitalization of \$30,966 from unappropriated earnings for the issuance of 3,097 thousand new shares. This capital increase case was approved by the Financial Supervisory Commission on June 27, 2023, with a base date of August 14, 2023, and the change registration was completed on August 29, 2023.
4. Please refer to Note 6(16) for details on the conversion of the Company's convertible bonds into ordinary shares.

(21) Capital Surplus

In accordance with the provisions of the Company Act, in addition to being used to make up for losses, the surplus from the issuance of shares in excess of the par value and the capital reserves received from them can be issued with new shares or cash in proportion to the shareholders' existing shares when the Corporation has no accumulated losses. In addition, in accordance with the relevant regulations of the Securities and Exchange Act, when the above-mentioned capital reserve is allocated to increase the capital, the total increased amount shall not exceed 10% of the paid-in capital each year. The Corporation

may not supplement its capital reserve unless surplus reserve is insufficient to cover its capital loss.

(22) Retained Earnings

1. In accordance with the Company's Articles of Incorporation, if there is a surplus in the Company's annual final accounts, taxes shall be paid first, accumulated losses shall be covered, and then 10% of the remaining amount shall be appropriated as legal reserve, but this shall not apply if the legal reserve has reached the total paid-in capital. Next, special reserves shall be set aside or reversed in accordance with laws or regulations of the competent authority. If there is still a surplus, it shall be added to the unappropriated earnings from previous periods, and the Board of Directors shall propose a distribution plan, which shall be approved by the shareholders' meeting if the distribution is to be made in the form of new share issuance.

The Company's dividend distribution policy takes into account the Company's current and future operating conditions, capital requirements, and long-term financial planning, with dividends distributed in the form of cash or stock dividends. Cash dividends shall account for no less than 10% of the total dividends distributed.

The Company is authorized by the Board of Directors, with the attendance of more than two-thirds of the directors and the approval of more than half of the directors present, in accordance with Article 240, Paragraph 5 of the Company Act, to distribute dividends, bonuses, statutory surplus reserve, and capital reserve as set forth in Article 241, Paragraph 1 of the Company Act, in whole or in part, in cash, and to report the same to the shareholders' meeting..

2. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks or distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Corporation's paid-in capital.
3. In accordance with the regulations, the Group shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
4. On May 30, 2023, the shareholders' meeting approved the 2022 earnings distribution proposal as follows:

	2022	
	Amount	Dividends Per Share (NT\$)
Legal Reserve	\$ 6,640	
Cash Dividends	51,611	\$ 0.5
Stock Dividends	<u>30,966</u>	0.3
	<u>\$ 89,217</u>	

There was no discrepancy between the 2022 earnings distribution and the Board of Directors' proposal.

- On April 17, 2023, the Board of Directors proposed to reverse the special reserve of \$32,212, which was approved by the shareholders' meeting on May 30, 2023, with no discrepancy from the Board's proposal.
- The shareholders' meeting on May 26, 2022 resolved not to distribute 2021 earnings due to considerations for the Group's future operations and capital needs. The meeting also approved the 2021 earnings appropriation as follows:

	2021	
	Amount	
Legal Reserve	\$ 2,240	
Special Reserve	<u>2,445</u>	
	<u>\$ 4,685</u>	

There was no discrepancy between the 2021 earnings appropriation and the Board of Directors' proposal.

- As of February 27, 2024, the Board of Directors has not proposed the 2023 deficit compensation plan.

(23) Operating Revenue

	2023	2022
Revenue from Contracts with Customers		
- Revenue from Contracts with Customers	\$ 2,152,540	\$ 3,357,517
- Lease Service Revenue	<u>6,574</u>	<u>4,672</u>
	<u>\$ 2,159,114</u>	<u>\$ 3,362,189</u>

- Contracts with Customers Disaggregation of Revenue

The Group's revenue is derived from the transfer of goods at a point in time and services rendered over time, with geographic revenue details provided in Note 14.

2. Contract Liabilities

The contract liabilities in relation to revenue from contracts with customers recognized by the Group are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Revenue From Contracts with Customers			
- Advance Receipts for Lease Services	\$ 2,852	\$ -	\$ -
- Advance Payment	<u>1,302</u>	<u>6,669</u>	<u>-</u>
	<u>\$ 4,154</u>	<u>\$ 6,669</u>	<u>\$ -</u>

3. The Income Recognized From Contract Liabilities for The Current Period Is as Follows:

	<u>2023</u>	<u>2022</u>
Operating Revenue	<u>\$ 6,669</u>	<u>\$ -</u>

(24) Other Non-Operating Income and Expenses

	<u>2023</u>	<u>2022</u>
Foreign Exchange Gains (Losses)	(<u>\$ 3,132</u>)	(<u>\$ 64,237</u>)

(25) Other Income

	<u>2023</u>	<u>2022</u>
Government Grants Gains (Note)	\$ 9,826	\$ -
Other Income—Other	<u>12,284</u>	<u>11,795</u>
	<u>\$ 22,110</u>	<u>\$ 11,795</u>

Note: Primarily government subsidies for land use tax obtained by the Group from the Tianmen Municipal Government.

(26) Other Gains or Losses

	<u>2023</u>	<u>2022</u>
Gains on Disposals of Property, Plant and Equipment	\$ 214	\$ 1,633
Net Gain (Loss) on Financial Liabilities at Fair Value Through Profit or Loss	50	(225)
Other Net Gains (Losses)	<u>10</u>	(<u>3,259</u>)
	<u>\$ 274</u>	(<u>\$ 1,851</u>)

(27) Financial Costs

	2023	2022
Interest expenses – Bank Loans	\$ 38,903	\$ 20,440
Interest expenses – Lease Transactions	182	295
Interest Expenses – Amortization of Corporate Bond Discounts	2,679	205
	<u>\$ 41,764</u>	<u>\$ 20,940</u>

(28) Employee Benefits, Depreciation and Amortization Expenses

Function Property	2023			2022		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee Benefits Expenses						
Salary Expenses	\$ 469,964	\$ 186,977	\$ 656,941	\$ 813,487	\$ 206,248	\$ 1,019,735
Expenses for Labor and Health Insurance (Note 1)	32,124	20,829	52,953	37,264	23,172	60,436
Pension Expenses	22,405	16,475	38,880	23,960	16,561	40,521
Other Employee Benefits	9,039	10,506	19,545	16,189	16,939	33,128
Depreciation Expenses (Note 2)	111,593	75,263	186,856	87,357	70,011	157,368
Amortization Expenses	808	533	1,341	378	745	1,123

Note 1: Including medical insurance and occupational injury insurance expenses for subsidiaries in mainland China.

Note 2: The depreciation of the Corporation's investment property in 2023 and 2022 were \$2,889 and \$2,322, respectively; the depreciation of the Corporation's right-of-use assets in 2023 and 2022 were \$4,453 and \$4,473, respectively.

1. According to the Corporation's Articles of Incorporation, the Corporation shall contribute no less than 1% as the remuneration of employees and no more than 3% as the remuneration of directors if there is any balance after deducting the accumulated losses according to the profit status of the current year.
2. The estimated employee remuneration for 2023 and 2022 was \$0 and \$2,607, respectively (including \$0 and \$1,894, respectively, allocated by the Company to its subsidiaries). The estimated amounts of director remuneration were \$0 and \$2,607, respectively, and the aforementioned amounts were charged to the remuneration expenses.

In 2023, employee and director remuneration were estimated based on the profitability for the year and the ratio stipulated in the Company's Articles of Incorporation. Due to the pre-tax loss in 2023, the Company did not estimate employee and director remuneration.

The employee and director remuneration resolved by the Board of Directors were consistent with the amounts recognized in the 2022 financial statements.

3. Information on employee remuneration and director remuneration approved by the Board of Directors of the Corporation is available at the Market Observation Post System.

(29) Income Tax

1. Income Tax Expenses (Benefit)

- (1) Components of Income Tax Expenses (Benefit):

	<u>2023</u>	<u>2022</u>
Current Income Tax:		
Income Tax Incurred in Current Period	\$ 870	\$ 37,309
Surtax On Unappropriated Earnings	470	886
Prior Years' Income Tax Overestimated	(3,154)	(6,634)
Deferred Income Tax:		
Relating to Origination and Reversal of Temporary Differences	(<u>32,524</u>)	(<u>19,731</u>)
Income Tax Expenses (Benefit)	(<u>\$ 34,338</u>)	<u>\$ 11,830</u>

- (2) Income Tax Related to Other Comprehensive Income:

	<u>2023</u>	<u>2022</u>
Exchange Differences on Translation of Foreign Operations	\$ 10,298	\$ -
Remeasurements of the Defined Benefit Obligation	<u>329</u>	(<u>164</u>)
	<u>\$ 10,627</u>	(<u>\$ 164</u>)

2. The relationship between income tax expense (benefit) and accounting profit:

	<u>2023</u>	<u>2022</u>
Income Tax Calculated at Statutory Rate (Note)	(\$ 67,988)	\$ 2,400
Temporary Difference Unrecognized Deferred Tax Assets	(664)	-
Tax Effects of Adjustments in Accordance with Tax Regulations	36,998	51
Surtax on Unappropriated Earnings	470	886
Prior Years' Income Tax Overestimated	(3,154)	(6,634)
Deferred Income Tax Assets Not Recognized for Taxable Losses	<u>-</u>	<u>15,127</u>
Income Tax Expenses (Benefit)	(<u>\$ 34,338</u>)	<u>\$ 11,830</u>

Note: The applicable tax rate is calculated based on the income tax rates applicable in the relevant countries.

3. The amounts of deferred tax assets or liabilities arising from temporary differences and loss carryforwards are as follows.

2023					
	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Net Income	Effect of Exchange Rate Changes	December 31
Temporary Differences:					
- Deferred income tax assets:					
Prior years' income tax overestimated	\$ 403	\$ -	\$ -	\$ -	\$ 403
Unrealized inventory impairment loss	2,890	(113)	-	(2,774)	3
Excess over the limit for retirement and actuarial gains and losses	29	2	329	-	360
Unpaid vacation bonus	383	12	-	-	395
Unrealized Losses on Exchange	1,922	2,523	-	-	4,445
Tax difference on employee benefits	23	(12)	-	-	11
Allowance for doubtful accounts in excess of tax limit	-	113	-	-	113
Loss carryforwards	16,079	18,819	-	2,225	37,123
Tax difference on convertible bonds	-	10,298	-	-	10,298
cumulative translation adjustment	<u>16,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,356</u>
	<u>38,085</u>	<u>31,642</u>	<u>329</u>	<u>(549)</u>	<u>69,507</u>
- Deferred income tax liabilities:					
Loss on long-term equity investments in foreign entities	(86,528)	-	-	-	(86,528)
Unrealized gains from disposal of property, plant, and equipment	(170)	170	-	-	-
Tax difference on convertible bonds	(<u>712</u>)	<u>712</u>	<u>-</u>	<u>-</u>	<u>-</u>
	(<u>87,410</u>)	<u>882</u>	<u>-</u>	<u>-</u>	(<u>86,528</u>)
	(<u>\$ 49,325</u>)	<u>\$ 32,524</u>	<u>\$ 329</u>	(<u>\$ 549</u>)	(<u>\$ 17,021</u>)

2022					
	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Net Income	Effect of Exchange Rate Changes	December 31
Temporary Differences:					
- Deferred income tax assets:					
Gain on long-term equity investments in foreign entities	\$ 403	\$ -	\$ -	\$ -	\$ 403
Unrealized Inventory Impairment Loss	2,922	(72)	-	40	2,890
Remeasurements of defined benefit plans	328	(135)	(164)	-	29
Unpaid vacation bonus	546	(163)	-	-	383
Unrealized Losses on Exchange	1,903	19	-	-	1,922
Tax difference on employee benefits	34	(11)	-	-	23
Loss Carryforwards	-	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 income tax liabilities:					
Allowance for doubtful accounts in excess of tax limit	(90,469)	3,941	-	-	(86,528)
Unrealized Gains from disposal of property, plant, and equipment	(460)	290	-	-	(170)
Tax difference on convertible bonds	(448)	(264)	-	-	(712)
	<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>

4. December 31, 2023 and 2022, the effective periods of the Group's unused tax losses and the relevant amounts of unrecognized deferred tax assets are as follows.

December 31, 2023				
Year	Gain on Long-Term Equity Investments in Foreign Entities	Unused Amount	Unrecognized Deferred Tax Assets	Usable until Year
2022	\$ 146,442	\$ 100,276	\$ 58,225	2032
2023	<u>229,443</u>	<u>229,443</u>	<u>52,346</u>	2033
	<u>\$ 375,885</u>	<u>\$ 329,719</u>	<u>\$ 110,571</u>	
December 31, 2022				
Year	Estimated Amount	Unused Amount	Unrecognized Deferred Tax Assets	Usable until Year
2021	\$ 14,192	\$ 14,192	\$ 14,192	2031
2022	<u>146,814</u>	<u>146,814</u>	<u>81,309</u>	2032
	<u>\$ 161,006</u>	<u>\$ 161,006</u>	<u>\$ 95,501</u>	

5. The Company and Hotlink's profit-seeking enterprise income taxes have been approved by the tax authorities through 2020 and 2021, respectively.

(30) Earnings (Deficit) Per Share

2023			
	After-Tax Amount	Weighted average of the number of outstanding shares (Thousand Shares)	Deficit Per Share (NT\$)
Basic Deficit Per Share			
Current net loss attributable to common shareholders of the parent	(\$ 165,079)	104,622	(\$ 1.58)
Diluted Deficit Per Share			
Current net loss attributable to common shareholders of the parent plus effect of potential common shares	(\$ 165,079)	104,622	(\$ 1.58)
2022			
	After-Tax Amount	Retrospective adjustment of the number of outstanding shares (Thousand Shares)	Deficit Per Share (NT\$)
Basic Earnings per Share			
Profit attributable to common shareholders of the parent	\$ 65,746	95,859	\$ 0.69
Diluted Earnings Per Share			
Profit attributable to common shareholders of the parent	\$ 65,746	95,859	
Convertible bonds	164	675	
Profit attributable to common shareholders of the parent plus effect of potential common shares	\$ 65,910	96,534	\$ 0.68

1. If employee remuneration is distributed in the form of shares, there would be no material impact on the Group's 2023 and 2022 consolidated financial statements or earnings per share.
2. Due to the anti-dilutive effect of convertible bonds in 2023, they are not included in the calculation.
3. The above-mentioned retrospective adjustment of the number of outstanding shares in 2023 had been retrospectively adjusted in accordance with the ratio of surplus to capital increase in 2022.

(31) Supplementary Cash Flow Information

Investing Activities with Only Partial Cash Payments

	2023	2022
Acquisition of property, plant, and equipment	\$ 104,932	\$ 462,992
Add: Beginning equipment payable (including current and non-current portions)	1,213,906	994,045
Less: Ending equipment payable (including current and non-current portions)	(<u>1,056,799</u>)	(<u>1,213,906</u>)
Cash paid for the period	<u>\$ 262,039</u>	<u>\$ 243,131</u>

(32) Changes in Liabilities Arising From Financing Activities

	2023					
	Short-Term Loans	Short-Term Notes and Bills Payable	Bonds Payable	Lease Liabilities	Long-Term Loans	Total Liabilities Arising from Financing Activities
January 1	\$ 1,387,703	\$ 139,840	\$ 8,182	\$ 4,533	\$ -	\$ 1,540,258
Change in cash flows from financing activities	(344,097)	(129,844)	265,093	(2,202)	182,475	(28,575)
Other non-cash changes	-	-	(37,063)	-	-	(37,063)
Effect of exchange rate changes	-	-	-	(49)	-	(49)
December 31	<u>\$ 1,043,606</u>	<u>\$ 9,996</u>	<u>\$ 236,212</u>	<u>\$ 2,282</u>	<u>\$ 182,475</u>	<u>\$ 1,474,571</u>
	2022					
	Short-Term Loans	Short-Term Notes and Bills Payable	Bonds Payable	Lease Liabilities		Total Liabilities Arising From Financing Activities
January 1	\$ 865,955	\$ 179,922	\$ 42,055	\$ 6,533		\$ 1,094,465
Change in cash flows from financing activities	521,748	(40,082)	-	(2,103)		479,563
Other non-cash changes	-	-	(33,873)	-		(33,873)
Effect of exchange rate changes	-	-	-	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>

7. Related Party Transactions

Information on Remuneration to the Management

	2023	2022
Short-Term Employee Benefits	\$ 17,601	\$ 15,187
Other Long-Term Employee Benefits	840	840
	<u>\$ 18,441</u>	<u>\$ 16,027</u>

8. Pledged Assets

The details of the guarantee provided for the assets of the Group are as follows:

Asset Name	Book Value		Purpose of Guarantee
	December 31, 2023	December 31, 2022	
Property, Plant, and Equipment			
Land	\$ 170,446	\$ 170,446	Bank loan facilities and collateral for bond issuance (Note)
Housing and Construction	63,299	91,790	Bank loan facilities and collateral for bond issuance (Note)
Investment Property			
Land	90,554	90,554	Bank loan facilities and collateral for bond issuance (Note)
Housing and Construction	<u>71,543</u>	<u>49,442</u>	Bank loan facilities and collateral for bond issuance (Note)
	<u>\$ 395,842</u>	<u>\$ 402,232</u>	

Note: As of December 31, 2023, the Group's assets are no longer pledged as collateral for the issuance of corporate bonds.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingency

None.

(2) Commitment

1. As of 2023 and December 31, 2022, the guarantee notes issued by the Company for applying for import letter of credit facilities were both \$100,000.
2. As of 2023 and December 31, 2022, the guarantee notes issued by the Company for the issuance of its first domestic secured convertible bonds were \$0 and \$507,538, respectively.

3. Details of the endorsement/guarantee amounts provided by the Group to obtain bank loan facilities are as follows:

Endorser/Guarantor Name of Company	Endorsee/Guarantee	December 31, 2023	December 31, 2022
The Corporation	Fortuna International	\$ 61,410 (2,000 US\$ thousand)	\$ 122,840 (4,000 US\$ thousand)
The Corporation	Hotron Suzhou	\$ 501,355 (13,000 US\$ thousand and 20,000 RMB\$ thousand)	\$ 399,230 (13,000 US\$ thousand)
The Corporation	Hotlink	\$ 80,000	\$ 36,000
The Corporation	Hotron Precision (Vietnam)	\$ 309,640 (10,000 US\$ thousand)	\$ 184,260 (6,000 US\$ thousand)
Hotron Suzhou	Hotron Precision (HuBei)	\$ 216,350 (50,000 RMB\$ thousand)	\$ 220,400 (50,000 RMB\$ thousand)

4. Signed but not yet incurred capital expenditures:

	December 31, 2023	December 31, 2022
Property, Plant, and Equipment	<u>\$ 64,204</u>	<u>\$ 169,132</u>

The above amounts do not include the commitments stated in 5. below.

5. (1) To support sustainable and long-term business development, diversify production bases, and reduce production costs, the Company's subsidiary Hotron Precision (Hubei), on September 2, 2019, signed the third supplementary investment agreement for the Hotron Precision Electronic Industrial Park project with the Tianmen Municipal People's Government of Hubei Province (including its affiliated Tianmen City Construction Investment Co., Ltd.) (hereinafter referred to as the "Tianmen Municipal Government"). According to the agreement, the Tianmen Municipal Government is responsible for the plant construction project, which officially commenced on November 13, 2019. Upon completion of the construction, the plant will be resold and transferred to Hotron Precision (Hubei). Within two years after Hotron Precision (Hubei) obtains the property ownership certificate on March 31, 2022 and reaches full production capacity, Hotron Precision (Hubei) shall make the purchase payment in four installments as stipulated in the supplementary agreement. Additionally, on April 23, 2020, Hotron Precision (Hubei) signed the fourth supplementary investment agreement for the Hotron Precision Electronic Industrial Park project with the Tianmen Municipal Government, which stipulated that the construction cost shall not exceed RMB 198,530 thousand (equivalent to approximately NT\$859,039 thousand). As of December 31, 2023, apart from the construction costs already accrued, there are no further payments due.

- (2) According to the fifth supplementary investment agreement for the Hotron Precision Electronic Industrial Park project signed between Hotron Precision (Hubei) and the Tianmen Municipal People's Government of Hubei Province on March 31, 2022, the Tianmen Municipal Government will provide financing to Hotron Precision (Hubei) for the plant construction costs and the purchase of hardware equipment (excluding machinery and equipment) required for the plant construction, with a maximum financing limit of RMB 238,103 thousand (equivalent to approximately NT\$1,030,272 thousand, which includes the aforementioned construction cost of RMB 198,530 thousand). The financing for hardware equipment shall be repaid to the Tianmen Municipal Government in four installments within two years after the fifth anniversary of the actual drawdown date. As of December 31, 2023, the amount utilized was RMB 228,348 thousand (equivalent to approximately NT\$988,061 thousand, including RMB 198,530 thousand for plant construction and RMB 29,818 thousand for hardware equipment), with a remaining RMB 9,755 thousand (equivalent to approximately NT\$42,211 thousand) available for the subsequent purchase of hardware equipment.

10. Significant Disaster Loss

None.

11. Significant Events After The Balance Sheet Date

To support the Group's operational expansion, develop new energy product businesses, and accommodate long-term business development needs, the Company's Board of Directors resolved on January 11, 2024 to acquire 36 land parcels numbered 1500, Dayinsan Section, Sanxing Township, Yilan County, and the buildings thereon from Tung Hsing Electronic Corporation (hereinafter referred to as "Tung Hsing Corporation") at an expected acquisition cost of approximately \$520,000. However, the Company will proceed with the subsequent payment in accordance with the agreement after Tung Hsing Technology corporation obtains the building use permit for the plant expansion and completes the change of land use.

12. Others

(1) Capital Management

The Group's capital management objectives are to ensure that the Group can continue to operate as a going concern, maintain an optimal capital structure to reduce capital costs, and provide remunerations to shareholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors its capital using the debt-to-equity ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" reported in the consolidated balance sheet plus net.

In 2023, the Group's strategy remained the same as in 2022, aiming to maintain a debt-to-equity ratio below 50%. The Group's debt-to-equity ratios as of 2023 and December 31, 2022 were as follows:

	December 31, 2023	December 31, 2022
Total loans	\$ 1,472,289	\$ 1,535,725
Less: cash and cash equivalents	(486,087)	(566,947)
Net debt	986,202	968,778
Total equity	<u>2,132,041</u>	<u>2,062,831</u>
Total capital	<u>\$ 3,118,243</u>	<u>\$ 3,031,609</u>
Debt-to-equity ratio	<u>31.63%</u>	<u>31.96%</u>

(2) Financial Instruments

1. Category of Financial Instruments

The Group's financial assets classified as measured at amortized cost under IFRS 9 (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable, other receivables, and refundable deposits) as of December 31, 2023 and 2022 had carrying amounts of \$1,959,381 and \$1,583,737, respectively. The Group's financial liabilities classified as measured at amortized cost (including short-term borrowings, commercial papers payable, notes payable, accounts payable, other payables, bonds payable (including current portion), long-term borrowings (including current portion), and deposits received) as of December 31, 2023 and 2022 had carrying amounts of \$1,947,989 and \$2,208,441. Additionally, the carrying amounts of the lease liabilities were \$2,282 and \$4,533, respectively.

2. Risk Management Policies

- (1) The Group's daily operations are exposed to various financial risks, including market risk (comprising foreign exchange risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.
- (2) Risk management is carried out by the Finance Department of the Corporation in accordance with the policies approved by the Board of Directors. The Corporation's Finance Department is responsible for identifying, assessing and avoiding financial risks through close cooperation with the Corporation's operating units. The Board of Directors has established written principles for overall risk management and written policies on specific areas and issues, such

as exchange rate risk, interest rate risk, credit risk, and the investment of surplus working capital.

3. The Natures and Extents of Material Financial Risks

(1) Market Risks

Foreign Exchange Risk

- A. The Group engages in transactions involving non-functional currencies (the Company's functional currency is NTD, while some subsidiaries' functional currencies are RMB and VND), and is therefore exposed to fluctuations in foreign exchange rates. Information on assets and liabilities denominated in foreign currencies with significant exposure to exchange rate fluctuations is as follows:

(Foreign Currency: Functional Currency)	December 31, 2023		
	Foreign Currency (NT\$ thousand)	Exchange Rate	Carrying Amount (NT\$)
Financial Assets			
Monetary Items			
US\$: NT\$	\$ 38,297	30.71	\$ 1,175,909
Financial Liabilities			
Monetary Items			
US\$: VDN	\$ 4,850	25,587.50	\$ 148,919

(Foreign Currency: Functional Currency)	December 31, 2022		
	Foreign Currency (NT\$ thousand)	Exchange Rate	Carrying Amount (NT\$)
Financial Assets			
Monetary Items			
US\$: NT\$	\$ 22,844	30.71	\$ 701,539
US\$: RMB	10,075	6.9669	309,403
Financial Liabilities			
Monetary Items			
US\$: VDN	\$ 3,500	23,623.08	\$ 107,485

- B. The total exchange gains (losses) realized and unrealized of the Group's monetary items due to fluctuations in exchange rates in 2023 and 2022 were aggregated to (\$3,132) and \$64,237, respectively.

- C. The foreign currency market risk analysis of the Group as affected by significant exchange rate fluctuations is as follows:

2023			
(Foreign Currency: Functional Currency)	Sensitivity Analysis		
	Range of Change	Effect on Profit and Loss	Effect on Other Comprehensive Income
Financial Assets			
Monetary Items			
US\$: NT\$	10%	\$ 117,591	\$ -
Financial Liabilities			
Monetary Items			
US\$: VDN	10%	\$ 14,892	\$ -
2022			
(Foreign Currency: Functional Currency)	Sensitivity Analysis		
	Range of Change	Effect on Profit and Loss	Effect on Other Comprehensive Income
Financial Assets			
Monetary Items			
US\$: NT\$	10%	\$ 70,154	\$ -
US\$: RMB	10%	30,940	-
Financial Liabilities			
Monetary Items			
US\$: VDN	10%	\$ 10,749	\$ -

Cash Flow and Fair Value Interest Rate Risk

- A. The Group's interest rate risk arises from bank borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. This risk is partially offset by cash and cash equivalents held at floating rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.
- B. The Group simulates multiple scenarios and analyzes interest rate risk, considering refinancing, renewals of existing positions, alternative financing, and hedging options to calculate the impact of specific interest rate changes on profit or loss. For each simulation scenario, the same interest rate change is applied across all currencies. These simulation scenarios are applied only to significant interest-bearing liability positions.

- C. If interest rates on borrowings had increased/decreased by 1%, with all other variables held constant, the Group's post-tax net profit for 2023 and 2022 would have decreased/increased by \$8,349 and \$12,220.

(2) Credit Risk

- A. The Corporation's credit risk is the risk of financial loss to the Corporation due to the failure of the customer or counterparty to a financial instrument to perform its contractual obligations, mainly arising from the counterparty's inability to pay off the notes receivable, accounts receivable, other receivables and financial assets classified as measured at amortized cost.
- B. The Group establishes credit risk management from a Corporation perspective. For banks and financial institutions, only those with an independent credit rating of at least "Good" can be accepted as transaction counterparties. According to the internal credit policy, each operating entity within the Group must conduct management and credit risk analysis for every new customer before setting the terms and conditions for payment and delivery. Internal risk control is to assess the credit quality of customers by taking into account their financial status, past experience and other factors. Individual risk limits are set by the Board of Directors based on internal or external ratings, and the use of credit lines is regularly monitored.
- C. The Group adopts the following presumptions under IFRS 9 as the basis for determining whether credit risk has increased significantly since initial recognition for financial instruments:
When the contract payment is overdue for more than 30 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the original recognition.
- D. The Group adopts the presumption under IFRS 9 that a default occurs when the contractual payments are more than 90 days past due, unless some or all of the amount is still subject to enforcement activity or has been renegotiated.
- E. Due to the good collection status of accounts with counterparties, the Group adopts a probability of default method to estimate expected credit losses.
- F. After exhausting recovery procedures, the Group writes off the amount of financial assets that cannot be reasonably expected to be recovered, but the Group continues to engage in legal proceedings to preserve its claim rights.

- G. The Group incorporates forward-looking considerations from statistical authorities and adjusts loss rates established based on historical and current information over specific periods to estimate allowances for notes receivable, accounts receivable, and other receivables. The expected loss situation as of 2023 and 2022 is as follows:

	Not Past Due and Up to 30 Days Past Due	Past Due More Than 91 Days	Total
December 31, 2023			
Notes and Accounts Receivable:			
Expected loss rate	0.03%	100%	
Total book value	\$ 928,641	\$ -	\$ 928,641
Loss allowances	276	-	276
Other receivables:			
Expected loss rate	0.03%	100%	
Total book value	\$ 12,529	\$ 26,376	\$ 38,905
Loss allowances	-	26,376	26,376
	Not Past Due and Up to 30 Days Past Due	Past Due More Than 91 Days	Total
December 31, 2022			
Notes and Accounts Receivable:			
Expected loss rate	0.03%	100%	
Total book value	\$ 983,728	\$ -	\$ 983,728
Loss allowances	-	-	-
Other receivables:			
Expected loss rate	0.03%	100%	
Total book value	\$ 32,164	\$ -	\$ 32,164
Loss allowances	-	-	-

- H. The table of changes in allowance losses of notes receivable, accounts receivable and other receivables that the Group adopts a simplified practice is as follows:

	2023	
	Notes and Accounts Receivable	Other receivables
January 1	\$ -	\$ -
Provision for Impairment loss	276	26,376
December 31	\$ 276	\$ 26,376

	2022	
	Notes and Accounts Receivable	Other receivables
January 1	\$ 632	\$ -
Amounts written off as uncollectible	(<u>632</u>)	<u>-</u>
December 31	<u>\$ -</u>	<u>\$ -</u>

(3) Liquidity Risk

- A. Cash flow forecasting is performed by each operating entity of the Group and compiled by the Group's Finance Department. The Group's Finance Department monitors rolling forecasts of the Group's working capital requirements to ensure it has sufficient cash to meet operational needs, To maintain sufficient unutilized borrowing facilities to avoid breaching related borrowing limits or covenants.
- B. Cash positions held by operating entities are managed centrally by the Group's Finance Department. The Group's Finance Department will invest the remaining funds in interest-bearing demand deposits and time deposits, and the instruments selected have an appropriate maturity date or sufficient liquidity to provide sufficient dispatch levels.
- C. Details of the Group's unutilized borrowing facilities are as follows:

	December 31, 2023	December 31, 2022
Floating rate		
Due within 1 year	\$ <u>2,958,458</u>	\$ <u>2,246,643</u>

- D. The Group analyzes its non-derivative financial liabilities based on their relevant maturity groupings, non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date.

The Group's non-derivative financial liabilities are grouped by relevant maturity date. The non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contractual maturity date. As of December 31, 2023 and 2022, the maturity dates of the Group's non-derivative financial liabilities are all within one year. The contractual cash flow amounts disclosed in the table below are undiscounted amounts.

	December 31, 2023		December 31, 2022	
	Due within 1 year	Due after 1 year	Due within 1 year	Due after 1 year
Bonds payable	\$ -	\$ 249,900	\$ 8,200	\$ -
Lease liabilities	2,347	-	2,391	2,391
Guarantee deposits received	-	11,502	-	8,619
Long-term loans (including current portion)	27,860	169,170	-	-

E. The Group does not expect that the timing of the cash flows for the maturity analysis will occur significantly earlier, or that the actual amounts will be significantly different.

(3) Information on Fair Value

1. The levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date. An active market is one in which transactions of assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Direct or indirect observable inputs for assets or liabilities other than those included in quoted prices in Level 1. The fair value of the Company's convertible bonds payable falls into this category.

Level 3: An unobservable input for an asset or liability.

2. Please refer to Note 6(9) for information on fair value of investment property measured at cost.
3. Financial instruments not measured at fair value:
 - (1) Except for those listed in the following table, the carrying amounts of cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables, short-term loans, short-term notes and bills payable, notes payable, accounts payable, other payables, and long-term loans (including current portion) are reasonable approximations of their fair values:

December 31, 2023				
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Convertible bonds payable	\$ 236,212	\$ -	\$ 238,255	\$ -
December 31, 2022				
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Convertible bonds payable	\$ 8,182	\$ -	\$ 8,122	\$ -

(2) The methods and assumptions used to evaluate fair value are as follows:

Convertible bonds payable It is measured at present value calculated using the average yield rate over the approximate duration of the convertible bonds based on the Taipei Exchange's twAAA corporate bond reference rate, and this average yield rate is used as the reference for the risk discount rate.

4. For financial and non-financial instruments measured at fair value, the Group classifies assets and liabilities based on their nature, characteristics, risks, and fair value hierarchy levels, with relevant information as follows:

(1) The Group classifies assets and liabilities by nature, with relevant information as follows:

December 31, 2023	Level 1	Level 2	Level 3	Level 4
Liability				
Recurring Fair Value Measurement				
Financial Liability at fair value through profit or loss				
Recurring fair value measurement of financial liabilities by hierarchy level	\$ -	\$ -	\$ 1,100	\$ 1,100
December 31, 2022	Level 1	Level 2	Level 3	Level 4
Liability				
Recurring Fair Value Measurement				
Financial Liability at fair value through profit or loss				
Recurring fair value measurement of financial liabilities by hierarchy level	\$ -	\$ -	\$ 2,116	\$ 2,116

(2) The methods and assumptions used by the Group to measure fair value are described below:

- A. When evaluating non-standardized and relatively simple financial instruments, such as debt instruments without an active market, the Group adopts valuation techniques widely used by market participants. The parameters used in the valuation models for these financial instruments are typically observable market information.
- B. The outputs of valuation models are estimated values, and the valuation techniques may not fully reflect all relevant factors of the financial and non-financial instruments held by the Group. Therefore, the estimated values from the valuation models are appropriately adjusted for additional parameters, such as model risk or liquidity risk. Based on the Group's fair value valuation model management policies and related control procedures, management believes that the fair value adjustments are appropriate and necessary to reasonably represent the fair values of financial and non-financial instruments in the consolidated balance sheets. The price information and parameters used in the valuation process are carefully assessed and appropriately adjusted based on current market conditions.

5. In 2023 and 2022, there was no transfer between Level 1 and Level 2.

6. The following table presents the movements of Level 3 fair values in 2023 and 2022:

	2023	2022
	Derivative	Derivative
January 1	(\$ 2,116)	(\$ 1,811)
Issued in current period	(1,150)	-
Converted in current period	(1)	(80)
Decrease	2,117	-
Gains Losses recognized in profit or loss	<u>50</u>	(<u>225</u>)
December 31	(<u>\$ 1,100</u>)	(<u>\$ 2,116</u>)
Ending balance changes in unrealized gains (losses) on assets/liabilities held at end of period and included in profit or loss for the period (Note)	<u>\$ 50</u>	(<u>\$ 225</u>)

Note: Recognized as other gains and losses.

7. There was no transfer in or out from Level 3 in 2023 and 2022.

8. For fair value measurements categorized within Level 3, the Group's valuation process is conducted by the Finance Department using expert valuation reports and independent source data to ensure that the valuation results approximate market conditions, the data

sources are independent, reliable, and consistent with other sources, and represent executable prices, to ensure the reasonableness of the valuation results.

9. The quantitative information about the significant unobservable input value of the evaluation model used in Level 3 fair value measurement item and the sensitivity analysis of the change in the significant unobservable input value are explained as follows:

	Fair Value of December 31, 2023	Valuation Technique	Significant Unobservable Input Value	Range (Weighted Average)	Relationship Between Input Value And Fair Value
Put and call rights of convertible bonds	(\$ 1,100)	Binomial convertible bond valuation model	Stock price volatility	32.61%	The higher the stock price volatility, the greater the fluctuation in fair value.
	Fair Value of December 31, 2022	Valuation Technique	Significant Unobservable Input Value	Range (Weighted Average)	Relationship Between Input Value And Fair Value
Put and call rights of convertible bonds	(\$ 2,116)	Binomial convertible bond valuation model	Stock price volatility	47.15%	The higher the stock price volatility, the greater the fluctuation in fair value.

10. The Group selects the evaluation model and evaluation parameters after careful evaluation, but the use of different evaluation models or evaluation parameters may lead to different evaluation results. For financial assets classified as Level 3, if the evaluation parameters change, the impacts on the current profit or loss or other comprehensive income are as follows:

		December 31, 2023					
				Recognized In Profit or Loss		Recognized in Other Comprehensive Income	
Input Value	Change			Favorable Change	Unfavorable Change	Favorable Change	Unfavorable Change
Financial Liabilities							
Put and call rights of convertible bonds	Fluctuation rate ±5	\$ 150	(\$ 50)	\$ -	\$ -		
		December 31, 2022					
				Recognized In Profit or Loss		Recognized in Other Comprehensive Income	
Input Value	Change			Favorable Change	Unfavorable Change	Favorable Change	Unfavorable Change
Financial Liabilities							
Put and call rights of convertible bonds	Fluctuation rate ±5	\$ -	(\$ 1)	\$ -	\$ -		

13. Supplementary Disclosures

The following information on investee companies has been eliminated in the preparation of the consolidated financial statements and is disclosed for reference only.

(1) Information on Significant Transactions

1. Loans Provided for Others: Please refer to table 1 for details.
2. Endorsements/Guarantees Provided for Others: Please refer to table 2 for details.
3. Securities Held at End of Period (Excluding Investments in Subsidiaries): None.
4. Accumulated Purchase or Sale of The Same Securities Amounting to NT\$300 Million or 20% of Paid-In Capital or More: None.
5. Acquisition of Property Amounting to NT\$300 Million or 20% of The Paid-In Capital or More: None.
6. Disposal of Property Amounting to NT\$300 Million or 20% of The Paid-In Capital or More: None.
7. Purchases or Sales with Related Parties Amounting to NT\$100 Million or 20% of The Paid-In Capital or More: Please refer to table 3 for details.
8. Receivables From Related Parties Amounting to NT\$100 Million or 20% of The Paid-In Capital or More: Please refer to table 4 for details.
9. Derivatives Transactions: None.
10. Intercompany Relationships and Significant Intercompany Transactions Between Parent and Subsidiaries and Between Subsidiaries and Their Amounts: Please refer to table 5 for details.

(2) Information on Investees

Names, Locations and Relevant Information of Investee Companies (Excluding Investee Companies in Mainland China): Please refer to Table 6 for details.

(3) Information on Investments in Mainland China

1. Basic information: Please refer to Table 7 for details.

2. Significant Transactions Directly or Indirectly Through Third-Region Businesses and Investee Companies That Have Reinvested in Mainland China: None.

(4) Information on Major Shareholders

Information on major shareholders: Please refer to Table 8 for details.

14. Division Information

(1) General Information

The Group operates and makes decisions from a geographic sales perspective, and therefore management identifies reportable segments using the same approach.

The Group has three reportable segments: Division A is located in Taiwan; Division B is located in China; Division C is located in other Asian regions. Division A is located in Taiwan; Division B in China; Division C in other Asian regions. All divisions manufacture and sell 3C product cables, signal cables, consumer high-frequency cables, and automotive cables, which are classified as a single product category.

There has been no material change in the basis of the Group's division of corporate components and the measurement basis of the division information during the current period.

(2) Division Information

Reportable division information provided to the chief operating decision maker is as follows:

2023

	Division A	Division B	Division C	Other Division	Adjustments and Elimination	Total
Revenue						
Revenue from external customers	\$ 981,971	\$ 1,064,130	\$ 113,013	\$ -	\$ -	\$ 2,159,114
Divisional revenue	<u>-</u>	<u>973,306</u>	<u>-</u>	<u>11,326</u>	<u>(984,632)</u>	<u>-</u>
	<u>\$ 981,971</u>	<u>\$ 2,037,436</u>	<u>\$ 113,013</u>	<u>\$ 11,326</u>	<u>(\$ 984,632)</u>	<u>\$ 2,159,114</u>
Divisional gains or losses	(\$ 391,606)	(\$ 142,543)	(\$ 51,489)	(\$ 1,733)	\$ 387,954	(\$ 199,417)
Divisional gains or losses include:						
Depreciation and amortization expenses	(\$ 8,919)	(\$ 164,853)	(\$ 12,133)	(\$ 2,480)	\$ 188	(\$ 188,197)
Interest income	\$ 32,855	\$ 2,065	\$ 624	\$ 28	\$ -	\$ 35,572
Interest expenses	(\$ 17,853)	(\$ 14,442)	(\$ 9,286)	(\$ 183)	\$ -	(\$ 41,764)
Tax benefit	\$ 19,410	\$ 14,902	\$ -	\$ 26	\$ -	\$ 34,338
Investments accounted for using the equity method gains (losses)	(\$ 246,270)	(\$ 50,574)	\$ -	\$ -	\$ 296,844	\$ -
Total segment assets	<u>\$ 3,704,602</u>	<u>\$ 4,067,951</u>	<u>\$ 315,330</u>	<u>\$ 20,367</u>	<u>(\$ 2,919,510)</u>	<u>\$ 5,188,740</u>
Total segment liabilities	<u>\$ 1,235,449</u>	<u>\$ 1,786,749</u>	<u>\$ 250,804</u>	<u>\$ 5,349</u>	<u>(\$ 221,652)</u>	<u>\$ 3,056,699</u>

2022

	Division A	Division B	Division C	Other Division	Adjustments and Elimination	Total
Revenue						
Revenue from external customers	\$ 1,532,088	\$ 1,824,117	\$ 5,984	\$ -	\$ -	\$ 3,362,189
Divisional revenue	<u>-</u>	<u>1,396,339</u>	<u>-</u>	<u>13,163</u>	<u>(1,409,502)</u>	<u>-</u>
	<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>
Divisional gains or losses	\$ 70,171	(\$ 109,421)	(\$ 19,702)	(\$ 88)	\$ 136,616	\$ 77,576
Divisional gains or losses include:						
Depreciation and amortization expenses	(\$ 8,453)	(\$ 137,894)	(\$ 9,523)	(\$ 2,621)	\$ -	(\$ 158,491)
Interest income	\$ 3,929	\$ 2,075	\$ 264	\$ 59	(\$ 11)	\$ 6,316
Interest expenses	(\$ 12,029)	(\$ 6,306)	(\$ 2,310)	(\$ 295)	\$ -	(\$ 20,940)
Tax benefit	(\$ 15,913)	\$ 4,145	\$ -	(\$ 62)	\$ -	(\$ 11,830)
Investments accounted for using the equity method gains (losses)	\$ 27,246	\$ 113,439	\$ -	\$ -	(\$ 140,685)	\$ -
Total 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>
Total 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>

(3) Regional Information

The Group's geographical information is as follows:

	2023		2022	
	Revenue	Non-Current Assets	Revenue	Non-Current Assets
China	\$ 1,953,467	\$ 1,845,470	\$ 3,257,540	\$ 2,016,632
Taiwan	166,230	430,810	77,297	432,285
Others	<u>39,417</u>	<u>203,560</u>	<u>27,352</u>	<u>207,272</u>
	<u>\$ 2,159,114</u>	<u>\$ 2,479,840</u>	<u>\$ 3,362,189</u>	<u>\$ 2,656,189</u>

(4) Important Customer Information

	2023		2022	
	Segment	Revenue	Segment	Revenue
Customer A	Division A, B	\$ 583,568	Division A, B	\$ 723,778
Customer B	Division A, B	481,183	Division A, B	611,844
Customer C	Division A, B	331,588	Division A, B	597,181
Customer D	Division A, B	203,991	Division A, B	588,659
Customer E	Division A, B	158,706	Division A, B	344,387

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES

LOANS PROVIDED FOR OTHERS

January 1 to December 31, 2023

Table 1

Unit: NT\$ Thousand (Unless Stated Otherwise)

No. (Note 1)	Financing Company	Borrower	Transaction Item	Related Party	Maximum Outstanding Balance for The Period		Ending Balance	Actual Amount Drawn	Interest Rate	Nature for Financing	Business Transaction Amount	Reason for Short-Term Financing	Allowance for Bad Debts	Collateral		Limit on Loans Provided to a Single Party	Total Limit on Loans Provided	Remarks
														Name	Value			
1	Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	Other receivables – related party	Yes	\$ 29,671	\$ -	\$ -	-	Non-interest bearing	Business transaction	\$ 12,422	Approved by the Board of Directors as a loan of funds	-	None	-	\$ 12,422	\$ 12,422	

Note 1: The numbers filled are described as follows:
(1) For the issuer, fill in 0.
(2) The investee company is numbered sequentially starting from Arabic number 1 according to the company type.

Note 2: The Company’s “Operational Procedures for Lending Funds to Others” stipulate that for companies or firms with business dealings, the total and individual loan amounts shall not exceed the highest amount of business transactions between the parties in the most recent year. The amount of business transactions refers to the higher of the amounts of purchases or sales between the parties.
The total amount of short-term financing loans shall not exceed 40% of the Company’s net worth. Individual loan amount shall not exceed 40% of the Company’s net worth.
For loans between the Company’s direct and indirect 100%-owned foreign companies, the above restrictions do not apply, but the total amount of short-term financing loans shall not exceed 100% of the Company’s net worth, and the individual loan amount shall not exceed 100% of the Company’s net worth. Individual loan amount shall not exceed 100% of the Company’s net worth.

Note 3: The ending balance represents the loan amount approved by the Board of Directors.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED FOR OTHERS

January 1 to December 31, 2023

Table 2 Unit: NT\$ Thousand (Unless Stated Otherwise)

Number	Endorser/Guarantor	Endorsee/Guarantee		Relationship (Note 2)	Limit on Endorsements/ Guarantees Provided for Single Entity	Maximum Endorsement/ Guarantee Balance for the Period	Endorsement and Guarantee Ending Balance	Actual Amount Drawn	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth Per Latest Financial Statements(%)	Endorsement/ Guarantee Ceiling	Endorsements/ Guarantees Provided by Parent for Subsidiary	Endorsements/ Guarantees Provided by Subsidiary for Parent	Endorsements/ Guarantees Provided for Subsidiary in Mainland China	Remarks
		Name of Company													
0	Hotron Precision Electronic Industrial Co., Ltd.	Fortuna International Holdings Ltd	2		\$ 1,918,837	\$ 121,920	\$ 61,410	\$ -	\$ -	2.87	\$ 2,132,041	Y	N	N	-
0	Hotron Precision Electronic Industrial Co., Ltd.	Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	2		1,918,837	309,640	309,640	148,920	-	14.52	2,132,041	Y	N	N	-
0	Hotron Precision Electronic Industrial Co., Ltd.	Hotlink Company Limited	2		1,918,837	80,000	80,000	60,000	-	3.75	2,132,041	Y	N	N	-
0	Hotron Precision Electronic Industrial Co., Ltd.	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	2		1,918,837	508,415	501,355	-	-	23.52	2,132,041	Y	N	Y	-
1	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	2		1,394,954	222,250	216,350	43,270	-	13.96	1,549,949	N	N	Y	-

Note 1: The Company’s total amount of endorsements/guarantees provided shall not exceed the Company’s current net worth. The endorsement/guarantee amount for a single entity shall not exceed 10% of the Company’s current net worth, while for a single overseas affiliated company, it shall not exceed 90% of the Company’s current net worth. Net worth is based on the Company’s latest financial statements audited or reviewed by a CPA.

Note 2: The relationships between endorsers/guarantors and endorsees/guarantees are categorized into the following 7 types, please specify the type:

(1) Companies who have business relationship.

(2) Companies in which the Company directly or indirectly holds more than 50% of the voting shares.

(3) Companies that directly or indirectly hold more than 50% of the voting shares in the Company.

(4) Companies in which the Company directly or indirectly holds 90% or more of the voting shares.

(5) Companies in the same industry that provide mutual endorsements/guarantees based on contractual requirements for undertaking construction projects or as co-construction contractors.

(6) Companies in which all capital contributing shareholders provide endorsements/guarantees based on their shareholding ratios due to their joint investment relationships.

(7) Companies in the same industry that provide mutual endorsements/guarantees for pre-sale housing contracts based on the consumer protection regulations.

Note 3: The company shall specify the limits on endorsements/guarantees for individual entities and the maximum amount of endorsements/guarantees based on its operational procedures for endorsements/guarantees, and explain the calculation method for the limits on endorsements/guarantees for individual entities and the total limit in the remarks column.

Note 4: The maximum balance of endorsements/guarantees provided for others during the year.

Note 5: The amount approved by the Board of Directors shall be filled in. However, if the Board of Directors has authorized the Chairman to make decisions pursuant to Article 12, Paragraph 8 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the amount decided by the Chairman shall be filled in.

Note 6: The actual amount drawn by the endorsed/guaranteed company within the balance of endorsements/guarantees shall be filled in.

Note 7: For endorsements/guarantees provided by a parent company to subsidiaries, by subsidiaries to a parent company, or in mainland China, “Y” must be filled in.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES

PURCHASES OR SALES WITH RELATED PARTIES AMOUNTING TO NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE

January 1 to December 31, 2023

Table 3

Unit: NT\$ Thousand (Unless Stated Otherwise)

Purchasing (Selling) Company	Counterparty	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remarks
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales)	Credit Period	Unit price	Credit Period	Balance	Percentage of Total Notes and Accounts Receivable (Payable)	
Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	The Corporation	Second-tier Subsidiary of the Company	Sales	(\$ 416,832)	(23%)	Advance payment and 30 days from end of month	\$ -	-	\$ 4,098	1%	-
Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	Hotlink Company Limited	Associate	Sales	(133,169)	(7%)	Advance payment and 150 days from end of month	-	-	-	-	-
Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Hotlink Company Limited	Associate	Sales	(317,763)	(25%)	Advance payment and 150 days from end of month	-	-	19,368	6%	-
Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	Associate	Sales	(581,219)	(45%)	Advance payment and 150 days from end of month	-	-	68,509	23%	-
Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Associate	Sales	(443,672)	(24%)	Advance payment and 150 days from end of month	-	-	378,354	54%	-

Note 1: Disclosed from a revenue perspective, and its relative transactions are no longer disclosed.

Note 2: If the related party transaction terms are different from the normal transaction terms, the differences and reasons shall be stated in the column of unit price and credit period.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL OR MORE

December 31, 2023

Table 4

Unit: NT\$ Thousand (Unless Stated Otherwise)

Company Recorded Under Account Receivables	Counterparty	Relationship	Receivables From Related Parties	Turnover Rate	Overdue Receivables From Related Parties		Receivables From Related Parties	Allowance for Bad Debts
					Amount	Action Taken		
Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Associate	\$ 378,354	1. 31	\$ -	—	\$ 12,981	\$ -

Note 1: Please fill in separately according to related party’s accounts receivable, notes receivable, other receivables, etc.

Note 2: The paid-in capital is the capital of the parent company. For issuers with shares of no-par value or of par value which is not NT\$10 per share, the transaction of 20% of the paid-in capital is calculated as 10% of the equity attributable to owners of the parent company in the balance sheet.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS BETWEEN PARENT AND SUBSIDIARIES AND BETWEEN SUBSIDIARIES AND THEIR AMOUNTS

January 1 to December 31, 2023

Table 5

Unit: NT\$ Thousand (Unless Stated Otherwise)

No. (Note 1)	Name of Trader	Counterparty	Relationship with The Trader (Note 2)	Description of Transactions			Percentage in Consolidated Total Revenue or Total Assets (Note 3)
				Ledger Account	Amount	Transaction Term	
0	The Corporation	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	1	Purchase of goods	\$ 416,832	Note 4	19%
2	Hotlink Company Limited	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	3	Purchase of goods	133,169	Note 5	6%
2	Hotlink Company Limited	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	3	Purchase of goods	317,763	Note 5	15%
1	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	3	Purchase of goods	581,219	Note 5	27%
1	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	3	Accounts Payable	378,354	Note 5	7%
1	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	3	Purchase of goods	443,672	Note 5	21%

Note 1: The information of business transactions between the parent company and subsidiary shall be indicated in the number column respectively, the number shall be filled in as follows:

(1) For the parent company, fill in 0.

(2) Subsidiaries are numbered sequentially starting from Arabic number 1 according to the company type.

Note 2: There are three types of relationship between traders, and fill in the type is acceptable (if the transaction between the parent company and subsidiaries is the same as that between subsidiaries, it is not necessary to disclose again. Such as: For the parent company's transaction with subsidiary, if it has been disclosed by the parent company, it is not required to be disclosed again by subsidiary. For the subsidiary's transaction with the parent company, if it has been disclosed by one of the subsidiaries, it is not required to be disclosed again by the parent company):

(1) Parent company's transaction with Second-tier Subsidiary.

(2) Subsidiary's transaction with the parent company.

(3) Transaction between two subsidiaries.

Note 3: The ratio of transaction amount to consolidated total revenue or total assets shall be calculated as the ratio of ending balance to consolidated total assets for those belongs to balance sheet item. If it is a profit or loss item, it is calculated based on the year-to-date accumulated amount divided by consolidated total revenue.

Note 4: For purchases from a subsidiary, transaction prices are determined through mutual agreement, with payment terms of advance payment and net 30 days from the end of the month.

Note 5: For inter-subsidiary purchases, transaction prices are determined through mutual agreement, with payment terms of advance payment and net 150 days from the end of the month.

Note 6: It is up to the Corporation to decide whether the important transactions in this table should be listed or not based on the principle of materiality.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES

NAMES, LOCATIONS AND RELEVANT INFORMATION OF INVESTEE COMPANIES (EXCLUDING INVESTEE COMPANIES IN MAINLAND CHINA)

January 1 to December 31, 2023

Table 6

Unit: NT\$ Thousand (Unless Stated Otherwise)

Name of Investor	Name of Investee	Location	Primary Business Activities	Initial Investment Amount		Held at End of Period			Profit (Loss) of Investee for The Period	Investment Profit (Loss) Recognized for The Period (Note 1)	Remarks
				End of The Period (Note 2)	End of Last Year	Number of Shares	Ratio	Carrying Amount			
Hotron Precision Electronic Industrial Co., Ltd.	Fortuna International Holdings Ltd	Samoa	Investment business and merchandise trade	\$ 410,825	\$ 410,825	12,466,995	100%	1,549,103	(\$ 145,949)	(\$ 146,243)	Subsidiary
Hotron Precision Electronic Industrial Co., Ltd.	SmartGreen Solution Co., LTD	Taiwan	Production and operation of electric vehicle charging guns, high-voltage wires, and new energy materials	200,000	50,000	20,000,000	100%	184,657	(11,773)	(11,748)	Subsidiary
Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	Hotlink Company Limited	Taiwan	Merchandise trade	230,760	146,880	-	100%	206,704	(48,867)	(48,867)	Second-tier Subsidiary
Hotlink Company Limited	Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	Vietnam	Production and operation of 3C product cables and signal cables, etc.	146,053	146,053	-	100%	64,526	(51,489)	(51,489)	Second-tier Subsidiary

Note 1: The investment income recognized by the Company for the period has been adjusted for unrealized gains or losses from transactions between the Company and its investees.

Note 2: The original investment amount of Hotlink Company Limited was US\$7,720 thousand (RMB 53,953 thousand). The original investment amount of Hotron Precision Electronic Industrial (Vietnam) Co., Ltd. was VND 115,288,093 thousand (US\$5,000 thousand).

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA – BASIC DATA

January 1 to December 31, 2023

Table 7 Unit: NT\$ Thousand (Unless Stated Otherwise)

Investee Company	Primary Business Activities	Paid-In Capital (Note 2)	Method of Investments	Accumulated Amount of Investments Remitted From Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for The Period		Accumulated Amount of Investments Remitted From Taiwan at End of Period	Profit (Loss) of Investee for The Period	Shareholding Ratio of the Corporation's Direct or Indirect Investment	Investment Profit (loss) Recognized for The Period (Note 1)	Carrying Amount of Investments at End of Period	Accumulated Investment Income Repatriated at End of Period	Remarks
					Remitted	Repatriated							
Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	Production and operation of 3C product cables, signal cables, electric vehicle charging guns, high-voltage wires, and new energy materials	\$ 619,607	Reinvestment in Mainland China through a third-region company (Fortuna Global Holdings)	\$ 305,952	\$ -	\$ -	\$ 305,952	(\$ 145,913)	100%	(\$ 145,913)	\$1,549,953	\$ 85,235	-
Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	Processing of various 3C product cables and signal cables	11,819	Reinvestment in Mainland China through Hotron Precision (Suzhou)	-	-	-	-	(850)	100%	(850)	10,138	-	-
Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Production and operation of copper products, 3C product cables, signal cables, electric vehicle charging guns, high-voltage wires, and new energy materials	713,084	Reinvestment in Mainland China through Hotron Precision (Suzhou)	-	-	-	-	18,406	100%	18,406	577,557	-	-
Hotron Real Estate Development (Tianmen) Co., Ltd.	Real estate development, construction, sales, leasing, and housing agency services, etc.	10,192	Reinvestment in Mainland China through Hotron Precision (Suzhou)	-	-	-	-	(857)	100%	(857)	4,879	-	-

Note 1: Evaluated and recognized based on the financial statements audited by CPAs.

Note 2: Hotron Precision Electronic Industrial (Suzhou) Co., Ltd. has a paid-in capital of US\$20,000 thousand (RMB 141,692 thousand); Hotron Electron & Telecommunication (Fuqing) Co., Ltd. has a paid-in capital of RMB 3,000 thousand; Hotron Precision Electronic Industrial (Hubei) Co., Ltd. has a paid-in capital of RMB 163,000 thousand; Hotron Real Estate Development (Tianmen) Co., Ltd. has a paid-in capital of RMB 2,300 thousand.

Note 3: Calculated based on 60% of the Group’s consolidated net worth in accordance with Order No. 09704604680 issued by the Ministry of Economic Affairs on August 29, 2008.

Name of Company	Accumulated Amount of Investments Remitted From Taiwan to Mainland China at End of Period	Amount of Investments Authorized by Investment Commission, M.O.E.A.	Ceiling on Amount of Investments Authorized by Investment Commission, M.O.E.A. (Note 3)
Hotron Precision Electronic Industrial Co., Ltd.	\$305,952	\$636,262	\$1,279,225

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES
INFORMATION ON MAJOR SHAREHOLDERS

December 31, 2023

Table 8

Name of Major Shareholders	Shareholding	
	Number of Shares Held	Shareholding Ratio
Gao Peng Co., Ltd.	8,749,827	8.21%

5. The Company's Individual Financial Statements for the Most Recent Fiscal Year, Audited and Certified by a Certified Public Accountant.

INDEPENDENT AUDITORS' REPORT

(2024) C.S.B.Z. No. 23003435

To: Hotron Precision Electronic Industrial Co., Ltd.,

Opinions

The Parent Company Only Balance Sheets of HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. (hereinafter "The Company") as of December 31, 2023 and 2022, in addition to the Parent Company Only Statements of Comprehensive Income, Parent Company Only Statements of Changes in Equity, Parent Company Only Statements of Cash Flows, and Notes to the Parent Company Only Financial Statements (including a summary of significant accounting policies) from January 1 to December 31, 2023 and 2022, have been audited by the CPAs.

In the opinion of the CPAs, the above Parent Company Only Financial Statements have been prepared in all material respects in accordance with the Financial Reporting Standards for Securities Issuers, and are sufficient to give a fair representation of the financial position of The Company as at December 31, 2023 and 2022, and the financial performance and cash flow from January 1 to December 31, 2023 and 2022.

Basis for Opinions

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS) of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are independent of The Company in accordance with the Norm of Professional Ethics for Certified Public Accountant, and 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 refer to those which, in accordance with the professional judgment of the CPAs, are most important for the audit of the Parent Company Only Financial Statements of The Company for the year 2023. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Parent Company Only Financial Statements of The Company for the year 2023 are listed as follows:

Investments Accounted for Using the Equity Method and Recognition of Investment Gains and Losses

Description

Regarding the accounting policies for investments accounted for using the equity method, please refer to Note 4(11) of the parent company only financial statements. For explanations of investments accounted for using the equity method, please refer to Note 6(5) of the parent company only financial statements.

The amount of investments accounted for using the equity method by Hotron Company as of December 31, 2023 was NT\$1,733,761 thousand. The amount of share of profit (loss) of subsidiaries, associates and joint ventures accounted for using the equity method recognized by Hotron Company in 2023 was NT\$(157,991) thousand. As these amounts have a material impact on the financial statements, the CPA considered the valuation of the balance of investments accounted for using the equity method as one of the most important matters for this year's audit.

Response audit procedures

The principal audit procedures performed by the CPA on the specific aspects described in the key audit matters are summarized as follows:

1. Understand the accounting policies for investments accounted for using the equity method, verify that the accounting policies comply with the standards on which the financial statements are prepared, and assess whether the accounting policies are appropriate.
2. Understand the control procedures related to investments accounted for using the equity method, and test the accuracy of the calculations for additions, disposals, recognition of investment gains and losses, and other comprehensive income shares.

Revenue Recognition Cut-Off for Ex-Works Sales

Description

Please refer to Note 4(23) to the parent company only financial statements for the accounting policy for revenue recognition.

The Hotron Company's sales models are mainly categorized into recognizing revenue after ex-factory shipments and after ex-warehouse shipments. For ex-works sales, revenue is recognized only when the customer takes delivery and the risks and rewards are transferred. The Hotron Company primarily recognizes revenue based on the actual ex-works sales to customers as provided in the reports or other information from warehouse custodians.

As revenue recognition for ex-works sales is based on the information and reports provided by custodians, it typically involves more manual processes. Considering the significant transaction volume of the Hotron Company's ex-works sales and the material impact of transactions around the financial statement date on the financial statements, the CPA considers the revenue recognition cut-off for the Company's ex-works sales as one of the most important audit matters this year.

Response audit procedures

The principal audit procedures performed by the CPA on the revenue recognition cut-off for ex-warehouse sales are summarized as follows:

1. Understand the Hotron Company's revenue recognition procedures for ex-works sales, evaluate the appropriateness of recognizing ex-works revenue, including understanding relevant internal control procedures, and obtain information and reports provided by custodians.
2. Perform internal control testing on ex-works sales revenue to ensure the Hotron Company recognizes revenue only after the customer takes delivery and the risks and rewards are transferred.
3. Perform cut-off testing on ex-works sales revenue transactions for a certain period before and after the balance sheet date, including verifying supporting documents from warehouse custodians, shipping documents, and that revenue is recorded in the appropriate period.
4. Perform sample physical inventory observation and count for ex-works inventory quantities and reconcile with book balances.

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

To ensure that the Parent Company Only Financial Statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent Parent Company Only Financial Statements in accordance with the Financial Reporting Standards for Securities Issuers and for preparing and maintaining necessary internal control procedures pertaining to the Parent Company Only Financial Statements.

In preparing the accompanying Parent Company Only Financial Statements, the 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 the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those in charge with the Company's governance (including the Audit Committee) are responsible for overseeing its financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Company Only Financial Statements as a whole are free from material misstatements, 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 error or fraud 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 financial statements.

As part of an and 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 evaluate the risk of material misstatements due to fraud or error in the Parent Company Only Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Parent Company Only Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Parent Company Only Financial Statements (including relevant Notes), and whether the Parent Company Only Financial Statements fairly present relevant transactions and items.
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 and for expressing an opinion on the Parent Company Only Financial Statements.

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 of the Republic of China, 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 communication with the management unit, the accountant decided on the key audit matters for the Parent Company Only Financial Statements of the Company for 2023. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Wu, Han-Chi and Lin, Ya-Hui.

PWC Taiwan
Taipei, Taiwan
Republic of China
February 27, 2024

Notice to Reader

For the convenience of readers, this report has been translated into English from the original Chinese version. The English version has not been audited or reviewed by independent auditors. If there is any

conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2023 and 2022

Unit: NT\$ thousand

Assets		Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Current Assets						
1100	Cash and cash equivalents	6(1)	\$ 236,091	8	\$ 284,284	9
1136	Financial assets at amortized cost - current	6(2)	531,553	17	-	-
1150	Net notes receivable	6(3)	2,820	-	-	-
1170	Net accounts receivable	6(3)	223,675	7	265,325	8
1180	Accounts receivable - related parties, net	6(3), 7	-	-	35,376	1
1200	Other receivables		11,411	-	1,519	-
1220	Current tax assets	6(25)	683	-	-	-
130X	Inventories	6(4)	8,303	-	15,817	1
1410	Prepayments	7	266	-	369,880	12
1479	Other current assets – other		396	-	91	-
11XX	Total Current Assets		<u>1,015,198</u>	<u>32</u>	<u>972,292</u>	<u>31</u>
Non-Current Assets						
1550	Investments accounted for using the equity method	6(5)	1,733,761	55	1,770,334	56
1600	Property, plant, and equipment	6(6), 8	81,079	2	105,244	3
1760	Investment property	6(9), 8	322,649	10	302,961	9
1780	Intangible assets		699	-	887	-
1840	Deferred income tax assets	6(25)	20,208	1	18,008	1
1900	Other non-current assets		3,007	-	2,920	-
15XX	Total Non-Current Assets		<u>2,161,403</u>	<u>68</u>	<u>2,200,354</u>	<u>69</u>
1XXX	Total Assets		<u>\$ 3,176,601</u>	<u>100</u>	<u>\$ 3,172,646</u>	<u>100</u>

Liabilities and Equity		Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Current Liabilities						
2100	Short-term loans	6(10), 8	\$ 695,000	22	\$ 865,000	27
2110	Short-term notes and bills payable	6(11)	-	-	109,843	4
2120	Financial liabilities at fair value through profit or loss - current	6(13)	-	-	2,116	-
2130	Contract liabilities - current	6(20)	2,852	-	-	-
2180	Accounts payable - related parties	7	4,098	-	-	-
2200	Other payables	6(12)	10,644	1	13,501	-
2230	Current income tax liabilities	6(25)	-	-	16,553	1
2320	Current portion of long-term liabilities	6(14)	-	-	8,182	-
2399	Other current liabilities – others		426	-	484	-
21XX	Total Current Liabilities		<u>713,020</u>	<u>23</u>	<u>1,015,679</u>	<u>32</u>
Non-Current Liabilities						
2500	Financial liabilities at fair value through profit or loss - non-current	6(13)	1,100	-	-	-
2530	Bonds payable	6(14)	236,212	7	-	-
2570	Deferred income tax liabilities	6(25)	91,177	3	92,041	3
2670	Other Non-current liabilities – others	7	3,051	-	2,095	-
25XX	Total Non-Current Liabilities		<u>331,540</u>	<u>10</u>	<u>94,136</u>	<u>3</u>
2XXX	Total Liabilities		<u>1,044,560</u>	<u>33</u>	<u>1,109,815</u>	<u>35</u>
Equity						
Capital stock		6(17)				
3110	Capital stock - common shares		1,065,520	34	932,210	29
Capital surplus		6(18)				
3200	Capital surplus		854,024	27	641,858	20
Retained Earnings		6(19)				
3310	Legal reserve		226,931	7	220,291	7
3320	Special reserve		82,834	3	115,046	4
3350	Unappropriated earnings		12,858	-	236,260	8
Other equity						
3400	Other equity		(110,126)	(4)	(82,834)	(3)
3XXX	Total Equity		<u>2,132,041</u>	<u>67</u>	<u>2,062,831</u>	<u>65</u>
Significant contingent liabilities and unrecognized contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	Total Liabilities And Equity		<u>\$ 3,176,601</u>	<u>100</u>	<u>\$ 3,172,646</u>	<u>100</u>

Please also refer to the attached Notes to Parent Company Only Financial Statements as part of these parent company only financial statements.

Chairman: Chang, Li-Jung

Managerial officer: Lu, I-Hsuan

Accounting manager: Hsu, Kuo-Huang

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2023 and 2022

Unit: NT\$ thousand (Except earnings (deficit) per share in NT\$)

Item	Note	2023		2022	
		Amount	%	Amount	%
4000 Operating revenue	6(20), 7	\$ 447,396	100	\$ 778,225	100
5000 Operating costs	6(4), 7	(424,582)	(95)	(700,522)	(90)
5900 Gross profit		22,814	5	77,703	10
Operating expenses	6(24), 7				
6100 Selling and marketing expense		(1,250)	-	(190)	-
6200 General and administrative expenses		(60,875)	(14)	(50,879)	(6)
6450 Expected credit impairment losses	12(2)	(68)	-	-	-
6000 Total operating expenses		(62,193)	(14)	(51,069)	(6)
6500 Other non-operating income and expenses	6(21)	12,276	3	64,321	8
6900 Operating profit (loss)		(27,103)	(6)	90,955	12
Non-operating income and expenses					
7100 Interest income	7	30,306	7	3,429	-
7010 Other income		1,214	-	704	-
7020 Other gains or losses	6(22)	50	-	(225)	-
7050 Financial cost	6(23)	(15,439)	(4)	(10,163)	(1)
7070 Share of profit or loss of subsidiaries, associates, and joint ventures recognized using the equity method	6(5)	(157,991)	(35)	(1,129)	-
7000 Total non-operating income and expenses		(141,860)	(32)	(7,384)	(1)
7900 Net profit (loss) before tax		(168,963)	(38)	83,571	11
7950 Income tax benefits (expenses)	6(25)	3,884	1	(17,825)	(2)
8200 Net profit (loss) for the period		(\$ 165,079)	(37)	\$ 65,746	9
Other comprehensive income (net)					
Items that may not be reclassified to profit or loss					
8311 Remeasurements of defined benefit plan	6(15)	\$ 51	-	\$ 181	-
8330 Share of other comprehensive income of subsidiaries, associates, and joint ventures recognized using the equity method - Items that may not be reclassified to profit or loss		(1,359)	-	510	-
8349 Income tax related to items that may not be reclassified	6(25)	(10)	-	(36)	-
8310 Total of items that may not be reclassified to profit or loss		(1,318)	-	655	-
Items that may be subsequently reclassified to profit or loss					
8361 Exchange differences on translation of financial statements of foreign operations		(27,292)	(6)	32,212	4
8360 Total of items that may be subsequently reclassified to profit or loss		(27,292)	(6)	32,212	4
8300 Other comprehensive income (net)		(\$ 28,610)	(6)	\$ 32,867	4
8500 Total comprehensive income (loss) for the period		(\$ 193,689)	(43)	\$ 98,613	13
Basic earnings (deficit) per share	6(26)				
9750 Basic earnings (deficit) per share		(\$ 1.58)		\$ 0.69	
9850 Diluted earnings (deficit) per share		(\$ 1.58)		\$ 0.68	

Please also refer to the attached Notes to Parent Company Only Financial Statements as part of these parent company only financial statements.

Chairman: Chang, Li-Jung

Managerial officer: Lu, I-Hsuan

Accounting manager: Hsu, Kuo-Huang

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31, 2023 and 2022

Unit: NT\$ thousand

		Capital surplus					Retained Earnings			Exchange differences on translation of financial statements of foreign operations	Total equity
	Note	Capital Stock - Common Shares	Share premium	Treasury share transactions	Share Option	Others	Legal reserve	Special reserve	Unappropriated earnings		
2022											
Balance as of January 1, 2022		\$ 923,181	\$ 613,797	\$ 1,615	\$ 1,450	\$ 18	\$ 218,051	\$ 112,601	\$ 174,544	(\$ 115,046)	\$ 1,930,211
Net profit for the period		-	-	-	-	-	-	-	65,746	-	65,746
Other comprehensive income		-	-	-	-	-	-	-	655	32,212	32,867
Total comprehensive income (loss) for the period		-	-	-	-	-	-	-	66,401	32,212	98,613
Appropriation of earnings in 2021:	6(19)										
Legal reserve		-	-	-	-	-	2,240	-	(2,240)	-	-
Provision of special reserve		-	-	-	-	-	-	2,445	(2,445)	-	-
Convertible corporate bonds	6(14)(17)	9,029	26,140	-	(1,171)	-	-	-	-	-	33,998
Overdue dividends converted to capital surplus		-	-	-	-	9	-	-	-	-	9
Balance as of December 31, 2022		\$ 932,210	\$ 639,937	\$ 1,615	\$ 279	\$ 27	\$ 220,291	\$ 115,046	\$ 236,260	(\$ 82,834)	\$ 2,062,831
2023											
Balance as of January 1, 2023		\$ 932,210	\$ 639,937	\$ 1,615	\$ 279	\$ 27	\$ 220,291	\$ 115,046	\$ 236,260	(\$ 82,834)	\$ 2,062,831
Current loss		-	-	-	-	-	-	-	(165,079)	-	(165,079)
Other comprehensive income		-	-	-	-	-	-	-	(1,318)	(27,292)	(28,610)
Total comprehensive income (loss) for the period		-	-	-	-	-	-	-	(166,397)	(27,292)	(193,689)
Appropriation and distribution of earnings in 2022:	6(19)										
Legal reserve		-	-	-	-	-	6,640	-	(6,640)	-	-
Reversed special reserve		-	-	-	-	-	-	(32,212)	32,212	-	-
Cash dividends		-	-	-	-	-	-	-	(51,611)	-	(51,611)
Stock dividends	6(17)	30,966	-	-	-	-	-	-	(30,966)	-	-
Cash capital increase	6(17)	100,000	162,100	-	-	-	-	-	-	-	262,100
Cash capital increase reserved for employee subscription compensation cost	6(16)(17)	-	9,527	-	2,163	-	-	-	-	-	11,690
Issuance of convertible corporate bonds	6(14)	-	-	-	30,297	-	-	-	-	-	30,297
Convertible corporate bonds	6(14)(17)	2,344	8,359	-	(291)	-	-	-	-	-	10,412
Overdue dividends converted to capital surplus		-	-	-	-	11	-	-	-	-	11
Balance as of December 31, 2023		\$ 1,065,520	\$ 819,923	\$ 1,615	\$ 32,448	\$ 38	\$ 226,931	\$ 82,834	\$ 12,858	(\$ 110,126)	\$ 2,132,041

Please also refer to the attached Notes to Parent Company Only Financial Statements as part of these parent company only financial statements.

Chairman: Chang, Li-Jung

Managerial officer: Lu, I-Hsuan

Accounting manager: Hsu, Kuo-Huang

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

Unit: NT\$ thousand

	Note	January 1-December 31, 2023	January 1-December 31, 2022
Cash Flows from Operating Activities			
Net profit (loss) before tax		(\$ 168,963)	\$ 83,571
Adjustment item			
Income (expense) items			
Depreciation expenses	6(6)(9)(24)	7,733	7,531
Amortization expenses	6(24)	188	39
Expected credit impairment losses	12(2)	68	-
Interest expenses	6(23)	12,760	9,958
Interest income		(30,306)	(3,429)
Share-based payment compensation costs	6(16)	11,690	-
Amortization of corporate bond discounts	6(23)	2,679	205
Net loss (gain) on financial assets at fair value through profit or loss	6(13)(22)	(50)	225
Share of profit or loss of subsidiaries, associates, and joint ventures recognized using the equity method	6(5)	157,991	1,129
Changes in operating assets and liabilities			
Net change in assets related to operating activities			
Notes receivable		(2,820)	-
Accounts receivable		41,582	90,051
Accounts receivable - related parties		35,376	13,687
Other receivables		(238)	-
Other receivables - related parties		-	692
Inventories		7,514	(7,031)
Prepayments		369,614	(123,874)
Other current assets		(244)	1,351
Net defined benefit assets - non-current		(36)	(705)
Net change in liabilities related to operating activities			
Accounts payable - related parties		4,098	-
Contract liabilities - current		2,852	-
Other payables		(3,109)	(2,122)
Other current liabilities		(58)	87
Cash inflow generated from operations		448,321	71,365
Interest received		20,652	1,940
Interest paid		(12,565)	(9,879)
Income tax paid		(16,426)	(178)
Net cash inflow generated from operating activities		439,982	63,248
Cash flows from investing activities			
Increase in financial assets at amortized cost		(531,553)	-
Acquisition of property, plant, and equipment	6(6)	(3,317)	(472)
Acquisition of intangible assets		-	(815)
Acquisition of investments accounted for using the equity method	6(5)	(150,000)	(50,000)
Net cash flows used in investing activities		(684,870)	(51,287)
Cash flows from financing activities			
Increase (decrease) in short-term loans	6(27)	(170,000)	133,000
Decrease in short-term notes and bills payable	6(27)	(109,843)	(40,089)
Issuance of corporate bonds	6(27)	268,316	-
Costs of corporate bond issuance	6(27)	(3,223)	-
Increase in refundable deposits		956	491
Cash dividends paid	6(19)	(51,611)	-
Cash capital increase	6(17)	262,100	-
Net cash inflows from financing activities		196,695	93,402
Increase (decrease) in cash and cash equivalents for the current period		(48,193)	105,363
Beginning balance of cash and cash equivalents	6(1)	284,284	178,921
Ending balance of cash and cash equivalents	6(1)	\$ 236,091	\$ 284,284

Please also refer to the attached Notes to Parent Company Only Financial Statements as part of these parent company only financial statements.

Chairman: Chang, Li-Jung

Managerial officer: Lu, I-Hsuan

Accounting manager: Hsu, Kuo-Huang

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

Unit: NT\$ thousand(Unless Stated Otherwise)

1. Company History

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD (hereinafter referred to as “the Company”) was established in December, 1991. Previous name is Goldfull Electronics & Telecommunications Corp. , rename on June, 2006 HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. The Company’s stock has been listed on the Taipei Exchange since May 11, 2010, and was approved by the Taiwan Stock Exchange for listing and trading on May 13, 2021. The main business activities of the Company are producing 、selling various categories 3C cable and signal cable 。

2. Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

The Parent Company Only Financial Statements were adopted and issued by the Company’s Board of Directors on February 27, 2024.

3. Application of New and Amended Standards and Interpretations

- (1) The impact of adopting new and amended IFRSs as endorsed and issued into effect by the Financial Supervisory Commission (“FSC”)

The following table summarizes the new, amended and revised standards and interpretations of the applicable IFRSs for 2023 as endorsed and issued into effect by the FSC:

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the IASB
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendment to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023
Amendment to IAS 12 “International Tax Reform - Pillar Two Model Rules”	May 23, 2023

The Company found through assessment that the above standards and interpretations have no material impact on the Company’s financial condition and financial performance.

(2) The impact of not adopting new and revised IFRSs recognized by the FSC

The following table summarizes the new, amended and revised standards and interpretations of the applicable IFRSs for 2024 endorsed by the FSC:

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by The IASB
Amendment to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendment to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Financing Arrangements”	January 1, 2024

The Company found through assessment that the above standards and interpretations have no material impact on the Company’s financial condition and financial performance.

(3) Impact of IFRSs issued by the IASB but not yet endorsed by the FSC

The following table summarizes the new, amended and revised IFRSs and interpretations published by the IASB but not yet endorsed by the FSC:

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by The IASB
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
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 21 “Lack of Exchangeability”	January 1, 2025

The Company found through assessment that the above standards and interpretations have no material impact on the Company’s financial condition and financial performance.

4. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial standards are described below. Unless otherwise stated, these policies apply consistently throughout all reporting periods.

(1) Compliance declaration

The financial statements have been prepared in accordance with the Financial Reporting Standards for Securities Issuers.

(2) Preparation basis

1. Except for financial liabilities at fair value through profit or loss and defined benefit liabilities recognized at the net amount of retirement fund assets less the present value of defined benefit obligations, this parent company only financial report is prepared on a historical cost basis.

2. The preparation of financial statements in compliance with the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations (hereinafter referred to as IFRSs) recognized by the FSC requires the use of certain critical accounting estimates and the use of management's judgment in the process of applying the Company's accounting policies. For items involving a high degree of judgment or complexity, or involving significant assumptions and estimates in the financial statements, please refer to Note 5 for details.

(3) Foreign currency conversion

Items included in the financial statements of the Company are measured in the currency of the primary economic environment in which the Company operates (i.e., the functional currency). The financial statements are presented in the New Taiwan dollar, the Company's functional currency.

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using the spot exchange rate on the transaction date or measurement date, and translation differences arising from the translation of such transactions are recognized as current profit and loss.
- (4) The balance of monetary assets and liabilities denominated in foreign currencies shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the translation differences arising from the adjustment shall be recognized as current profit and loss.
- (5) The balance of non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value through profit or loss, is adjusted according to the spot exchange rate on the balance sheet date, and the exchange differences arising from the adjustment is recognized as the current profit and loss; for those measured at fair value through other comprehensive income, the adjustment is evaluated at the spot exchange rate on the balance sheet date, and the exchange differences arising from the adjustment is recognized in other comprehensive income; those not measured at fair value are measured at the historical exchange rate on the initial transaction date.
- (6) All foreign exchange gains and losses are reported as "Other gains and losses, net" in the income statement based on the nature of the transactions.

2. Translation of foreign operating entities

- (1) For all entities of the Company whose functional currency is different from the presentation currency, the operating results and financial position are converted into the presentation currency in the following manner:

- A. Assets and liabilities presented on each balance sheet are translated at the closing exchange rate on that balance sheet date.
 - B. The gains or losses presented in each consolidated statement of gains or losses are translated at the average exchange rate for the period.
 - C. All exchange differences arising from translation are recognized in other comprehensive income.
- (7) When a foreign operating entity partially disposed or sold is a subsidiary, the accumulated exchange differences recognized as other comprehensive income shall be re-attributed to the non-controlling interests of the foreign operating entity on a pro rata basis. However, if the Company still retains part of the rights and interests in the former subsidiary, but has lost its control over the foreign operating organization that is an subsidiary, it will be dealt with as a punishment for all the rights and interests of the foreign operating organization.
- (4) Classification criteria for distinguishing current and non-current assets and liabilities
1. Assets that meet one of the following conditions are classified as current assets:
 - (1) Those expected to be realized in the normal operating cycle, or intended to be sold or consumed.
 - (2) Those held primarily for trading purposes.
 - (3) Those expected to be realized within 12 months after the balance sheet date.
 - (4) Cash or a cash equivalents, unless the assets are restricted from being exchanged or used to pay off liabilities at least 12 months after the balance sheet date.

The Company classifies all assets that do not meet the above criteria as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:
 - (5) Those expected to be paid off in the normal operating cycle.
 - (6) Those held primarily for trading purposes.
 - (7) Those expected to be paid off within 12 months after the balance sheet date.
 - (8) Those of which the settlement term cannot be deferred unconditionally to at least 12 months after the balance sheet date. The terms of a liability which may result in the settlement of an equity instrument at the option of the counterparty will not affect its classification.

The Company classifies all liabilities that do not meet the above criteria as non-current.

(5) Cash Equivalents

Cash equivalents refer to short-term investments with highly liquidity that can be converted into quota cash at any time with little risk of change in value. Time deposits that meet the above definition and are held for the purpose of meeting short-term cash commitments for operations are classified as cash equivalents.

(6) Financial Assets at Amortized Cost

The Company holds time deposits that do not qualify as cash equivalents. Due to the short holding period, the impact of discounting is not significant and is measured at the investment amount.

(7) Accounts Receivable

1. Refer to the account with the right to unconditionally receive the consideration amount in exchange for the transfer of goods or services according to the contract.
2. Short-term accounts receivable without interest paid which are measured by the Company at the original invoice amount as the effect of discounting is insignificant.

(8) Impairment of Financial Assets

On each balance sheet date, for financial assets measured at amortized cost and accounts receivable containing significant financing components, the Company considers all reasonable and supportable information (including forward-looking information) and measures the loss allowance at an amount equal to 12-month expected credit losses for those that have not had a significant increase in credit risk since initial recognition; for those whose credit risk has increased significantly since the original recognition, the Company measures the allowance loss at the expected credit loss amount during the duration; for accounts receivable that do not include significant financial components, the allowance losses are measured at the expected credit loss amount during the duration.

(9) Lessor's Lease Transaction - Operating lease

Operating lease revenue is recognized on a straight-line basis over the lease term after deducting any incentives granted to the lessee.

(10) Inventories

Inventories are measured at the lower of cost and net realizable value, and cost carry-forward is calculated using the weighted average method. When comparing the lower of the cost and the net realizable value, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the

normal course of business deducting the estimated cost to be invested until completion and estimated cost of completion of sale.

(11) Investments Accounted for Using the Equity Method/Subsidiary

1. Subsidiary means an entity (including structured entity) that is controlled by the Company when the Company is exposed to or entitled to variable remuneration arising from participation in such entity and is able to influence such remuneration through its power over such entity.
2. All unrealized gains or losses arising from transactions between the Company and its subsidiaries have been written off. The accounting policies of the subsidiaries have been adjusted as necessary to be consistent with those adopted by the Company.
3. The Company recognizes the share of profit and loss of the subsidiaries after acquisition as current profit and loss, and recognizes the share of other comprehensive income as other comprehensive income. When the shares of losses of a subsidiary recognized by the Company equal or exceed its equity in that subsidiary, the Company continues recognizing its losses in proportion to its holdings.
4. According to the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the current profit and loss and other comprehensive income of the Parent Company Only Financial Statements shall be the same as the apportionment of the current profit and loss and other comprehensive income attributable to the owners of the parent company in the financial statements prepared on a consolidated basis, and the owner's equity of the Parent Company Only Financial Statements shall be the same as the equity attributable to the owners of the parent company in the financial statements prepared on a consolidated basis.

(12) Property, plant, and equipment

1. Property, plant and equipment are recorded on the basis of acquisition cost, and the relevant interest during the period of acquisition and construction is capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement part shall be derecognized. All other maintenance costs shall be recognized as current profit or loss when incurred.
3. Property, plant and equipment shall be subsequently measured by the cost model, and shall be depreciated by the straight-line method based on the estimated useful life except for land. The depreciation of each component of property, plant and equipment is provided separately if it is significant.
4. The Company reviews the residual value, useful life and depreciation method of each asset at the end of each financial year. If the expected value of residual value and useful life is different from previous estimates, or if there is a material change in

the expected consumption pattern of future economic benefits contained in the asset, it shall be treated in accordance with the provisions of IAS 8 “Changes in Accounting Policies, Estimates and Errors” for changes in accounting estimates since the date of the change. The useful life of each asset are as follows:

Buildings and improvements 5-50 years, office equipment 3-5 years, and other equipment 3-5 years.

(13) Lessee’s Lease Transaction - Right-of-Use Asset/Lease Liability

1. Lease assets are recognized as right-of-use assets and lease liabilities when they become available for use by the Company. When the lease contract is for a short-term lease or a lease of a low-value underlying asset, the lease payment is recognized as an expense by the straight-line method during the lease term.
2. With respect to lease liabilities, the outstanding lease payments shall be recognized on the commencement date of the lease at the present value after discounting at the interest rate of the Company’s incremental loan. The lease payments include fixed payments minus any lease inducements that may be collected. The lease liabilities shall be measured by the interest method and the amortized cost method subsequently, and the provision for interest expense shall be made during the lease term. The lease liabilities will be reassessed and the remeasurement amount will be adjusted to right-of-use asset when there is a change in the lease term or lease payments due to non-contractual modification.
3. Right-of-use assets are recognized at costs on the lease commencement date. Costs include the initial measurement amount of the lease liability. Right-of-use assets are subsequently measured by cost model. The depreciation provision for right-of-use assets shall be made on at the end of the useful life of the assets or the end of the lease term, whichever is earlier. When the lease liability is reassessed, the right-of-use assets will be adjusted to any remeasurement of the lease liability.

(14) Investment Property

Investment properties are initially recognized at cost and subsequently measured using the cost model. Depreciation is provided on a straight-line basis over the estimated useful lives of 50 years, except for land.

(15) Intangible Assets

Computer software is recognized at cost of acquisition and amortized on a straight-line basis over an estimated useful life of 1 to 5 years.

(16) Impairment of Non-Financial Assets

The Company estimates the recoverable amount of assets with signs of impairment on the balance sheet date, and recognizes impairment losses when the recoverable amount is lower than its book value. The recoverable amount is the fair value of an asset less the

cost of disposal or its use value, whichever is higher. When the impairment of an asset recognized in previous years does not exist or decreases, the impairment loss shall be reversed, provided that the increase in the carrying amount of the asset resulting from the reversal of the impairment loss shall not exceed the carrying amount of the asset after deducting depreciation or amortization if the impairment loss is not recognized.

(17) Loans

Short-term loans from banks. They are measured by the Company at their fair value less transaction costs at the time of initial recognition, and with respect to any difference between the price after deducting transaction costs and the redemption value, the interest expenses are subsequently recognized as profit or loss during the circulation period by the effective interest method according to the amortization procedures.

(18) Convertible bonds payable

The Company's convertible bonds payable issued contain conversion rights (i.e., the holder's option to convert into the Company's ordinary shares at a fixed amount for a fixed number of shares), put rights, and call rights. At initial issuance, the issue price is allocated to financial liabilities or equity components based on the issuance terms, with the following treatments:

1. Embedded put and call rights: Initially recognized at their fair value net amount as "Financial liabilities at fair value through profit or loss"; Subsequently measured at fair value on the balance sheet date, with the difference recognized as "Gains (losses) on financial assets (liabilities) at fair value through profit or loss".
2. For the host debt contract: Initially measured at fair value, with the difference between fair value and redemption price recognized as discounts on bonds payable; Subsequently measured at amortized cost using the effective interest method over the circulation period and recognized in profit or loss as an adjustment to "finance costs".
3. Embedded conversion rights (meeting the definition of equity): Initially recognized at the residual amount after deducting the aforementioned "financial liabilities at fair value through profit or loss" and "bonds payable" from the issue price, and recorded as "capital surplus - share options", and not subsequently remeasured.
4. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.
5. When the bondholder exercises the conversion option, the liability components (including "bonds payable" and "financial liabilities at fair value through profit or loss") are accounted for based on their respective subsequent measurement methods, and the sum of the carrying amounts of the liability components and the carrying amount of "capital surplus - share options" is used as the issuance cost of the ordinary shares exchanged.

(19) Employee Benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount expected to be paid and are recognized as an expense when the related services are rendered.

2. Pensions

(1) Defined contribution plans

The amount of the retirement fund to be contributed is recognized as the current pension cost on an accrual basis for determining the contribution plan. Advance contribution is recognized as asset to the extent of refundable cash or reduced future payments.

(8) Defined Benefit Plan

- A. The net obligation under the defined benefit plan is calculated by discounting the future benefit amount earned by the employee's current or past service, using the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The net defined benefit obligation is calculated annually by actuaries using the projected unit credit method. The discount rate is based on the market yield of government bonds that have maturity dates approximating the terms of the Group's obligations and are denominated in the same currency in which the benefits are expected to be paid.
- B. Remeasurements arising from defined benefit plans are recognized in other comprehensive income in the period in which they occur and are presented in retained earnings.

3. Remunerations of employees and directors

Remunerations of employees and directors are recognized as expenses and liabilities when there is a legal or constructive obligation and the amount can be reasonably estimated. If there is a discrepancy between the actual distribution amount and the estimated amount in subsequent resolutions, it shall be treated as a change in accounting estimate.

(20) Employee Share-based Payment

For equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted on the grant date, with a corresponding increase in equity recognized over the vesting period. The fair value of the equity instruments should reflect the impact of market and non-vesting conditions. The amount recognized as an expense is adjusted to reflect the number of awards for which the service and non-market performance conditions are expected to be met, such that the

amount ultimately recognized as an expense is based on the number of awards that meet the service and non-market performance conditions at the vesting date.

(21) Income Tax

1. Income tax expense includes current and deferred income taxes. Income tax shall be recognized in profit and loss, except that income tax related to items included in other comprehensive income or directly included in equity shall be separately included in other comprehensive income or directly included in equity.
2. The Company calculates current income tax based on the tax rates enacted or substantively enacted on the balance sheet date in the countries in which it operates and generates its chargeable income. Management periodically evaluates the status of income tax returns in respect of applicable income tax regulations and, where applicable, estimates income tax liabilities based on the taxes expected to be paid to tax authorities. The income tax imposed on undistributed earnings under the Income Tax Act shall not be recognized for the distribution of undistributed earnings until the year next to the year in which the surplus is generated after the shareholders' meeting has approved the distribution of surplus.
3. Deferred income tax is recognized using the balance sheet method at temporary differences arising from the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. Deferred tax liabilities arising from initial recognition of goodwill are not recognized. Deferred income tax is not recognized if it arises from the original recognition of an asset or liability in a transaction (other than a business combination) that does not affect accounting profit or taxable income (taxable loss) at the time of transaction. If the temporary differences arising from investments in subsidiaries can be controlled by the Company as to their reversal, and it is probable that the temporary differences will not reverse in the foreseeable future, they are not recognized. Deferred income tax is subject to the tax rates (and tax laws) that are enacted or substantively enacted at the balance sheet date and that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is paid off.
4. Deferred income tax assets are recognized to the extent that temporary differences are likely to be used to offset future taxable income, and unrecognized and recognized deferred income tax assets are reassessed on each balance sheet date.
5. The current income tax assets and current income tax liabilities can be offset only when there is a legal enforcement right to offset the recognized amount of current income tax assets and liabilities, and there is an intention to realize the assets and pay off the liabilities on a net basis; only when the current income tax assets and current income tax liabilities can be offset against each other by a statutory enforcement right, and the deferred income tax assets and liabilities are generated by the same taxpayer subject to taxation by the same tax authority, or by different taxpayers but each entity intends to pay off the liabilities on a net basis or

simultaneously realize the assets and pay off the liabilities, can the deferred income tax assets and liabilities be offset against each other.

(22) Dividend Distribution

Dividends distributed to shareholders of the Company are recognized in the financial statements when the Company's shareholders' meeting resolves to distribute dividends. Cash dividends are recognized as liabilities, while stock dividends are recognized as undistributed stock dividends and are recognized as ordinary shares on the base date of issuance.

(23) Revenue Recognition

1. Sale of goods

- (1) Production and operation of 3C product cables and signal cables, etc.. Its sales revenue is recognized when the control of product is transferred to customer, that is, when the product is delivered to the customer, the customer has the discretion on the product sales channel and the price, and the Company has no outstanding performance obligations that may affect the customer's acceptance of the product. Product delivery occurs only when the product has been shipped to the designated location, the risk of obsolescence and loss has passed to the customer and the customer has accepted the products pursuant to the sales contract or there is objective evidence that all acceptance criteria have been met.
- (2) Revenue is recognized at the contract price net of sales tax, returns of sales, quantity discounts and allowances. The revenue shall be recognized to the extent that there will be no highly probable significant reversal in the future, and the estimate is updated on each balance sheet date. For sales of goods that transfer the promised goods to customers, the time gap between the transfer of goods to customers and customer payment does not exceed one year, and thus the Company does not adjust transaction prices to reflect the time value of money.
- (3) Accounts receivable are recognized when the goods are delivered to the customer, as the Company has an unconditional right to the contract price from that point on, and it only takes time to receive the consideration from the customer.

2. Lease service

The Company's office leasing business recognizes revenue on a period basis over the lease term.

3. Authorization of customer services

The royalties received by the Company for authorizing the sale of goods to the Company's original customers are calculated and recognized as revenue based on sales.

5. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

In preparing the financial statements of the Company, the management has used its judgment to determine the accounting policies to be adopted and has made accounting estimates and assumptions based on reasonable expectations of future events based on the conditions prevailing at the balance sheet date. Significant accounting estimates and assumptions made may differ from actual results and will be continuously evaluated and adjusted by taking into account historical experience and other factors. Such estimates and assumptions carry risks that will result in a material adjustment to the carrying amounts of assets and liabilities in the next financial year. Please refer to the following explanations on the uncertainty of significant accounting judgments, estimates and assumptions:

(1) Important Judgments on Accounting Policies

Investment properties are properties held by the Company for the purpose of earning rentals or for capital appreciation. However, a portion of these properties is occupied for its own use. If each portion cannot be sold separately and cannot be leased out separately under a finance lease, the leased property is classified as investment property only if an insignificant portion is held for self-use.

(2) Significant Accounting Estimates and Assumptions

None.

6. Details of Significant Accounting Subjects

(1) Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
Cash on hand and working capital	\$ 60	\$ 67
Demand deposits and checking accounts	8,692	12,879
Cash Equivalents		
– Time deposits	227,339	271,338
	<u>\$ 236,091</u>	<u>\$ 284,284</u>

1. The financial institutions with which the Company is engaged with are of good credit standing, and the Company has contacts with a number of financial institutions to diversify credit risks, so the possibility of default is expected to be low.

2. The Company did not provide any cash and cash equivalents as collateral.

(2) Financial Assets at Amortized Cost

Item	December 31, 2023	December 31, 2022
Time deposits	<u>\$ 531,553</u>	<u>\$ -</u>

1. The financial institutions with which the Company is engaged with are of good credit standing, and the Company has contacts with a number of financial institutions to diversify credit risks, so the possibility of default is expected to be low.
2. Financial Assets at Amortized Cost:

Item	2023	2022
Interest income	\$ 25,280	\$ -

3. Without considering collateral or other credit enhancements, the maximum exposure to credit risk for financial assets held by the Company and measured at amortized cost as of December 31, 2023 and 2022 is \$531,553 and \$0, respectively.
4. The Company did not provide any financial assets measured at amortized cost as collateral.

(3) Notes and Accounts Receivable

	December 31, 2023	December 31, 2022
Notes Receivable	\$ 2,820	\$ -
Accounts Receivable	\$ 223,743	\$ 265,325
Accounts receivable - related parties	-	35,376
Less: Loss allowances	(68)	-
	<u>\$ 226,495</u>	<u>\$ 300,701</u>

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

	December 31, 2023	December 31, 2022
Not Past Due	<u>\$ 226,563</u>	<u>\$ 300,701</u>

The above aging schedule was based on the number of days past due from the end of the credit term.

2. The balances of accounts receivable (Including notes receivable) as of December 31, 2023 and 2022 all arose from customer contracts, and the balances of accounts receivable from customer contracts as of January 1, 2022 was \$405,071.
3. Without considering collateral or other credit enhancements, the maximum exposure to credit risk for the Company's notes receivable as of December 31, 2023 and 2022 is \$2,820 and \$0, respectively; the maximum exposure to credit risk for the Company's accounts receivable as of December 31, 2023 and 2022 is \$223,675 and \$300,701, respectively.
4. For relevant credit risk information, please refer to Note 12(2).

(4) Inventories

December 31, 2023

	Costs	Allowance for Inventory Impairment Loss	Carrying Amount
Inventory	<u>\$ 8,425</u>	<u>(\$ 122)</u>	<u>\$ 8,303</u>
December 31, 2022			
	Costs	Allowance for Inventory Impairment Loss	Carrying Amount
Inventory	<u>\$ 15,826</u>	<u>(\$ 9)</u>	<u>\$ 15,817</u>

Cost of inventories recognized by the Company as expense or loss:

	2023	2022
Cost of inventories sold	<u>\$ 424,469</u>	<u>\$ 700,539</u>
Loss from slow moving inventories and write-down (recovery benefit) (Note)	<u>113</u>	<u>(17)</u>
	<u>\$ 424,582</u>	<u>\$ 700,522</u>

Note: In 2022, the net realizable value rebounded due to the inventory depletion, resulting in a recovery benefit.

(5) Investments Accounted for Using the Equity Method

Subsidiary	December 31, 2023		December 31, 2022	
	Book Value	Shareholding Ratio (%)	Book Value	Shareholding Ratio (%)
Fortuna International Holdings Ltd	<u>\$ 1,549,103</u>	100	<u>\$ 1,724,313</u>	100
SmartGreen Solution Co., LTD	<u>184,658</u>	100	<u>46,021</u>	100
	<u>\$ 1,733,761</u>		<u>\$ 1,770,334</u>	

1. For information about the subsidiaries of the Company, please refer to Note 4(3) to the Consolidated Financial Statements of the Company for 2023.
2. On September 7, 2022, the Company invested in the establishment of SmartGreen Solution Co., LTD. Additionally, on June 28, 2023, the Company made a cash capital increase of \$150,000 to SmartGreen Solution Co., LTD. As of December 31, 2023, the paid-in capital amounted to \$200,000, with a 100% shareholding ratio.
3. The share of profit or loss from subsidiaries recognized by the Company using the equity method is evaluated based on the financial statements audited by CPAs for the same period. The details of the investment gains and losses recognized are as follows:

	2023	2022
Fortuna International Holdings Ltd	<u>(\$ 146,243)</u>	<u>\$ 2,850</u>
SmartGreen Solution Co., LTD	<u>(11,748)</u>	<u>(3,979)</u>
	<u>(\$ 157,991)</u>	<u>(\$ 1,129)</u>

(6) Property, Plant, and Equipment

2023									
	Land	Housing and Construction	Office Equipment			Other Equipment			Total
			Self-Occupied	For Leasing	Subtotal	Self-Occupied	For Leasing	Subtotal	
January 1									
Costs	\$ 64,213	\$ 56,857	\$ 779	\$ 2,571	\$ 3,350	\$ 3,626	\$ 2,744	\$ 6,370	\$ 130,790
Accumulated depreciation	<u>-</u>	<u>(21,799)</u>	<u>(656)</u>	<u>(428)</u>	<u>(1,084)</u>	<u>(2,296)</u>	<u>(367)</u>	<u>(2,663)</u>	<u>(25,546)</u>
	<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>	<u>\$ 105,244</u>
January 1	\$ 64,213	\$ 35,058	\$ 123	\$ 2,143	\$ 2,266	\$ 1,330	\$ 2,377	\$ 3,707	\$ 105,244
Addition	-	-	-	-	-	3,047	270	3,317	3,317
Reclassification (Note)	-	(24,990)	-	-	-	-	(61)	(61)	(25,051)
Depreciation expenses	<u>-</u>	<u>(1,088)</u>	<u>(40)</u>	<u>(429)</u>	<u>(469)</u>	<u>(403)</u>	<u>(471)</u>	<u>(874)</u>	<u>(2,431)</u>
December 31	<u>\$ 64,213</u>	<u>\$ 8,980</u>	<u>\$ 83</u>	<u>\$ 1,714</u>	<u>\$ 1,797</u>	<u>\$ 3,974</u>	<u>\$ 2,115</u>	<u>\$ 6,089</u>	<u>\$ 81,079</u>
December 31									
Costs	\$ 64,213	\$ 31,867	\$ 779	\$ 2,571	\$ 3,350	\$ 6,673	\$ 2,952	\$ 9,625	\$ 109,055
Accumulated depreciation	<u>-</u>	<u>(22,887)</u>	<u>(696)</u>	<u>(857)</u>	<u>(1,553)</u>	<u>(2,699)</u>	<u>(837)</u>	<u>(3,536)</u>	<u>(27,976)</u>
	<u>\$ 64,213</u>	<u>\$ 8,980</u>	<u>\$ 83</u>	<u>\$ 1,714</u>	<u>\$ 1,797</u>	<u>\$ 3,974</u>	<u>\$ 2,115</u>	<u>\$ 6,089</u>	<u>\$ 81,079</u>
2022									
	Land	Housing and Construction	Office Equipment			Other Equipment			Total
			Self-Occupied	For Leasing	Subtotal	Self-Occupied	For Leasing	Subtotal	
January 1									
Costs	\$ 64,213	\$ 56,857	\$ 677	\$ 2,571	\$ 3,248	\$ 6,607	\$ -	\$ 6,007	\$ 130,325
Accumulated depreciation	<u>-</u>	<u>(20,117)</u>	<u>(623)</u>	<u>-</u>	<u>(623)</u>	<u>(2,009)</u>	<u>-</u>	<u>(2,009)</u>	<u>(22,749)</u>
	<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>	<u>\$ 107,576</u>
January 1	\$ 64,213	\$ 36,740	\$ 54	\$ 2,571	\$ 2,625	\$ 3,998	\$ -	\$ 3,998	\$ 107,576
Addition	-	-	102	-	102	112	258	370	472
Reclassification	-	-	-	-	-	(2,493)	2,486	(7)	(7)
Depreciation expenses	<u>-</u>	<u>(1,682)</u>	<u>(33)</u>	<u>(428)</u>	<u>(461)</u>	<u>(287)</u>	<u>(367)</u>	<u>(654)</u>	<u>(2,797)</u>
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>	<u>\$ 105,244</u>
December 31									
Costs	\$ 64,213	\$ 56,857	\$ 779	\$ 2,571	\$ 3,350	\$ 3,626	\$ 2,744	\$ 6,370	\$ 130,790
Accumulated depreciation	<u>-</u>	<u>(21,799)</u>	<u>(656)</u>	<u>(428)</u>	<u>(1,084)</u>	<u>(2,296)</u>	<u>(367)</u>	<u>(2,663)</u>	<u>(25,546)</u>
	<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>	<u>\$ 105,244</u>

Note: Mainly transferred to Investment Property

- The significant components of the property, plant and equipment of the Company and their useful lives are as follows:

Item	Significant Components	Useful Life
Housing and Construction	Buildings, etc.	5-50 years
Office Equipment and Computer	Computer, etc.	3-5 years
Other Equipment	Air conditioning and interior decoration, etc.	3-5 years

2. Please refer to Note 8 for information on guarantees provided with property, plant and equipment.

(7) Lease Transactions - Lessee

1. Information on the items of gains or losses related to the lease contracts is as follows:

	2023	2022
Items Affecting Profit or Loss for the Period		
Expense Attributable to Short-Term Leases	\$ 23	\$ 23

2. In 2023 and 2022, the Company's total cash outflows from leases were both \$23.

(8) Lease Transactions - Lessor

1. The underlying assets leased by the Company are buildings. The terms of the lease contracts usually range from 1 to 5 years. To protect the usage of the leased assets, lessees are generally required not to use the leased assets as loan collateral.
2. In 2023 and 2022, the Company recognized rental income of \$14,471 and \$12,343, respectively, based on operating lease contracts, none of which were variable lease payments.
3. An analysis of the lease payment due dates for the Company's operating leases is as follows:

	December 31, 2023		December 31, 2022
2023	\$ 14,471	2022	\$ 12,343
2024	14,996	2023	12,339
2025	11,071	2024	9,601
2026	5,371	2025	5,339
2027	5,371	2026	-
2028 and thereafter	<u>2,686</u>	2027 and thereafter	<u>-</u>
	<u>\$ 53,966</u>		<u>\$ 39,622</u>

(9) Investment Property

	2023		
	Land	Housing and Construction	Total
January 1			
Costs	\$ 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>
January 1	\$ 196,787	\$ 106,174	\$ 302,961
Reclassification	-	24,990	24,990
Depreciation expenses	<u>-</u>	<u>(5,302)</u>	<u>(5,302)</u>
December 31	<u>\$ 196,787</u>	<u>\$ 125,862</u>	<u>\$ 322,649</u>
December 31			
Costs	\$ 196,787	\$ 168,980	\$ 365,767
Accumulated depreciation	<u>-</u>	<u>(43,118)</u>	<u>(43,118)</u>
	<u>\$ 196,787</u>	<u>\$ 125,862</u>	<u>\$ 322,649</u>
	2022		
	Land	Housing and Construction	Total
January 1			
Costs	\$ 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 expenses	<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			
Costs	\$ 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>

Note: Mainly transferred from Property, Plant, and Equipment

1. Rental income and direct operating expenses from investment properties:

	2023	2022
Investment properties on nature of borrowings	<u>\$ 14,471</u>	<u>\$ 12,343</u>
Investment properties generating rental income during the period		
Direct operating expenses incurred	<u>\$ 5,302</u>	<u>\$ 4,734</u>

2. The fair values of the Company's investment properties as of December 31, 2023 and 2022 were \$547,576 and \$441,266, respectively, which are Level 2 fair values based on the reasonable market prices at which willing buyers and sellers, who are well-informed of the real estate prices, would be willing to transact.
3. Please refer to Note 8 for information on guarantees provided with investment property.

(10) Short-Term Loans

Nature of Borrowings	December 31, 2023	December 31, 2022
Bank loan		
Credit Loans	\$ 595,000	\$ 575,000
Secured Loans	<u>100,000</u>	<u>290,000</u>
	<u>695,000</u>	<u>865,000</u>
Interest Rate	<u>1.70%-1.80%</u>	<u>1.44%-1.78%</u>

Please refer to Note 8 for information on the collateral provided for the bank loans mentioned above.

(11) Short-term Notes and Bills Payable

December 31, 2023: None.

Nature of Borrowings	December 31, 2022
Commercial papers payable	\$ 110,000
Less: Discount on short-term notes and bills payable	(<u>157</u>)
	<u>\$ 109,843</u>
Interest Rate	<u>1.35%-1.89%</u>

The aforementioned commercial papers payable of the Company were guaranteed by Mega Bills Finance Co., Ltd. and China Bills Finance Corporation.

(12) Other Payables

	December 31, 2023	December 31, 2022
Salaries payable and bouns	\$ 3,341	\$ 4,165
Service fee payable	1,946	1,526
compensation payable to directors	840	3,447
Interest payable	443	248
Employee compensation payable	-	2,607
Others	<u>4,074</u>	<u>1,508</u>
	<u>\$ 10,644</u>	<u>\$ 13,501</u>

(13) Financial Liabilities at Fair Value Through Profit or Loss

Item	December 31, 2023	December 31, 2022
Current:		
Financial liability held for trading		
Put and call rights of convertible bonds	\$ -	\$ 3,367
Assessment adjustment	<u>-</u>	<u>(1,251)</u>
	<u>\$ -</u>	<u>\$ 2,116</u>
Non-current:		
Financial liability held for trading		
Put and call rights of convertible bonds	\$ 1,150	\$ -
Assessment adjustment	<u>(50)</u>	<u>-</u>
	<u>\$ 1,100</u>	<u>-</u>

1. The Company recognized net gains (losses) of \$50 and (\$225) on financial liabilities held for trading in 2023 and 2022, respectively.
2. "For details on the Company's first issuance of secured convertible bonds and second issuance of unsecured convertible bonds, please refer to Note 6.

(14) Bonds Payable

	December 31, 2023	December 31, 2022
Bonds payable	\$ 249,900	\$ 8,200
Less: Discount on bonds payable	<u>(13,688)</u>	<u>(18)</u>
	236,212	8,182
Less: Current portion of bonds payable or bonds subject to put rights	<u>-</u>	<u>(8,182)</u>
	<u>\$ 236,212</u>	<u>\$ -</u>

1. The Company's first domestic unsecured convertible bonds.
 - (1) The issuance conditions for the Company's first domestic secured convertible bonds are as follows:
 - A. The Company was approved by the competent authority to issue its first domestic secured convertible bonds with a total issuance amount of \$510,000, a par value of \$100 per bond, a coupon rate of 0%, a maturity period of 3 years, and a circulation period from September 21, 2020 to September 21, 2023. The convertible bonds will be redeemed in cash at par value upon maturity. The convertible bonds were listed on the Taipei Exchange on September 21, 2020.
 - B. The bondholders may, except during the book closure period as specified in the relevant laws and regulations, request the Company's share registration agent to convert the bonds into the Company's ordinary shares at any time from the day after the three-month period following the issuance date (December 22, 2020) until the maturity date (September 21,

2023). The rights and obligations of the ordinary shares converted shall be the same as those of the Company's originally issued ordinary shares.

- C. The bondholders have the right to require the Company to redeem the convertible bonds at 101.0025% of the par value (equivalent to a 0.5% yield to put) upon the second anniversary of the issuance date.
- D. The initial conversion price of the convertible bonds was determined based on the pricing model stipulated in the Conversion Rules, with the initial conversion price set at NT\$38.9 per share. Subsequently, due to the Company's cash dividend distribution and cash capital increase for issuance of ordinary shares, the conversion price was adjusted to NT\$35.4 per share.
- E. If the closing price of the Company's ordinary shares exceeds 30% (inclusive) of the then-prevailing conversion price for 30 consecutive business days between the day after the three-month period following the issuance date (December 22, 2020) and the 40th day before the maturity date (August 12, 2023), or if the outstanding balance of the convertible bonds falls below 10% of the original issuance amount during the same period, the Company may redeem the bonds in cash at par value by giving a 30-day prior notice or anytime thereafter by sending a registered mail to the bondholders, requesting the Taipei Exchange to make a public announcement, and redeeming all outstanding bonds in cash at par value within five business days after the bond redemption record date.
- F. In accordance with the Conversion Rules, all convertible bonds redeemed (including those redeemed by securities firms), repaid or converted by the Company will be canceled and cannot be re-issued or re-sold, with all rights and obligations attached to the bonds extinguished.
- G. Upon issuance of the convertible bonds, in accordance with IAS 32 "Financial Instruments: Presentation", the Company separated the conversion rights component that meets the definition of equity from the liability components and recognized it as "capital surplus - share options" in the amount of \$17,023. Additionally, the embedded put and call rights, which are not closely related to the host debt instrument in terms of economic characteristics and risks as required by IFRS 9 "Financial Instruments", were separated and recognized at their net amount as "financial assets at fair value through profit or loss". After separation, the effective interest rate of the host debt instrument was 0.91%.
- H. As of December 31, 2023, convertible bonds with a face value of \$510,000 were converted into 12,924 thousand ordinary shares, with the change registration completed on November 2, 2023.

- I. Please refer to Note 8 for information on the collateral provided for the Company's first domestic secured convertible bonds
- (9) The issuance conditions for the Company's second domestic unsecured convertible bonds are as follows:
- A. The Company was approved by the competent authority to issue its second domestic unsecured convertible bonds with a total issuance amount of \$268,316, a par value of \$100 per bond, a coupon rate of 0%, a maturity period of 3 years, and a circulation period from July 4, 2023 to July 4, 2026. The convertible bonds will be redeemed in cash at par value upon maturity. The convertible bonds were listed on the Taipei Exchange on July 4, 2023.
 - B. The bondholders may, except during the book closure period as specified in the relevant laws and regulations, request the Company's share registration agent to convert the bonds into the Company's ordinary shares at any time from the day after the three-month period following the issuance date (October 5, 2023) until the maturity date (July 4, 2026). The rights and obligations of the ordinary shares converted shall be the same as those of the Company's originally issued ordinary shares.
 - C. The bondholders have the right to require the Company to redeem the convertible bonds at 101.0025% of the par value (equivalent to a 0.5% yield to put) upon the second anniversary of the issuance date.
 - D. The initial conversion price of the convertible bonds was determined based on the pricing model stipulated in the Conversion Rules, with the initial conversion price set at NT\$37.6 per share. Subsequently, due to the Company's cash dividend distribution, the conversion price was adjusted to NT\$36 per share.
 - E. If the closing price of the Company's ordinary shares exceeds 30% (inclusive) of the then-prevailing conversion price for 30 consecutive business days between the day after the three-month period following the issuance date (October 5, 2023) and the 40th day before the maturity date (May 25, 2026), or if the outstanding balance of the convertible bonds falls below 10% of the original issuance amount during the same period, the Company may redeem the bonds in cash at par value within five business days by giving a 30-day prior notice or anytime thereafter.
 - F. In accordance with the Conversion Rules, all convertible bonds redeemed (including those redeemed by securities firms), repaid or converted by the Company will be canceled and cannot be re-issued or re-sold, with all rights and obligations attached to the bonds extinguished.

- G. Upon issuance of the convertible bonds, in accordance with IAS 32 “Financial Instruments: Presentation”, the Company separated the conversion rights component that meets the definition of equity from the liability components and recognized it as “capital surplus - share options” in the amount of \$30,297. Additionally, the embedded put and call rights, which are not closely related to the host debt instrument in terms of economic characteristics and risks as required by IFRS 9 “Financial Instruments”, were separated and recognized at their net amount as “financial assets at fair value through profit or loss”. After separation, the effective interest rate of the host debt instrument was 2.26%.
- H. As of December 31, 2023, convertible bonds with a face value of \$100 were converted into 3 thousand ordinary shares, with the change registration completed on February 15, 2024.

(15) Pensions

1. (1) In accordance with the Labor Standards Act, the Company has formulated defined benefit pension plans, which apply to all formal employees with service years prior to July 1, 2005, the effective date of the Labor Pension Act, as well as employees who chose to continue applying the Labor Standards Act after the Labor Pension Act took effect for their subsequent service years. For employees who meet the retirement criteria, the pension payment is calculated based on service years and the average salary for the six months prior to retirement. For service years up to 15 years (inclusive), two base units are given for each year of service; for service years beyond 15 years, one base unit is given for each year of service, with a maximum of 45 base units. The Company contributes 2% of total salaries to a pension fund on a monthly basis, which is deposited in a designated account at the Bank of Taiwan under the supervision of the Pension Fund Monitoring Committee. Additionally, before the end of each fiscal year, the Company estimates the balance of the aforementioned pension fund account. If the balance is insufficient to pay the estimated pension payments for employees meeting the retirement criteria in the following year based on the above calculation, the Company will make a lump-sum contribution to cover the shortfall by the end of March of the following year.

- (2) The amounts recognized in the balance sheet are as follows:

	December 31, 2023	December 31, 2022
Fair value of plan assets	(\$ 2,892)	(\$ 2,804)
Net Defined Benefit Asset	(\$ 2,892)	(\$ 2,804)

(10) Changes in net defined benefit liability are as follows:

	2023		
	Present Value of a Defined Benefit Obligation	Fair Value of Plan Assets	Defined Benefit Liability
Balance as of January 1	\$ -	(\$ 2,804)	(\$ 2,804)
Interest expenses (revenue)	-	(37)	(37)
	<u>-</u>	<u>(2,841)</u>	<u>\$ 2,841</u>
Remeasurement Amount:			
Plan assets (excluding amounts included in net interest expense)	-	(51)	(51)
	-	(51)	(51)
Balance as of December 31	<u>\$ -</u>	<u>(\$ 2,892)</u>	<u>(\$ 2,892)</u>

	2022		
	Present Value of a Defined Benefit Obligation	Fair Value of Plan Assets	Defined Benefit Liability
Balance as of January 1	\$ 4,298	(\$ 6,217)	(\$ 1,919)
Interest expenses (revenue)	30	(45)	(15)
	<u>4,328</u>	<u>(6,262)</u>	<u>1,934</u>
Remeasurement Amount:			
Plan assets (excluding amounts included in net interest expense)	-	(442)	(442)
Effects of changes in financial assumptions	(131)	-	(131)
Experience adjustments	<u>392</u>	<u>-</u>	<u>392</u>
	<u>261</u>	<u>(442)</u>	<u>(181)</u>
Contributions to retirement fund	-	(689)	(689)
Pensions paid	(4,589)	<u>4,589</u>	-
Balance as of December 31	<u>\$ -</u>	<u>(\$ 2,804)</u>	<u>(\$ 2,804)</u>

(11) The Company's defined benefit pension fund is managed by the Bank of Taiwan in accordance with the regulations on the investment operations prescribed by the Labor Pension Fund Supervisory Committee, including investments in domestic and foreign securities as stipulated in the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund.

The minimum annual distribution of the fund's earnings should not be less than the interest rate for a 2-year time deposit with local banks. If there is any shortfall, it will be covered by the national treasury upon approval by the competent authority. Since the Company does not have the right to participate in the operation and management of the fund, it is unable to disclose the classification of plan assets fair value in accordance with paragraph 142 of IAS 19. Please refer to the annual labor pension fund utilization reports published by the government for the fair value of the total plan assets as of December 31, 2023 and 2022.

(12) The principal actuarial assumptions are summarized as follows:

2023	2022
-------------	-------------

Discount rate	1.28%	1.30%
Future salary increase rate	2.50%	2.50%

Assumptions for future mortality rates are based on the Actuarial Life Table of the Taiwan Life Insurance Industry with a 90% weighting.

An analysis of the impact of changes in the principal actuarial assumptions on the present value of the defined benefit obligation is as follows:

	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2023				
Impacts on present value of defined benefit obligation	\$ -	\$ -	\$ -	\$ -
	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Impacts on present value of defined benefit obligation	\$ -	\$ -	\$ -	\$ -

The above sensitivity analysis is based on a change in one assumption while all other assumptions remain constant. In practice, changes in some of the assumptions may be correlated. The sensitivity analysis is consistent with the method used to calculate the net pension liability on the balance sheet.

The method and assumptions used for the current period's sensitivity analysis are the same as those for the prior period.

(13) The Company's expected contributions to the defined benefit plans for 2024 are \$0.

(14) As of December 31, 2023, the weighted average duration of the defined benefit plans is 0 years. No future retirement benefits are expected to be paid.

- Since July 1, 2005, the Company has formulated a retirement method with defined contributions in accordance with the "Labor Pension Act", which is applicable to employees in Taiwan. Where the Company chooses to apply the labor pension system for their employees stipulated in the "Labor Pension Act", the labor pension shall be paid at 6% of the salary to the employee's personal account at the Labor Insurance Bureau. The employee's pension shall be paid on a monthly pension basis or on a lump sum basis according to the dedicated pension account and the amount of accumulated incomes. In 2023 and 2022, the Company's pension costs recognized by the above-mentioned pension method were \$734 and \$629 respectively.

(16) Share-Based Payment

- As of December 31, 2023, the Company's share-based payment arrangements are as follows:

Type of Arrangement	Grant date	Number of Shares Granted (in Thousands)	Contract Period	Vesting Conditions
Cash capital increase reserved for employee subscription	2023.03.06	1,000	N/A.	Immediately vested

- The above detail information of share-based payment arrangement are as follows:

	2023	
	Share option Quantity (thousand shares)	Exercise price (NT\$)
Outstanding options at beginning of period	-	\$ -
Options granted during the period	1,000	26.21
Options forfeited during the period	(185)	26.21
Options exercised during the period	(815)	26.21
Outstanding options at end of period	=	-
Exercisable options at end of period	=	-

- The Company used the Black-Scholes option pricing model to estimate the fair value of the share options granted for the cash capital increase reserved for employee subscription, with the relevant information as follows:

Type of Arrangement	Grant Date	Share Price (NT\$)	Exercise Price (NT\$)	Expected Fluctuation Rate	Expected Duration	Expected Dividends	Risk-Free Interest Rate	Fair Value Per Unit (NT\$)
Cash capital increase reserved for employee subscription	2023.03.06	37.90	26.21	37.97%	0.03 years	-	0.46%	11.69

- 2023 The share-based payment expenses for the period amounted to \$11,690.

(17) Capital Stock

- After being amended by the shareholders' meeting on May 26, 2022, the Company's authorized capital was \$2,000,000, divided into 200,000 thousand shares (including shares for employee share options and convertible bonds of 30,000 thousand shares). As of December 31, 2023, the Company's paid-in capital was \$1,065,520, with a par value of NT\$10 per share, and the share payments for all issued shares have been collected.

A reconciliation of the number of the Company's outstanding ordinary shares (in thousands) at the beginning and end of the period is as follows:

	<u>2023</u>	<u>2022</u>
January 1	93,221	92,318
Cash capital increase	10,000	-
Stock dividends	3,097	-
Conversion of convertible bonds	<u>234</u>	<u>903</u>
December 31	<u>106,552</u>	<u>93,221</u>

2. On December 14, 2022, the Company's Board of Directors approved a cash capital increase through the issuance of 10,000 thousand ordinary shares. On February 24, 2023, the Board of Directors further approved an issuance price of NT\$26.21 per share, with a total issuance amount of \$262,100. The base date for the capital increase was March 6, 2023, and the change registration for this capital increase was completed on April 7, 2023.
3. On May 30, 2023, the Company's shareholders' meeting approved the capitalization of \$30,966 from unappropriated earnings for the issuance of 3,097 thousand new shares. This capital increase case was approved by the Financial Supervisory Commission on June 27, 2023, with a base date of August 14, 2023, and the change registration was completed on August 29, 2023.
4. For details on the conversion of the Company's convertible bonds into ordinary shares, please refer to Note 6(14).

(18) Capital Surplus

In accordance with the provisions of the Company Act, in addition to being used to make up for losses, the surplus from the issuance of shares in excess of the par value and the capital reserves received from them can be issued with new shares or cash in proportion to the shareholders' existing shares when the Company has no accumulated losses. In addition, in accordance with the relevant regulations of the Securities and Exchange Act, when the above-mentioned capital reserve is allocated to increase the capital, the total increased amount shall not exceed 10% of the paid-in capital each year. The Company may not supplement its capital reserve unless surplus reserve is insufficient to cover its capital loss.

(19) Retained Earnings

1. In accordance with the Company's Articles of Incorporation, if there is a surplus in the Company's annual final accounts, taxes shall be paid first, accumulated losses shall be covered, and then 10% of the remaining amount shall be appropriated as legal reserve, but this shall not apply if the legal reserve has reached the total paid-in capital. Next, special reserves shall be set aside or reversed in accordance with laws or regulations of the competent authority. If there is still a surplus, it shall be added to the unappropriated earnings from previous periods, and the Board of Directors shall propose a distribution plan, which shall be approved by the shareholders' meeting if the distribution is to be made in the form of new share issuance.

The Company's dividend distribution policy takes into account the Company's current and future operating conditions, capital requirements, and long-term financial planning, with dividends distributed in the form of cash or stock dividends. Cash dividends shall account for no less than 10% of the total dividends distributed.

The company, in accordance with Paragraph 5, Article 240 of the Company Act, authorizes the board of directors, with the attendance of more than two-thirds of the directors and the approval of more than half of the attending directors, to distribute dividends, bonuses, or all or part of the statutory surplus reserve and capital reserve as stipulated in Paragraph 1, Article 241 of the Company Act, by way of cash payment, and report to the shareholders' meeting.

2. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks or distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.
3. In accordance with the regulations, the Group shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
4. On May 30, 2023, the shareholders' meeting approved the 2022 earnings distribution proposal as follows:

	2022	
	Amount	Dividends Per Share (NT\$)
Legal Reserve	\$ 6,640	
Cash Dividends	51,611	\$ 0.5
Stock Dividends	30,966	0.3
	<u>\$ 89,217</u>	

The above 2022 earnings distribution was consistent with the Board of Directors' proposal.

5. On April 17, 2023, the Board of Directors proposed to reverse the special reserve of \$32,212, which was approved by the shareholders' meeting on May 30, 2023, with no discrepancy from the Board's proposal.
6. The shareholders' meeting on May 26, 2022 resolved not to distribute 2021 earnings due to considerations for the Group's future operations and capital needs. The meeting also approved the 2021 earnings appropriation as follows:

2021
Amount

Legal Reserve	\$	2,240
Special Reserve		<u>2,445</u>
	\$	<u>4,685</u>

The above 2022 earnings appropriation was consistent with the Board of Directors' proposal.

- As of February 27, 2024, the Board of Directors has not proposed the 2023 deficit compensation plan.

(20) Operating Revenue

	<u>2023</u>	<u>2022</u>
Revenue from Contracts with Customers		
- Revenue from sale of goods	\$ 432,925	\$ 731,384
Others		
- Lease service revenue	14,471	12,343
- Authorized customer service revenue	<u>-</u>	<u>34,498</u>
	<u>\$ 447,396</u>	<u>\$ 778,225</u>

- Disaggregation of revenue from Contracts with Customers

The Company's revenue is derived from the transfer of goods at a point in time and services rendered over time.

- Contract Liabilities

The contract liabilities in relation to revenue from contracts with customers recognized by the Company are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Revenue From Contracts with Customers			
- Advance Receipts for Lease Services	<u>\$ 2,852</u>	<u>\$ -</u>	<u>\$ -</u>

- Contract Liabilities

In 2023 and 2022, there were no situations where revenue was recognized from beginning contract liabilities.

(21) Other Non-Operating Income and Expenses

	<u>2023</u>	<u>2022</u>
Foreign Exchange Gains	<u>\$ 12,276</u>	<u>\$ 64,321</u>

(22) Other Gains or Losses

	2023	2022
Gain (Loss) on financial assets at fair value through profit or loss	\$ <u>50</u>	(\$ <u>225</u>)

(23) Financial cost

	2023	2022
Interest expenses – Bank Loans	\$ 12,760	\$ 9,958
Interest Expenses – Amortization of Corporate Bond Discounts	<u>2,679</u>	<u>205</u>
	<u>\$ 15,439</u>	<u>\$ 10,163</u>

(24) Employee Benefits, Depreciation and Amortization Expenses

Property \ Function	2023			2022		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee Benefits Expenses						
Salary Expenses	\$ -	\$ 31,245	\$ 31,245	\$ -	\$ 18,666	\$ 18,666
Expenses for Labor and Health Insurance	-	1,162	1,162	-	988	988
Pension Expenses	-	697	697	-	614	614
Remuneration Paid to Directors	-	1,044	1,044	-	3,649	3,649
Other Employee Benefits	-	670	670	-	810	810
Depreciation Expenses (Note 1)	-	7,733	7,733	-	7,531	7,531
Amortization Expenses	-	188	188	-	39	39

Note 1: Including depreciation of investment properties of \$5,302 and \$4,734 in 2023 and 2022, respectively.

Note 2: As of December 31, 2023 and 2022, the Company's average number of employees was 16 and 17, respectively, of which the number of non-executive directors was 5 in both years. The Company's average employee benefit expenses in 2023 and 2022 were \$3,070 and \$1,757, respectively; The Company's average employee salary expenses in 2023 and 2022 were \$2,840 and \$1,556, respectively, with an 83% adjustment in average employee salary expenses.

Note 3: The Company's compensation policies:

(1) For executive directors, managers and employees:

- A. Salary policy: The salary standards for all employees of the Company are determined based on the Company's operating conditions, as well as with reference to price levels, industry salary trends, etc.
- B. Bonus policy: The Company's bonus distribution is based on the Company's overall operating performance and individual performance contributions.

(15) Remuneration Paid to Directors:

- A. The Company calculates directors' remuneration at no more than 3% of the profit before tax after deducting the provision for employee and director remuneration, if there is any remaining balance after making up for losses in the current year.
- B. Directors' remuneration is distributed proportionately based on each director's level of participation in the Company's operations, contributions, and attendance, using a weighted approach.

(16) Employee Compensation:

- A. The Company calculates employee remuneration at no less than 1% of the profit before tax after deducting the provision for employee and director remuneration, if there is any remaining balance after making up for losses in the current year.
 - B. Employee remuneration is determined by the Chairman based on factors such as the employees' position levels, seniority, work performance, appraisal results, dedication, overall contributions, and special achievements, with discretion to increase or decrease the remuneration amount.
1. According to the Company's Articles of Incorporation, the Company shall contribute no less than 1% as the remuneration of employees and no more than 3% as the remuneration of directors if there is any balance after deducting the accumulated losses according to the profit status of the current year.
 2. The estimated employee remuneration for 2023 and 2022 was \$0 and \$2,607, respectively (including \$0 and \$1,894, respectively, allocated by the Company to its subsidiaries' employees). The estimated amounts of director remuneration were \$0 and \$2,607, respectively, and the aforementioned amounts were charged to the remuneration expenses.

In 2023, employee and director remuneration were estimated based on the profitability for the year and the ratio stipulated in the Company's Articles of Incorporation. Due to the pre-tax loss in 2023, the Company did not estimate employee and director remuneration.

The employee and director remuneration resolved by the Board of Directors were consistent with the amounts recognized in the 2022 financial statements.

3. Information on employee remuneration and director remuneration approved by the Board of Directors and Supervisors of the Company is available at the Market Observation Post System.

(25) Income Tax

1. Income tax (benefits) expenses

(1) Components of income (benefits) tax expenses:

	<u>2023</u>	<u>2022</u>
Current Income Tax:		
Income Tax Incurred in Current Period	\$ 870	\$ 16,069
Surtax On Unappropriated Earnings	470	886
Prior Years' Income Tax Overestimated	(2,150)	-
Deferred Income Tax:		
Relating to Origination and Reversal of Temporary Differences	(<u>3,074</u>)	<u>870</u>
Income Tax (Benefit) Expenses	(<u>\$ 3,884</u>)	<u>\$ 17,825</u>

(17) Income tax related to components of other comprehensive income

	<u>2023</u>	<u>2022</u>
Remeasurements of defined benefit plan	(<u>\$ 10</u>)	(<u>\$ 36</u>)

2. The relationship between income tax (benefits) expense and accounting profit

	<u>2023</u>	<u>2022</u>
Income Tax Calculated at Statutory Rate	(\$ 33,793)	\$ 16,714
Tax Effects of Adjustments in Accordance with Tax Regulations	31,589	225
Surtax on Unappropriated Earnings	470	886
Prior Years' Income Tax Overestimation	(<u>2,150</u>)	<u>-</u>
Income Tax (Benefits) Expenses	(<u>\$ 3,884</u>)	<u>\$ 17,825</u>

3. The amount of each deferred tax asset or liability arising from the temporary difference is as follows:

2023				
	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Net Income	December 31
Temporary Differences:				
- Deferred income tax assets:				
Allowance for bad debts	\$ 403	\$ -	\$ -	\$ 403
Unrealized inventory and write-down	2	22	-	24
Unrealized losses on exchange	1,154	2,022	-	3,176
Unpaid vacation bonus	93	43	-	136
Cumulative translation adjustment	16,356	-	-	16,356
Tax difference on convertible bonds	<u>-</u>	<u>113</u>	<u>-</u>	<u>113</u>
	<u>18,008</u>	<u>2,200</u>	<u>-</u>	<u>20,208</u>
- Deferred income tax liabilities:				
Gains on long-term equity investments in foreign entities	(90,469)	-	-	(90,469)
Unrealized gains from disposal of property, plant, and equipment	(170)	170	-	-
Remeasurements of defined benefit plans	(690)	(8)	(10)	(708)
Tax difference on convertible bonds	(<u>712</u>)	<u>712</u>	<u>-</u>	<u>-</u>
	(<u>92,041</u>)	<u>874</u>	(<u>10</u>)	(<u>91,177</u>)
	(<u>\$ 74,033</u>)	<u>\$ 3,074</u>	(<u>\$ 10</u>)	(<u>\$ 70,969</u>)
2022				
	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Net Income	December 31
Temporary differences:				
- Deferred income tax assets				
Allowance for doubtful accounts in excess of tax limit	\$ 403	\$ -	\$ -	\$ 403
Unrealized inventory and write-down	5	(3)	-	2
Unrealized losses on exchange	1,854	(700)	-	1,154
Unpaid 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 income tax liabilities:				
Gains on long-term equity investments in foreign entities	(90,469)	-	-	(90,469)
Unrealized gains from disposal of property, plant, and equipment	(460)	290	-	(170)
Remeasurements of defined benefit plans	(513)	(141)	(36)	(690)
Tax difference on convertible bonds	(<u>448</u>)	(<u>264</u>)	<u>-</u>	(<u>712</u>)
	(<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>)

4. The effective periods of the Company's unused tax losses and the relevant amounts of unrecognized deferred tax assets on December 31, 2023 and 2022 are as follows:

December 31, 2023: None.

December 31, 2022				
Year	Estimated Amount	Unused Amount	Unrecognized Deferred Tax Assets	Usable until Year
2021	\$ 11,853	\$ 11,853	\$ 11,853	2031

5. The Company's profit-seeking enterprise income tax has been approved by the tax authorities through 2020.

(26) Earnings per Share

2023			
	After-Tax Amount	Weighted Average Number of Outstanding Shares (Thousand Shares)	Deficit Per Share (NT\$)
Basic Deficit Per Share			
Current net loss attributable to common shareholders of the parent	(\$ 165,079)	104,622	(\$ 1.58)
Diluted Deficit Per Share			
Current net loss attributable to common shareholders of the parent	(\$ 165,079)	104,622	
Convertible bonds	-	-	
Current net loss attributable to common shareholders of the parent	(\$ 165,079)	104,622	(\$ 1.58)
2022			
	After-Tax Amount	Retrospective Adjustment Number of Outstanding Shares (Thousand Shares)	Deficit Per Share (NT\$)
Basic Earnings per Share			
Profit attributable to common shareholders of the parent	\$ 65,746	95,859	\$ 0.69
Diluted Earnings Per Share			
Profit attributable to common shareholders of the parent	\$ 65,746	95,859	
Convertible bonds	164	675	
Profit attributable to common shareholders of the parent plus effect of potential common shares	\$ 65,910	96,534	\$ 0.68

1. If employee remuneration is distributed in the form of shares, there would be no material impact on the Company's 2023 and 2022 parent company only financial statements or earnings per share.

2. Due to the anti-dilutive effect of convertible bonds in 2023, they are not included in the calculation.
3. The above-mentioned retrospective adjustment of the number of outstanding shares in 2023 had been retrospectively adjusted in accordance with the ratio of surplus to capital increase in 2022.

(27) Changes in Liabilities Arising from Financing Activities

2023				
	Short-Term Loans	Short-Term Notes and Bills Payable	Bonds Payable	Total Liabilities Arising From Financing Activities
January 1	\$ 865,000	\$ 109,843	\$ 8,182	\$ 983,025
Change in cash flows from financing activities	(170,000)	(109,843)	265,093	(14,750)
Other non-cash changes	-	-	(37,063)	(37,063)
December 31	<u>\$ 695,000</u>	<u>\$ -</u>	<u>\$ 236,212</u>	<u>\$ 931,212</u>
2022				
	Short-Term Loans	Short-Term Notes and Bills Payable	Bonds Payable	Total Liabilities Arising From Financing Activities
January 1	\$ 732,000	\$ 149,932	\$ 42,055	\$ 923,987
Change in cash flows from financing activities	133,000	(40,089)	-	92,911
Other non-cash changes	-	-	(33,873)	(33,873)
December 31	<u>\$ 865,000</u>	<u>\$ 109,843</u>	<u>\$ 8,182</u>	<u>\$ 983,025</u>

7. Related Party Transactions

(1) Names and relations of related parties

Related Party	Relationship with the Company
Fortuna International Holdings Ltd (Fortuna)	Subsidiary
SmartGreen Solution Co., LTD (SmartGreen)	Subsidiary
Hotron Precision Electronic Industrial(Suzhou) Co., Ltd. (Hotron Suzhou)	Second-tier Subsidiary
Hotlink Company Limited (Hotlink)	Second-tier Subsidiary
Hotron Precision Electronic Industrial(Vietnam) Co., Ltd. (Hotron Vietnam)	Second-tier Subsidiary

(2) Significant transactions with related party

1. Operating revenue

	2023	2022
Others:		
Hotlink	\$ 5,405	\$ 40,631
SmartGreen	<u>2,492</u>	<u>828</u>
	<u>\$ 7,897</u>	<u>\$ 41,459</u>

Other items are related to rental income received from related parties.

2. Purchase of goods

	<u>2023</u>	<u>2022</u>
Purchases of goods:		
Hotron(Suzhou)	\$ <u>416,832</u>	\$ <u>707,553</u>

Goods were purchased from related parties under normal commercial terms and conditions.

3. Receivables from related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
Hotlink	\$ <u>-</u>	\$ <u>35,376</u>

The receivables from Hotlink are mainly derived from the royalties received by the Company for authorizing Hotlink to sell goods to the Company's original customers (hereinafter referred to as "authorized customer royalties"). The authorized customer royalties will be calculated based on 4.53% of Hotlink's net revenue from sales to the authorized customers in 2022, and will be calculated starting from the year in which Hotlink's transactions with the authorized customers occurred. As of December 31, 2023, the aforementioned amounts have been fully paid.

4. Prepayments (recorded as prepayments)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Hotron (Suzhou)	\$ <u>-</u>	\$ <u>369,675</u>

5. Payables to related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts Payable:		
Hotron (Suzhou)	\$ <u>4,098</u>	\$ <u>-</u>

6. Recognized as refundable deposits r(recognized as other non-current liabilities)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Hotlink	\$ 500	\$ 500
SmartGreen	<u>500</u>	<u>500</u>
	<u>\$ 1,000</u>	<u>\$1,000</u>

7. Acquisition of financial assets

2023				
	Accounting Subject	Trading Shares	Trading Subject	Price Acquisition
The Company	Investments Accounted for Using the Equity Method	15,000,000	SmartGreen	\$ 150,000
2022				
	Accounting Subject	Trading Shares	Trading Subject	Price Acquisition
The Company	Investments Accounted for Using the Equity Method	5,000,000	SmartGreen	\$ 50,000

8. Financing provided to related parties

Make loans to related parties:

(1) Interest income:

	2023	2022
Subsidiary	\$ -	\$ 10

The loan terms for subsidiaries in 2022 were one-time repayment upon maturity, with interest charged at annual rates of 0.83% to 2.00%.

9. Endorsements/guarantees provided by related parties

	December 31, 2023	December 31, 2022
Fortuna	\$ 61,410	\$ 122,840
Hotron(Vietnam)	309,640	184,260
Hotlink	80,000	36,000
Hotron(Suzhou)	501,355	399,230
	<u>\$ 952,405</u>	<u>\$ 742,330</u>

(3) Information on Remuneration to the Management

	2023	2022
Short-Term Employee Benefits	\$ 11,998	\$ 12,009
Business Execution Fees	840	840
	<u>\$ 12,838</u>	<u>\$ 12,849</u>

8. Pledged Assets

The details of the guarantee provided for the assets of the Company are as follows:

Asset Name	Book Value		Purpose of Guarantee
	December 31, 2023	December 31, 2022	
Property, Plant, and Equipment			
Land	\$ 64,213	\$ 64,213	Bank loan facilities and collateral for bond issuance (Note)
Housing and Construction	8,980	35,058	Bank loan facilities and collateral for bond issuance (Note)
Investment Property			
and	196,787	196,787	Bank loan facilities and collateral for bond issuance (Note)
Housing and Construction	<u>125,862</u>	<u>106,174</u>	Bank loan facilities and collateral for bond issuance (Note)
	<u>\$ 395,842</u>	<u>\$ 402,232</u>	

Note: As of December 31, 2023, the Company's assets are no longer pledged as collateral for the issuance of corporate bonds.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

None.

(2) Commitments

- As of December 31, 2023 and 2022, the guarantee notes issued by the Company for applying for import letter of credit facilities were both \$100,000.
- As of December 31, 2023 and 2022, the guarantee notes issued by the Company for the issuance of its first domestic secured convertible bonds were \$0 and \$507,538, respectively.
- Details of the endorsement/guarantee amounts provided by the Company to related parties to obtain bank loan facilities are as follows:

Endorsee/Guarantee	December 31, 2023	December 31, 2022
Fortuna International Holdings Ltd	\$ 61,410 (2,000 US\$ thousand)	\$ 122,840 (4,000 US\$ thousand)
Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	\$ 501,355 (13,000 US\$ thousand and 20,000 RMB\$ thousand)	\$ 399,230 (13,000 US\$ thousand)
Hotlink Company Limited	\$ 80,000	\$ 36,000
Hotron Precision Electronic Industrial(Vietnam) Co., Ltd.	\$ 309,640 (10,000 US\$ thousand)	\$ 184,260 (6,000 US\$ thousand)

10. Significant Disaster Loss

None.

11. Significant Events After the Balance Sheet Date

To support the Group's operational expansion, develop new energy product businesses, and accommodate long-term business development needs, the Company's Board of Directors resolved on January 11, 2024 to acquire 36 land parcels numbered 1500, Dayinsan Section, Sanxing Township, Yilan County, and the buildings thereon from Tung Hsing Technology Corporation (hereinafter referred to as "Tung Hsing Corporation") at an expected acquisition cost of approximately \$520,000. However, the Company will proceed with the subsequent payment in accordance with the agreement after Tung Hsing Corporation obtains the building use permit for the plant expansion and completes the change of land use.

12. Others

(1) Capital Management

The Company's capital management objectives are to ensure that the Company can continue to operate as a going concern, maintain an optimal capital structure to reduce capital costs, and provide remunerations to shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors its capital using the debt-to-equity ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' reported in the balance sheet plus net debt.

In 2023, the Company's strategy remained the same as in 2022, aiming to maintain a debt-to-equity ratio below 50%. The Company's debt-to-equity ratios as of December 31, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Total loans	\$ 931,212	\$ 983,025
Less: Cash and cash equivalents	(236,091)	(284,284)
Net debt	695,121	698,741
Total equity	2,132,041	2,062,831
Total capital	\$ 2,827,162	\$ 2,761,572
Debt-to-equity ratio	24.59%	25.30%

(2) Financial Instruments

1. Category of Financial Instruments

The Company's financial assets classified as measured at amortized cost under IFRS 9 as of December 31, 2023 and 2022 (including cash and cash equivalents, financial

assets at amortized cost, notes receivable, accounts receivable (including related parties), other receivables, and refundable deposits) were \$1,005,665 and \$586,619, respectively, and the carrying amounts of financial liabilities classified as measured at amortized cost (including short-term loans, short-term notes and bills payable, accounts payable - related parties, other payables, bonds payable (including current portion), and guarantee deposits received) were \$949,005 and \$998,621, respectively.

2. Management Policies

(1) The Company's daily operations are exposed to various financial risks, including market risk (comprising foreign exchange risk and interest rate risk), credit risk, and liquidity risk. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

(18) Risk management is carried out by the Finance Department of the Company in accordance with the policies approved by the Board of Directors. The Company's Finance Department is responsible for identifying, assessing and avoiding financial risks through close cooperation with the Company's operating units. The Board of Directors has established written principles for overall risk management and written policies on specific areas and issues, such as exchange rate risk, interest rate risk, credit risk, and the investment of surplus working capital.

3. The natures and extents of material financial risks

(1) Market Risks

Foreign Exchange Risk

A. The Company's business involves certain non-functional currencies. The Company's business involves certain non-functional currencies. Information on foreign currency assets and liabilities affected by fluctuations is as follows:

(Foreign Currency: Functional Currency)	December 31, 2023		
	Foreign Currency (NT\$ thousand)	Exchange Rate	Carrying Amount (NT\$)
Financial Assets			
Monetary Items			
US\$: NT\$	\$ 32,330	30.7050	\$ 992,693
Non-Monetary Items			
Investments Accounted for Using the Equity Method			

US\$: NT\$	50,451	30.7050	1,549,103
December 31, 2022			
(Foreign Currency: Functional Currency)	Foreign Currency (NT\$ thousand)	Exchange Rate	Carrying Amount (NT\$)
Financial Assets			
Monetary Items			
US\$: NT\$	\$ 18,817	30.7100	\$ 577,870
Non-Monetary Items			
Investments Accounted for Using the Equity Method			
US\$: NT\$	56,148	30.7100	1,724,313

- B. The Company's monetary items are significantly affected by exchange rate fluctuations, and the total foreign exchange gains (including realized and unrealized) recognized in 2023 and 2022 were \$12,276 and \$64,321, respectively.
- C. The foreign currency market risk analysis of the Company due to significant exchange rate fluctuations is as follows:

2023			
Sensitivity Analysis			
(Foreign Currency: Functional Currency)	Range of Change	Effect on Profit and Loss	Effect on Other Comprehensive Income
Financial Assets			
Monetary Items			
US\$: NT\$	10%	\$ 99,269	\$ -
Non-Monetary Items			
Investments Accounted for Using the Equity Method			
US\$: NT\$	10%	-	154,910
2022			
Sensitivity Analysis			
(Foreign Currency: Functional Currency)	Range of Change	Effect on Profit and Loss	Effect on Other Comprehensive Income
Financial Assets			
Monetary Items			
US\$: NT\$	10%	\$ 57,787	\$ -
Non-Monetary Items			
Investments Accounted for Using			

the Equity Method			
US\$: NT\$	10%	-	172,431

Cash Flow and Fair Value Interest Rate Risk

- A. The Company's interest rate risk arises from bank borrowings. Borrowings issued at floating rates expose the Company to cash flow interest rate risk. This risk is partially offset by cash and cash equivalents held at floating rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.
- B. The Company simulates multiple scenarios and analyzes interest rate risk, considering refinancing, renewals of existing positions, alternative financing, and hedging options to calculate the impact of specific interest rate changes on profit or loss. For each simulation scenario, the same interest rate change is applied across all currencies. These simulation scenarios are applied only to significant interest-bearing liability positions.
- C. If interest rates on borrowings had increased/decreased by 1%, with all other variables held constant, the Company's post-tax net profit for 2023 and 2022 would have decreased/increased by \$5,560 and \$7,799, respectively.

(19)Credit Risk

- A. The Company's credit risk is the risk of financial loss to the Company due to the failure of the customer or counterparty to a financial instrument to perform its contractual obligations, mainly arising from the counterparty's inability to pay off the notes and accounts receivable based on collection terms and financial assets classified as measured at amortized cost.
- B. The Company establishes credit risk management from a Company perspective. For banks and financial institutions, only those with an independent credit rating of good standing can be accepted as transaction counterparties. According to the internal credit policy, each operating entity and each new customer within the Company must conduct management and credit risk analysis before setting the terms and conditions for payment and delivery. Internal risk control is to assess the credit quality of customers by taking into account their financial status, past experience and other factors. Individual risk limits are set by the Board of Directors based on internal or external ratings, and the use of credit lines is regularly monitored.
- C. The Company adopts the following presumptions under IFRS 9 as the basis for determining whether credit risk has increased significantly since initial recognition for financial instruments:

When the contract payment is overdue for more than 30 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the original recognition.

- D. The Company adopts the presumption under IFRS 9 that a default occurs when the contractual payments are more than 90 days past due, unless some or all of the amount is still subject to enforcement activity or has been renegotiated.
- E. Due to the good collection status of accounts with counterparties, the Company adopts a probability of default method to estimate expected credit losses.
- F. After exhausting recovery procedures, the Company writes off the amount of financial assets that cannot be reasonably expected to be recovered, but the Company continues to engage in legal proceedings to preserve its claim rights.
- G. The Company incorporates forward-looking considerations from statistical authorities and adjusts loss rates established based on historical and current information over specific periods to estimate allowances for notes receivable and accounts receivable. The expected loss situation as of December 31, 2023 and 2022 is as follows:

	Not Past Due
December 31, 2023	
Expected loss rate	0.03%
Total book value	\$ 226,563
Loss allowances	68
	Not Past Due
December 31, 2022	
Expected loss rate	0.03%
Total book value	\$ 300,701
Loss allowances	-

- H. The Table of Changes in Allowance Losses of Accounts Receivable (Including Related Parties) that the Company adopts a simplified practice is as follows:

	2023
	Accounts Receivable
January 1	\$ -
Provision for impairment loss	68
December 31	<u>\$ 68</u>
	2022

	<u>Accounts Receivable</u>
January 1	\$ 632
Amounts written off as not collectible	(<u>632</u>)
December 31	<u>\$ -</u>

(20) Liquidity risk

- A. Cash flow forecasting is performed by each operating entity of the Company and compiled by the Company's Finance Department. The Company's Finance Department monitors rolling forecasts of the Company's working capital requirements to ensure it has sufficient cash to meet operational needs and maintaining sufficient unutilized borrowing facilities at all times, so as to prevent the Company from breaching the relevant borrowing limits or terms.
- B. Any remaining cash held by the operating entities, in excess of the balance required for managing working capital, is transferred to the Company's Finance Department. The Company's Finance Department then invests the remaining funds in interest-bearing demand deposits and time deposits, selecting instruments with appropriate maturities or sufficient liquidity to provide adequate liquidity levels.
- C. Details of the Company's unutilized borrowing facilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating Interest Rate		
Current Portion	\$ <u>1,023,943</u>	\$ <u>1,028,225</u>

- D. The Company's non-derivative financial liabilities are grouped by relevant maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date.

Except for the maturity analysis of bonds payable and guarantee deposits received as detailed in the following table, the maturity dates of the Company's non-derivative financial liabilities (including short-term loans and short-term notes and bills payable) are all within one year as of December 31, 2023 and 2022. The contractual cash flows disclosed in the following table are undiscounted amounts.

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Due Within 1 Year</u>	<u>Due After 1 Year</u>	<u>Due Within 1 Year</u>	<u>Due After 1 Year</u>
Bonds payable	\$ -	\$ 249,900	\$ 8,200	\$ -
Guarantee deposits received	-	3,051	-	2,095

- E. The Company does not expect that the timing of the cash flows for the maturity analysis will occur significantly earlier, or that the actual amounts will be significantly different.

(3) Information on Fair Value

- The levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date. An active market is one in which transactions of assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Direct or indirect observable inputs for assets or liabilities other than those included in quoted prices in Level 1. The fair value of the Company's convertible bonds payable falls into this category.

Level 3: An unobservable input for an asset or liability.

- For information on the fair value of investment properties measured at cost, please refer to Note 6(9).

- Financial instruments not measured at fair value

- Except the subjects on the list, carrying amounts of cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable (including related parties), other receivables, short-term borrowings, short-term notes payable, accounts receivable - related parties and other payables are reasonable approximations of fair value:

December 31, 2023				
		Fair value		
Carrying Amount		Level 1	Level 2	Level 3
Financial liabilities:				
Convertible bonds payable	\$ 236,212	\$ -	\$ 238,255	\$ -
December 31, 2022				
		Fair value		
Carrying Amount		Level 1	Level 2	Level 3
Financial liabilities:				
Convertible bonds payable	\$ 8,182	\$ -	\$ 8,122	\$ -

- The methods and assumptions used to estimate fair value are as follows:

Convertible bonds payable Measured at present value calculated using the average yield rate over the approximate duration of the convertible bonds based

on the Taipei Exchange's twAAA corporate bond reference rate, and this average yield rate is used as the reference for the risk discount rate.

4. Financial and non-financial instruments measured at fair value are classified by the Company on the basis of the nature, characteristics and risks of the assets and liabilities and the level of fair value. The relevant information is as follows:

- (1) The Company classifies assets and liabilities by nature, with relevant information as follows:

December 31, 2023	Level 1	Level 2	Level 3	Total
Liabilities				
Recurring Fair Value Measurement				
Financial liabilities at fair value through profit or loss				
Interest and call rights of convertible bonds	\$ -	\$ -	\$ 1,100	\$ 1,100
December 31, 2022	Level 1	Level 2	Level 3	Total
Liabilities				
Recurring Fair Value Measurement				
Financial liabilities at fair value through profit or loss				
Interest and call rights of convertible bonds	\$ -	\$ -	\$ 2,116	\$ 2,116

- (2) The methods and assumptions used by the Company to measure fair value are described below:

- A. When evaluating non-standardized and relatively simple financial instruments, such as debt instruments without an active market, the Company adopts valuation techniques widely used by market participants. The parameters used in the valuation models for these financial instruments are typically observable market information.
- B. The outputs of valuation models are estimated values, and the valuation techniques may not fully reflect all relevant factors of the financial and non-financial instruments held by the Company. Therefore, the estimated values from the valuation models are appropriately adjusted for additional parameters, such as model risk or liquidity risk. Based on the Company's fair value valuation model management policies and related control procedures, management believes that the fair value adjustments are appropriate and necessary to reasonably represent the fair values of financial and non-financial instruments in the parent company only balance sheets. The price information and parameters used in the valuation process are carefully assessed and appropriately adjusted based on current market conditions.

5. In 2023 and 2022, there was no transfer between Level 1 and Level 2.

6. The following table presents the movements of Level 3 fair values in 2023 and 2022:

	2023	2022
	Derivative	Derivative
January 1	(\$ 2,116)	(\$ 1,811)
Issued in current period	(1,150)	-
Converted in current period	(1)	(80)
Decrease	2,117	-
Gains Losses recognized in profit or loss	<u>50</u>	(<u>225</u>)
December 31	(\$ <u>1,100</u>)	(\$ <u>2,116</u>)
Ending balance Changes in unrealized gains (losses) on assets/liabilities held at end of period and included in profit or loss for the period (Note)	<u>\$ 50</u>	(<u>\$ 225</u>)

Note: Recognized as other gains and losses.

7. There was no transfer in or out from Level 3 in 2023 and 2022.
8. For fair value measurements categorized within Level 3, the Company's valuation process is conducted by the Finance Department using expert valuation reports and independent source data to ensure that the valuation results approximate market conditions, the data sources are independent, reliable, and consistent with other sources, and represent executable prices, to ensure the reasonableness of the valuation results.
9. For fair value measurements categorized within Level 3, the Company's valuation process is conducted by the Finance Department using expert valuation reports and independent source data to ensure that the valuation results approximate market conditions, the data sources are independent, reliable, and consistent with other sources, and represent executable prices, to ensure the reasonableness of the valuation results.

	Fair Value of December 31, 2023	Valuation Technique	Significant Unobservable Input Value	Range (Weighted Average)	Relationship Between Input Value And Fair Value
Put and call rights of convertible bonds	(\$ 1,100)	Binomial convertible bond valuation model	Stock price volatility	32.61%	The higher the stock price volatility, the greater the fluctuation in fair value.
	Fair Value of December 31, 2022	Valuation Technique	Significant Unobservable Input Value	Range (Weighted Average)	Relationship Between Input Value And Fair Value
Put and call rights of convertible bonds	(\$ 2,116)	Binomial convertible bond valuation model	Stock price volatility	47.15%	The higher the stock price volatility, the greater the fluctuation in fair value.

10. The Company selects the evaluation model and evaluation parameters after careful evaluation, but the use of different evaluation models or evaluation parameters may lead to different evaluation results. For financial assets classified as Level 3, if the evaluation parameters change, the impacts on the current profit or loss or other comprehensive income are as follows:

			December 31, 2023			
			Recognized In Profit or Loss		Recognized in Other Comprehensive Income	
	Input Value	Change	Favorable Change	Unfavorable Change	Favorable Change	Unfavorable Change
Financial Liabilities						
Put and call rights of convertible bonds	Fluctuation rate	±5	\$ 150	(\$ 50)	\$ -	\$ -

			December 31, 2022			
			Recognized In Profit or Loss		Recognized in Other Comprehensive Income	
	Input Value	Change	Favorable Change	Unfavorable Change	Favorable Change	Unfavorable Change
Financial Liabilities						
Put and call rights of convertible bonds	Fluctuation rate	±5	\$ -	(\$ 1)	\$ -	\$ -

13. Supplementary Disclosures

The following information on investee companies has been eliminated in the preparation of the consolidated financial statements and is disclosed for reference only.

(1) Information on Significant Transactions

- Loans provided for others: Please refer to Table 1.
- Endorsements/guarantees provided for others: Please refer to Table 2.
- Securities held at end of period (excluding investments in subsidiaries): None.
- Accumulated purchase or sale of the same securities amounting to NT\$300 million or 20% of paid-in capital or more: None.
- Acquisition of property amounting to NT\$300 million or 20% of the paid-in capital or more: None.
- Disposal of property amounting to NT\$300 million or 20% of the paid-in capital or more: None.
- Purchases or sales with related parties amounting to NT\$100 million or 20% of the paid-in capital or more: Please refer to Table 3.
- Receivables from Related Parties Amounting to NT\$100 million or 20% of the Paid-in Capital or More: Please refer to Table 4.
- Derivatives transactions: None.
- Intercompany Relationships and Significant Intercompany Transactions Between Parent and Subsidiaries and Between Subsidiaries and Their Amounts Please refer to Table 5.

(2) information on investees

Names, Locations and Relevant Information of Investee Companies (Excluding Investee Companies in Mainland China): Please refer to Table 6.

(3) Information on Investments in Mainland China

1. Basic information: Please refer to Table 7.
2. Significant transactions directly or indirectly through third-region businesses and investee companies that have reinvested in mainland China: None.

(4) Information on Major Shareholders

Information on major shareholders: Please refer to Table 8.

14. Division Information

N/A.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
LOANS PROVIDED FOR OTHERS

Years Ended December 31, 2023

Table 1

Unit: NT\$ thousand (Unless Stated Otherwise)

No. (Note 1)	Financing Company	Borrower	Transaction Item	Related Party	Maximum Outstanding Balance for The Period	Ending Balance	Actual Amount Drawn	Interest Rate	Nature for Financing	Business Transaction Amount	Reason for Short-Term Financing	Allowance for Bad Debts	Collateral		Limit on Loans Provided to a Single Party	Total Limit on Loans Provided	Remarks
													Name	Value			
1	Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	Other receivables – related party	Yes	\$ 29,671	\$ -	\$ -	Non-interest bearing	Business transaction	\$ 12,422	Approved by the Board of Directors as a loan of funds	-	None	-	\$ 12,422	\$ 12,422	

Note 1: The numbers filled are described as follows:
(1) For the issuer, fill in 0.
(2) The investee company is numbered sequentially starting from Arabic number 1 according to the company type.

Note 2: The Company’s “Operational Procedures for Loaning Funds to Others” stipulate that for companies or firms with business dealings, the total and individual loan amounts shall not exceed the highest amount of business transactions between the parties in the most recent year. The amount of business transactions refers to the higher of the amounts of purchases or sales between the parties; The total amount of short-term financing loans shall not exceed 40% of the Company’s net worth; The individual loan amount shall not exceed 40% of the Company’s net worth.
For loans between the Company’s direct and indirect 100%-owned foreign companies, the above restrictions do not apply, but the total amount of short-term financing loans shall not exceed 100% of the Company’s net worth; The individual loan amount shall not exceed 100% of the Company’s net worth.

Note 3: The ending balance represents the loan amount approved by the Board of Directors.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
ENDORSEMENTS/GUARANTEES PROVIDED FOR OTHERS

Years Ended December 31, 2023

Table 2

Unit: NT\$ thousand(Unless Stated Otherwise)

Number	Endorser/Guarantor	Endorsee/Guarantee		Relationship (Note 2)	Limit on Endorsements/ Guarantees Provided for Single Entity	Maximum Endorsement/ Guarantee Balance for the Period	Endorsement and Guarantee Ending Balance	Actual Amount Drawn	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth Per Latest Financial Statements(%)	Endorsement/ Guarantee Ceiling	Endorsements/ Guarantees Provided by Parent for Subsidiary	Endorsements/ Guarantees Provided by Subsidiary for Parent	Endorsements/ Guarantees Provided for Subsidiary in Mainland China	Remarks
		Name of Company													
0	Hotron Precision Electronic Industrial Co., Ltd.	Fortuna International Holdings Ltd		2	\$ 1,918,837	\$ 121,920	\$ 61,410	\$ -	\$ -	2.87	\$ 2,132,041	Y	N	N	-
0	Hotron Precision Electronic Industrial Co., Ltd.	Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.		2	1,918,837	309,640	309,640	148,920	-	14.52	2,132,041	Y	N	N	-
0	Hotron Precision Electronic Industrial Co., Ltd.	Hotlink Company Limited		2	1,918,837	80,000	80,000	60,000	-	3.75	2,132,041	Y	N	N	-
0	Hotron Precision Electronic Industrial Co., Ltd.	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.		2	1,918,837	508,415	501,355	-	-	23.52	2,132,041	Y	N	Y	-
1	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.		2	1,394,954	222,250	216,350	43,270	-	13.96	1,549,949	N	N	Y	-

Note 1: The Company’s total amount of endorsements/guarantees provided shall not exceed the Company’s current net worth. The endorsement/guarantee amount for a single entity shall not exceed 10% of the Company’s current net worth, while for a single overseas affiliated company, it shall not exceed 90% of the Company’s current net worth. Net worth is based on the Company’s latest financial statements audited or reviewed by a CPA.

Note 2: The relationships between endorser/guarantors and endorsee/guarantees are categorized into the following 7 types. Please specify the type:

- (1) Companies with which the Company conducts business.
- (2) Companies in which the Company directly or indirectly holds more than 50% of the voting shares.
- (3) Companies that directly or indirectly hold more than 50% of the voting shares in the Company.
- (4) Companies in which the Company directly or indirectly holds 90% or more of the voting shares.
- (5) Companies in the same industry that provide mutual endorsements/guarantees based on contractual requirements for undertaking construction projects or as co-construction contractors.
- (6) Shareholders making endorsements/guarantees for their mutually invested company in proportion to their shareholding ratio.
- (7) Companies in the same industry that provide mutual endorsements/guarantees for pre-sale housing contracts based on the consumer protection regulations.

Note 3: The company shall specify the limits on endorsements/guarantees for individual entities and the maximum amount of endorsements/guarantees based on its operational procedures for endorsements/guarantees, and explain the calculation method for the limits on endorsements/guarantees for individual entities and the total limit in the remarks column.

Note 4: The maximum balance of endorsements/guarantees provided for others during the year.

Note 5: The amount approved by the Board of Directors shall be filled in. However, if the Board of Directors has authorized the Chairman to make decisions pursuant to Article 12, Paragraph 8 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the amount decided by the Chairman shall be filled in.

Note 6: The actual amount drawn by the endorsed/guaranteed company within the balance of endorsements/guarantees shall be filled in.

Note 7: For endorsements/guarantees provided by a parent company to subsidiaries, by subsidiaries to a parent company, or in mainland China, “Y” must be filled in.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
PURCHASES OR SALES WITH RELATED PARTIES AMOUNTING TO NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL OR MORE:
Years Ended December 31, 2023

Table 3

Unit: NT\$ thousand(Unless Stated Otherwise)

Purchasing (Selling) Company	Counterparty	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales)	Credit Period	Unit price	Credit Period	Balance	Percentage of Total Notes and Accounts Receivable (Payable)	Remarks
Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	The Company	Second-tier Subsidiary of the Company	Sales	(\$ 416,832)	(23%)	Advance payment and net 30 days	\$ -	-	\$ 4,098	1%	-
Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	Hotlink Company Limited	Associate	Sales	(133,169)	(7%)	Advance payment and net 150 days	-	-	-	-	-
Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Hotlink Company Limited	Associate	Sales	(317,763)	(25%)	Advance payment and net 150 days	-	-	19,368	6%	-
Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	Associate	Sales	(581,219)	(45%)	Advance payment and net 150 days	-	-	68,509	23%	-
Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Associate	Sales	(443,672)	(24%)	Advance payment and net 150 days	-	-	378,354	54%	-

Note 1: The transactions are disclosed as assets and income, and its relative transactions are no longer disclosed.

Note 2: If the related party transaction terms are different from the normal transaction terms, the differences and reasons shall be stated in the column of unit price and credit period.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL OR MORE

December 31, 2023

Table 4

Unit: NT\$ thousand(Unless Stated Otherwise)

Company Recorded Under Account Receivables	Counterparty	Relationship	Receivables From Related Parties	Turnover Rate	Overdue Receivables From Related Parties		Receivables From Related Parties	Allowance for Bad Debts
					Amount	Action Taken		
Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Associate	\$ 378,354	1. 31	\$ -	—	\$ 12,981	\$ -

Note 1: Please fill in separately according to related party’s accounts receivable , notes receivable, other receivables, etc.

Note 2: The paid-in capital is the of the parent company. For issuers with shares of no-par value or of par value which is not NT\$10 per share, the transaction amount of 20% of the paid-in capital is calculated as 10% of the equity attributable to owners of the parent company in the balance sheet.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS BETWEEN PARENT AND SUBSIDIARIES
AND BETWEEN SUBSIDIARIES AND THEIR AMOUNTS

Years Ended December 31, 2023

Unit: NT\$ thousand(Unless Stated Otherwise)

Table 5

No. (Note 1)	Name of Trader	Counterparty	Relationship with The Trader (Note 2)	Description of Transactions			Percentage in Consolidated Total Revenue or Total Assets (Note 3)
				Ledger Account	Amount	Transaction Term	
0	The Company	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	1	Purchase of goods	\$ 416,832	Note 4	19%
2	Hotlink Company Limited	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	3	Purchase of goods	133,169	Note 5	6%
2	Hotlink Company Limited	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	3	Purchase of goods	317,763	Note 5	15%
1	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	3	Purchase of goods	581,219	Note 5	27%
1	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	3	Accounts Payable	378,354	Note 5	7%
1	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	3	Purchase of goods	443,672	Note 5	21%

Note 1: The information of business transactions between the parent company and subsidiaries shall be indicated in the number column respectively. The number shall be filled in as follows:

(1) For the parent company, fill in 0.

(2) Subsidiaries are numbered sequentially starting from Arabic number 1 according to the company type.

Note 2: There are three types of relationship between traders, and fill in the type is acceptable (if the transaction between the parent company and subsidiaries is the same as that between subsidiaries, it is not necessary to disclose again. For example, if the parent company has disclosed the transaction between the parent company and the subsidiary, the part of the subsidiary is not required to be disclosed again. For a transaction between two subsidiaries, if it has been disclosed by one subsidiary, it is not required to be disclosed again by the other subsidiary):

(1) Parent company's transaction with Second-tier Subsidiary.

(2) Subsidiary's transaction with the parent company.

(3) Transaction between two subsidiaries.

Note 3: The ratio of transaction amount to consolidated total revenue or total assets shall be calculated as the ratio of ending balance to consolidated total assets for those belongs to balance sheet item, or as the ratio of mid-term cumulative balance to consolidated total revenue for those belongs to items on the income statement.

Note 4: For purchases from a subsidiary, transaction prices are determined through mutual agreement, with payment terms of advance payment and net 30 days from the end of the month.

Note 5: For inter-subsidiary purchases, transaction prices are determined through mutual agreement, with payment terms of advance payment and net 150 days from the end of the month.

Note 6: It is up to the Company to decide whether the important transactions in this table should be listed or not based on the principle of materiality.

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
NAMES, LOCATIONS AND RELEVANT INFORMATION OF INVESTEE COMPANIES (EXCLUDING INVESTEE COMPANIES IN MAINLAND CHINA)

Years Ended December 31, 2023

Table 6

Unit: NT\$ thousand(Unless Stated Otherwise)

Name of Investor	Name of Investee	Location	Primary Business Activities	Initial Investment Amount		Held at End of Period			Profit (Loss) of Investee for The Period	Investment Profit (Loss) Recognized for The Period (Note 1)	Remarks
				End of The Period (Note 2)	End of Last Year	Number of Shares	Ratio	Carrying Amount			
Hotron Precision Electronic Industrial Co., Ltd.	Fortuna International Holdings Ltd	Samoa	Investment business and merchandise trade	\$ 410,825	\$ 410,825	12,466,995	100%	1,549,103	(\$ 145,949)	(\$ 146,243)	Subsidiary
Hotron Precision Electronic Industrial Co., Ltd.	SmartGreen Solution Co., LTD	Taiwan	Production and operation of electric vehicle charging guns, high-voltage wires, and new energy materials	200,000	50,000	20,000,000	100%	184,657	(11,773)	(11,748)	Subsidiary
Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	Hotlink Company Limited	Taiwan	Merchandise trade	230,760	146,880	-	100%	206,704	(48,867)	(48,867)	Second-tier Subsidiary
Hotlink Company Limited	Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	Vietnam	Production and operation of 3C product cables and signal cables, etc.	146,053	146,053	-	100%	64,526	(51,489)	(51,489)	Second-tier Subsidiary

Note 1: The investment income recognized by the Company for the period has been adjusted for unrealized gains or losses from transactions between the Company and its investees.

Note 2: The original investment amount of Hotlink Company Limited was US\$7,720 thousand (RMB 53,953 thousand); The original investment amount of Hotron Precision Electronic Industrial (Vietnam) Co., Ltd. was VND 115,288,093 thousand (US\$5,000 thousand).

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
INFORMATION ON INVESTMENTS IN MAINLAND CHINA - BASIC DATA

Years Ended December 31, 2023

Unit: NT\$ thousand(Unless Stated Otherwise)

Table 7

Investee Company	Primary Business Activities	Paid-In Capital (Note 2)	Method of Investments	Accumulated Amount of Investments Remitted From Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for The Period		Accumulated Amount of Investments Remitted From Taiwan at End of Period	Profit (Loss) of Investee for The Period	Shareholding Ratio of the Company’s Direct or Indirect Investment	Investment Profit (loss) Recognized for The Period (Note 1)	Carrying Amount of Investments at End of Period	Accumulated Investment Income Repatriated at End of Period	Remarks
					Remitted	Repatriated							
Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	Production and operation of 3C product cables, signal cables, electric vehicle charging guns, high-voltage wires, and new energy materials	\$ 619,607	Reinvestment in Mainland China through a third-region company (Fortuna Global Holdings)	\$ 305,952	\$ -	\$ -	\$ 305,952	(\$ 145,913)	100%	(\$ 145,913)	\$1,549,953	\$ 85,235	-
Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	Processing of various 3C product cables and signal cables	11,819	Reinvestment in Mainland China through Hotron Precision (Suzhou)	-	-	-	-	(850)	100%	(850)	10,138	-	-
Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Production and operation of copper products, 3C product cables, signal cables, electric vehicle charging guns, high-voltage wires, and new energy materials	713,084	Reinvestment in Mainland China through Hotron Precision (Suzhou)	-	-	-	-	18,406	100%	18,406	577,557	-	-
Hotron Real Estate Development (Tianmen) Co., Ltd.	Real estate development, construction, sales, leasing, and housing agency services, etc.	10,192	Reinvestment in Mainland China through Hotron Precision (Suzhou)	-	-	-	-	(857)	100%	(857)	4,879	-	-

Note 1: Evaluated and recognized based on the financial statements audited by CPAs.

Note 2: Hotron Precision Electronic Industrial (Suzhou) Co., Ltd. has a paid-in capital of US\$20,000 thousand (RMB 141,692 thousand); The paid-in capital of Hotron Electron & Telecommunication (Fuqing) Co., Ltd. is RMB 3,000 thousand. Hotron Precision Electronic Industrial (HuBei) Co., Ltd. is RMB 163,000 thousand. The paid-in capital of Hotron Real Estate Development (Tianmen) Co., Ltd. is RMB 2,300 thousand.

Note 3: Calculated based on 60% of the Group’s consolidated net worth in accordance with Order No. 09704604680 issued by the Ministry of Economic Affairs on August 29, 2008.

Name of Company	Accumulated Amount of Investments Remitted From Taiwan to Mainland China at End of Period	Amount of Investments Authorized by Investment Commission, M.O.E.A.	Ceiling on Amount of Investments Authorized by Investment Commission, M.O.E.A. (Note 3)
Hotron Precision Electronic Industrial Co., Ltd.	\$305,952	\$636,262	\$1,279,225

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD. AND ITS SUBSIDIARIES
INFORMATION ON MAJOR SHAREHOLDERS

December 31, 2023

Table 8

Name of Major Shareholders	Shareholding	
	Number of Shares Held	Shareholding Ratio
Gao Peng Co., Ltd.	8,749,827	8.21%

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
CASH AND CASH EQUIVALENTS

December 31, 2023

Statement 1

Unit: NT\$ thousand

Item	Summary			Amount
Cash on hand and working capital				\$ 60
Checking accounts				1
Demand deposits				
– NTD deposits				5,824
– Foreign currency deposits	US\$	93 thousand	exchange rate 30.71	2,867
Cash equivalents				
– Time deposits	US\$	7,404 thousand	exchange rate 30.71	<u>227,339</u>
				<u>\$ 236,091</u>

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
NET ACCOUNTS RECEIVABLE

December 31, 2023

Statement 2

Unit: NT\$ thousand

Customer Name	Summary	Amount	Remarks
Non-related parties			
Customer A		\$ 96,661	
Customer B		63,349	
Customer C		59,726	
Others		4,007	No individual customer balance exceeds 5% of the account balance
Less: Loss allowances		(<u>68</u>)	
		<u>\$ 223,675</u>	

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Years Ended December 31, 2023

Statement 3

Unit: NT\$ thousand

Name	Beginning Balance		Increase		Decrease		Recognition for the Period				Ending Balance			Net Equity Value		Guarantee or Collateral Provided	Remarks
	Number of Outstanding Shares (Thousand Shares)	Amount	Number of Outstanding Shares (Thousand Shares)	Amount	Number of Outstanding Shares (Thousand Shares)	Amount	Investment (Loss) Gain	Cumulative Translation Adjustment	Actuarial Gains and Losses	Issuance of Employee Remuneration to Subsidiaries	Number of Outstanding Shares (Thousand Shares)	Shareholding Ratio	Amount	Unit Price (NTD)	Total		
Fortuna International Holdings Ltd	12,467	\$ 1,724,313	-	\$ -	-	\$ -	(\$ 146,243)	(\$ 27,292)	(\$ 1,359)	(\$ 315)	12,467	0%	\$ 1,549,104	\$ -	\$ 1,549,104	None	
SmartGreen Solution Co., LTD	5,000	<u>46,021</u>	15,000	<u>150,000</u>	-	<u>-</u>	(<u>11,748</u>)	<u>-</u>	<u>-</u>	<u>384</u>	20,000	0%	<u>184,657</u>	-	<u>184,657</u>	None	
		<u>\$ 1,770,334</u>		<u>150,000</u>		<u>\$ -</u>	(<u>\$ 157,991</u>)	(<u>\$ 27,292</u>)	(<u>\$ 1,359</u>)	<u>\$ 69</u>			<u>\$ 1,733,761</u>		<u>\$ 1,733,761</u>		

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
SHORT-TERM LOANS

December 31, 2023

Statement 4

Unit: NT\$ thousand

Creditors	Type of Loans	Ending Balance	Contract Period	Interest Rate	Line of Credit	Pledge or Guarantee
Bank A	Credit Loans	\$ 205,000	2023.12.18-2 024.01.30	1.76%	\$ 300,000	None
Bank A	Credit Loans	40,000	2023.11.24-2 024.02.22	1.80%	300,000	None
Bank A	Credit Loans	40,000	2023.12.06-2 024.01.30	1.80%	300,000	None
Bank B	Credit Loans	70,000	2023.11.16-2 024.01.05	1.75%	80,000	None
Bank B	Credit Loans	10,000	2023.11.06-2 024.02.02	1.75%	80,000	None
Bank C	Credit Loans	100,000	2023.11.03-2 024.02.01	1.70%	100,000	None
Bank D	Credit Loans	130,000	2023.11.15-2 024.02.07	1.75%	138,173	None
Bank E	Secured loans	<u>100,000</u>	2023.12.29-2 024.01.29	1.78%	700,000	Land, Housing and Construction
		<u>\$ 695,000</u>				

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.
OPERATING REVENUE

Years Ended December 31, 2023

Statement 5

Unit: NT\$ thousand

Item	Quantity	Amount	Remarks
Sales revenue			
Signal cables	10,073KPCS	\$ 432,925	
Others			
Lease service revenue		14,471	
		<u>\$ 447,396</u>	

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.

OPERATING COSTS

Years Ended December 31, 2023

Statement 6

Unit: NT\$ thousand

Item	Amount
Beginning inventory	\$ 15,826
Add: Purchases for the period	417,068
Less: Ending inventory	(<u>8,425</u>)
Cost of sales	424,469
Inventory write-down loss	<u>113</u>
	<u><u>\$ 424,582</u></u>

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.

OPERATING EXPENSES

Years Ended December 31, 2023

Statement 7

Unit: NT\$ thousand

Item	Selling and Marketing Expense	General and Administrative Expenses	Total	Remarks
Salary expenses	\$ -	\$ 32,085	\$ 32,085	
Depreciation expenses	-	7,733	7,733	
Other fee (Note)	<u>1,250</u>	<u>21,057</u>	<u>22,307</u>	
	<u>\$ 1,250</u>	<u>\$ 60,875</u>	<u>\$ 62,125</u>	

Note: No individual item exceeds 5% of the total account balance.

6. **If the Company and its Affiliated Companies Have Experienced Financial Difficulties in the Most Recent Fiscal Year and up to the Date of Printing the Annual Report, the Impact on the Company's Financial Condition:** None.

VII. Review and Analysis of Financial Status and Financial Performance and Risk Items

1. Statement of Financial Position

The main reasons and impacts for significant changes in assets, liabilities, and equity over the past two fiscal years. If the impact is significant, the future response plan should be explained.

Unit: NT\$ Thousand

Items \ Year	2022	2023	Changes in Balances	
			Amount	%
Current assets	2,728,549	2,639,394	(89,155)	(3.27)
Property, plant, and equipment	2,313,052	2,170,148	(142,904)	(6.18)
Right-of-use assets	97,533	88,676	(8,857)	(9.08)
other assets	99,755	52,512	(47,243)	(47.36)
Total assets	5,422,823	5,188,740	(234,083)	(4.32)
Current Liabilities	2,254,428	1,557,595	(696,833)	(30.91)
Non-current liabilities	1,105,564	1,499,104	393,540	35.60
Total liabilities	3,359,992	3,056,699	(303,293)	(9.03)
Capital stock	932,210	1,065,520	133,310	14.30
Additional paid in capital	641,858	854,024	212,166	33.05
Retained earnings	571,597	322,623	(248,974)	(43.56)
Total equity	2,062,831	2,132,041	69,210	3.36

(1) The main reasons and impacts for significant changes in assets, liabilities, and equity over the past two fiscal years.

1. Current liabilities decreased, mainly due to the issuance of the second domestic unsecured convertible corporate bonds in 2023, which were used to repay short-term loans and reduce the underwriting of short-term bills.
2. Non-current liabilities increased, mainly due to the issuance of the second domestic unsecured convertible corporate bonds in 2023.
3. The increase in share capital and capital surplus is mainly due to the cash capital increase conducted in 2023.
4. The decrease in retained earnings was mainly due to the after-tax loss in 2023 and the distribution of dividends and reversal of special retained earnings from the profits of 2022.

(2) Impact: No significant influence.

(3) Future Response Plans: N/A.

2. Financial Performance

The major reasons for significant changes in operating revenue, operating net income, and pre-tax net income in the recent two fiscal years, the expected sales quantity and its basis, the potential impact on the company's future financial operations, and the corresponding plans.

Unit: NT\$ Thousand

Items \ Year	2022	2023	Changes in Balances	
			Amount	%
Operating revenue	3,362,189	2,159,114	(1,203,075)	(35.78)
Operating costs	2,783,377	1,845,599	(937,778)	(33.69)
Gross profit	578,812	313,515	(265,297)	(45.83)
Operating expenses	560,793	499,616	(61,177)	(10.91)
Other non-operating income and expenses	64,237	(3,132)	(67,369)	(104.88)
Operating profit	82,256	(189,233)	(271,489)	(330.05)
Non-operating income and expenses	(4,680)	(10,184)	(5,504)	117.61
Net profit (loss) before tax	77,576	(199,417)	(276,993)	(357.06)
Income tax benefits (expenses)	(11,830)	34,338	46,168	(390.26)
Net Profit (Loss) for the Period	65,746	(165,079)	(230,825)	(351.09)

(1) The Major Reasons for Significant Changes in Operating Revenue, Operating net Income, and Pre-Tax Net Income in the Recent two Fiscal Years.

1. The Main Reasons for the Decrease in net Operating Income Compared to the Same Period Last Year:

- (1) The decrease in gross operating profit was mainly due to the sluggish market conditions in the electronics industry, reduced demand from end customers, resulting in decreased operating revenue and operating costs, coupled with a relatively high level of end inventory, causing competing manufacturers to engage in price competition to clear inventories, hence leading to a decrease in gross operating profit.
- (2) Other gains and losses, net, decreased mainly due to the impact of fluctuations in the US dollar and Chinese renminbi exchange rates in 2023, resulting in foreign exchange losses in 2023, whereas there were foreign exchange gains in 2022.

In summary, the operating profit for the year 2023 decreased by NT\$271,489 thousand compared to the same period last year.

2. The Main Reasons for the Decrease in net Profit Compared to the Same Period Last Year:

- (1) Operating profit decreased, mainly due to a decrease in gross profit from operations and a decrease in other net income and expenses in 2023.
- (2) Income tax benefit increased, mainly due to the pre-tax loss in 2023, resulting in a relatively higher income tax benefit calculation.

In summary, the net loss for the current period in 2023 increased by NT\$230,825 thousand compared to the same period last year.

(2) Expected Group Sales Volume and its Basis

Main Product Categories	Expected Sales Volume	The Basis for Expected Sales Quantity
Various transmission lines and charging guns	85,932 thousand/year	1. Develop new products, expand customer base 2. Increase market share of charging guns

Note: The above expected sales volume and its basis are estimated totals for the company and its 100% invested businesses. By adjusting the sales product mix and developing new products and customers, it is projected that sales in 2024 will experience significant growth compared to 2023.

(3) Potential Impacts on the Company's Future Financial Operations: No significant influence.

(4) Future Response Plans: N/A.

3. Cash Flows

Analysis of changes in cash flows for the recent year, improvement plans for liquidity shortages, and analysis of cash liquidity for the next year.

(1) Analysis of Cash Flow Changes for the Current Year

Unit: NT\$ Thousand

Beginning Cash Balance (1)	Net Cash Flows From Operating Activities in 2023 (2)	Cash Inflows (Outflows) in 2023 (3)	Cash Surplus (Deficit) in 2023 (1) + (2) + (3)	Remedial Measures for Anticipated Cash Deficit	
				Investment Plan	Financial Management Plan
566,947	474,863	(555,723)	486,087	-	-

1. Operating Activities:

Net cash inflow from operating activities amounted to NT\$474,863 thousand, mainly due to the destocking in 2023, which increased the net cash inflow from operating activities.

2. Investment and Financing Activities:

(1) Net cash outflow from investing activities amounted to NT\$764,968 thousand, mainly due to the acquisition of machinery and equipment for the Hubei plant in 2023, resulting in an increase in other payables, and an increase in financial assets measured at amortized cost, leading to a net cash outflow from investing activities.

(2) Net cash inflow from financing activities was NT\$184,798 thousand, mainly due to the cash capital increase conducted in 2023.

(2) Improvement plans for insufficient liquidity:

1. Our company did not have a cash shortage situation in 2023.

2. Analysis of cash flow for the past two years

Item/Year	2022	2023	Increase (Decrease) Ratio %
Cash flow ratio	-1.09%	30.49%	-2897.25%
Cash flow adequacy ratio	29.20%	39.02%	33.63%
Cash reinvestment ratio	-0.61%	9.27%	-1619.67%

The changes analysis description of increase and decrease ratio:

(1) Cash flow ratio: Mainly due to the increase in net cash inflow from operating activities in 2023.

(2) Cash flow adequacy ratio: Mainly due to the increase in cash inflow from operating activities in the past five years and the decrease in cash dividends in the past five years.

(3) Cash reinvestment ratio: Mainly due to the increase in net cash inflow from operating activities in 2023.

(4) Improvement plans for insufficient liquidity: The company will actively expand its business operations in various products and develop new customers. In the future, depending on the operating conditions, it will increase its financing limit with banks or raise funds at an appropriate time.

(3) Cash Flow Analysis for the Next Year:

Unit: NT\$ Thousand

Beginning Cash Balance (1)	Net Cash Flows From Operating Activities in Next Year (2)	Cash Inflows (Outflows) in Next year (3)	Cash Surplus (Deficit) in Next Year (1) + (2) + (3)	Remedial Measures for Shortfall	
				Investment Plan	Financial Management Plan
486,087	111,634	(102,341)	495,380	-	-

Analysis of future cash flow changes in next year:

1. Net cash flow from operating activities: The estimated net cash inflow is NT\$111,634 thousand, mainly due to the Company's continuous and stable growth in revenue, resulting in net cash inflow from operating activities.
2. Expected annual cash outflow: The estimated net cash outflow is NT\$102,341 thousand, mainly due to the expansion of overseas operating sites and the acquisition of new machinery and equipment.
3. Contingency measures for anticipated cash shortfalls and liquidity analysis: N/A.

4. Impact of Recent Major Capital Expenditures on Financial Operations: None.

5. The Recent Annual Reinvestment Policy, the Main Reasons for its Profit or Loss, Improvement Plans, and Investment Plans for the Next Year

(1) Recent Years Reinvestment Policy

The company's investment policy is primarily based on operational needs, and investment planning is conducted accordingly. Before making an investment, a comprehensive assessment is carried out on various aspects such as the purpose of the investment, location, market conditions, business development, potential joint venture partners, Shareholding ratio, reference prices, and financial status to provide a basis for decision-making by the management. For the businesses that have been invested in, the company constantly monitors their operating conditions, analyzes the investment effectiveness, and provides information for the decision-making authority to conduct post-investment management tracking and evaluation.

(2) The Main Reasons for the Company's Recent Annual Profit Are as Follows

1. Rising Costs of raw Materials and Labor led to a Decline in Profitability

In recent years, with the booming development of network communication products and consumer electronics, the demand for related product signal connectors has grown rapidly, leading to more intense industry competition. Combined with rising raw material costs, rising labor wages in mainland China, and investments in developing electric vehicle charging guns to enter the electric vehicle industry,

including equipment investment and professional workforce training, costs have risen significantly, resulting in a noticeable decline in profitability compared to the previous year.

2. Introducing High-End Products and new Customers

Due to the rapid changes in the 3C industry, such as the gradual popularization of 4K ultra-high definition TVs, the constant introduction of high-end smartphones, and the increasingly thriving gaming console market, the demand for transmission speed and capacity of signal cables is increasing. Our company has also followed this trend by developing high-end signal cables to expand our new customer base and increase shipments of high-end products, directly contributing to our profitability.

3. Implement Cost-Cutting Measures Vigorously

Due to a significant annual increase in labor wages in mainland China, labor costs remain high. To reduce labor costs, we actively develop automated production equipment to reduce the number of direct workers. Additionally, we strictly control the procurement prices of raw materials and the incoming process to ensure timely supply of raw materials, reduce inventory, and improve profitability.

(3) Investment Plan for the Next Year

In response to the domestic electric vehicle charging market and the recent global trend of supply chain decoupling from China, our company plans to locally produce new energy products, including electric vehicle charging guns, charging equipment, and energy storage cabinets. On January 11, 2023, the board of directors approved the purchase of 36 plots of specific agricultural construction land in the Dayuan Section 3, Sanxing Township, Yilan County, with a total area of 44,780.05 square meters, at a price of NT\$520 million. We are currently in the process of land transfer, and the new factory construction plan is being planned by our factory construction team.

6. Risk Events Should Be Analyzed and Evaluated for the Most Recent Fiscal Year and up Until the Date of Printing of the Annual Report

(1) The impact of Interest Rate Changes, Exchange Rate Fluctuations, and Inflation on the Company's Profit and Loss, and Future Countermeasures

1. The Impact of Interest Rate Changes on the Company's Profit and Loss, and Future Countermeasures:

At the end of 2023, the Company's consolidated bank borrowings (including short-term bills payable) amounted to NT\$1,053,602 thousand, and the consolidated interest expense was NT\$41,764 thousand, accounting for 1.93% of the consolidated net operating revenue. The ratio of interest expense was not high, so the impact of interest rate changes on the Company's profit and loss was still limited. To mitigate interest rate risk, the Company maintains close contact with financial institutions, keeps abreast of the state of financial markets at all times, and obtains preferential

bank financing rates to meet its operational funding needs, thereby reducing interest expenses.

2. The Impact of Exchange Rate Fluctuations on the Company's Profit and Loss, and Future Countermeasures:

The Group's consolidated foreign exchange (loss) gain, net, for the years 2023 and 2022 were NT\$(3,132) thousand and NT\$64,237 thousand, respectively, accounting for (0.15)% and 1.91% of the consolidated net operating revenues, respectively. The ratio of foreign exchange gains and losses was not high, and since the Group's main purchases and sales are mostly quoted in US dollars and Chinese renminbi, some of the purchases and sales can offset each other, so the overall impact of foreign exchange factors on the Group is not significant.

In order to reduce the impact of exchange rate fluctuations on profit and loss, our company has taken the following countermeasures:

- (1) Collect relevant information on foreign exchange rate fluctuations at all times, and refer to financial and economic information provided by banks and investment institutions. Maintain close contact with banks to fully grasp market trends, and take timely measures to exchange foreign currency and adjust foreign exchange positions in order to reduce exchange rate risks.
- (2) Utilize natural hedging (Natural Hedge), offset foreign currency assets from export revenue with foreign currency liabilities from overseas procurement. In terms of foreign exchange fund scheduling, for confirmed foreign currency assets or liabilities, choose an appropriate timing to conduct hedging operations or spot selling and buying of foreign currencies, in order to achieve the purpose of natural hedging and reduce the impact on profits and losses.
- (3) Sales quotes consider foreign exchange rate factors to protect the company's reasonable profits.
- (4) The financial personnel of the group update the recent three-month cash flow planning and estimation table for each affiliated enterprise every two weeks to keep abreast of the cash position, reduce idle funds, and manage daily available funds based on the recent three-month cash flow planning and estimation table. After the end of each month, they can observe the changes in market exchange rates according to the overall economic environment at that time, and utilize accounts receivable and pre-arranged bank financing when the timing is right to reduce the risk of exchange rate fluctuations.

3. Impact of Changes in Inflation on the Company's Profit and Loss and Future Countermeasures:

In recent years, due to factors such as geopolitical conflicts, trade wars, and interest rate hikes, the futures market for raw materials has been highly volatile. In addition

to closely monitoring changes in the raw material market, our company purchases the necessary raw materials based on actual production needs and enhances inventory control to mitigate the impact of fluctuations in raw material prices on our profitability.

(2) The Policies on Engaging in High-Risk, High-Leverage Investments, Lending Funds to Others, Endorsement Guarantees, and Derivative Product Transactions; the Main Reasons for Profits or Losses; and Future Response Measures:

1. The Main Reasons for Profit or Loss From Engaging in High-Risk, High-Leverage Investment Policies, and Future Countermeasures:

Our company has long been focused on operating and developing its core business, and has not engaged in high-risk, high-leverage investments.

2. The Policies Regarding Lending Funds to Others and Endorsement/Guarantee Transactions, the Main Reasons for Profit or Loss, and Future Countermeasures:

Our company is engaged in lending funds and providing endorsement guarantees to companies in which we hold 100% equity interest. The purpose of such endorsement guarantees is to meet the business needs of our subsidiaries. All transactions follow the “Operating Procedures for Lending Funds and Making Endorsements/Guarantees”.

3. The Policy on Engaging in Derivative Product Transactions, the Main Reasons for Profits or Losses, and Future Countermeasures:

The Company is not currently engaged in derivative transactions. However, if necessary in the future, the Company will conduct derivative transactions in accordance with the relevant provisions of the “Procedures for Acquisition or Disposal of Assets”.

(3) Future Research and Development Plans and Projected R&D Expenditures:

1. Future Research and Development Plan:

The key points of our company’s future research and development plan are as follows:

(1) Develop advanced 3C products:

To adapt to the trends of high-speed and high-resolution in the 3C industry, our company continues to focus on developing high-end signal cables, including consumer high-frequency cables, automotive cables, and other high-resolution signal cable products.

(2) Developing new customer sources and their new application domain products:

The company has established a new business unit to explore new sources of customers beyond its existing customer base, thereby increasing new sources of

revenue. Additionally, the company is developing products such as automotive wiring harnesses, game console cables, and charging cables for electric vehicles, expanding its product application areas to increase revenue and profitability.

(3) Continuously develop automated production technologies:

In response to rising wages in mainland China, our company is actively developing process automation equipment to reduce production costs and ensure product quality, thereby improving production efficiency. Furthermore, through the advancements in automation over the past few years, image visual recognition has been gradually introduced and combined with mechanical design, which can significantly reduce the need for manual inspection and dimensional measurement, enhancing product quality and production efficiency.

(4) Develop towards high transmission, low attenuation, high bandwidth, and high image quality:

In line with the development focus of the information industry connector (cable) technology, future products are moving towards high transmission, low attenuation, high bandwidth, and high resolution. Our company is dedicated to developing high-end high-frequency transmission cables, such as USB 3.0 and above, TYPE C, consumer high-frequency cables, and automotive cables, among other high-resolution signal cables, to meet market demands.

(5) Enter the electric vehicle and energy storage cabinet market:

Electric vehicles have become an inevitable global development trend in the future. Our company has completed the development of electric vehicle charging guns and mass production, officially entering the electric vehicle market. We will accompany the development of electric vehicles, expanding the application range of products such as electric vehicle charging guns, charging equipment, energy storage cabinets, and solar power plants.

2. Projected Research and Development Costs:

The Group's consolidated R&D expenditure planned for this year (2024) is NT\$115,540,000, accounting for approximately 3.68% of the consolidated net operating revenue. The Company will continue to invest in key R&D projects, continuously innovate in manufacturing technologies, improve product quality and production efficiency, develop various high-end products towards high transmission, low attenuation, high bandwidth, and high resolution, as well as increase the development of new products to enhance the Company's industrial competitiveness.

(4) Impact of Significant Domestic and International Policy and Legal Changes on the Company's Financial Operations and Corresponding Measures:

A brief description of the changes in regulatory environment and their impact on the company in domestic is as follows:

1. Regarding the provisions of Article 40 of the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Development of Securities and Futures Markets” by the Financial Supervisory Commission, Directive No. 11203809871 dated March 22, 2023.

Our company has overseen and managed the financial and business information of its subsidiaries in accordance with the regulations, and has complied with Paragraph 1, Subparagraph 3 of Article 40 of the “Regulations Governing the Establishment of Internal Control Systems by Public Companies” in handling this matter.

2. Financial Supervisory Commission, Directive No. 1120382845 dated June 30, 2023, provided supplementary clarification on the application of doubts regarding the provisions of Article 157 of the Securities and Exchange Act.

The supplementary regulations regarding the acquisition and disposal of shares by insiders have already been communicated to the company’s directors, managers, and other insiders to prevent violations of the regulations.

3. Presidential Order, Number 11200054051 dated June 28, 2023, hereby amends and announces Articles 14-4, 14-5, 178, and 181-2 of the Securities and Exchange Act.

The company has established an audit committee in accordance with the regulations.

4. Financial Supervisory Commission Order No. 1120384951 dated November 10, 2023, regarding the restriction on trading of cash capital increase shares listed (over-the-counter) in accordance with Article 156 of the Securities and Exchange Act, related regulations on trading restrictions.

The company’s issuance of new shares through a cash capital increase in 2023 was not subject to any trading restrictions.

5. The Financial Supervisory Commission Amended article 10, article 23 of the “Regulations governing information to be published in annual reports of public companies,” Article 10 and article 32, table 6-13-1 of the “Regulations governing information to be published in public offering and issuance prospectuses” in order no. 1120385231 dated November 10, 2023.

Our company operates in accordance with regulations.

6. Regarding the regulations of the Financial Supervisory Commission’s Order No. 11203848303 dated November 9, 2023, for public companies to capitalize capital reserves in accordance with Article 241, Paragraph 1, Subparagraph 1 of the Company Act as stipulated in Article 72-1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

In 2024, the company did not have any capitalization of capital reserves.

7. The Financial Supervisory Commission amended the “Regulations Governing the Recording and Handling Procedures for Shareholders’ Meetings of Public Companies” on December 8, 2023, with the Order No. 112038566.

Our company will act in accordance with the regulations.

8. The Financial Supervisory Commission amended Article 10, Article 11, and Article 31 of the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” with the order No. 1120386049 dated November 9, 202.

Our company will act in accordance with the regulations.

9. According to the Order No. 1120386116 issued by the Financial Supervisory Commission on December 29, 2023, listed (over-the-counter) companies and emerging stock companies shall adopt the candidate nomination system for the election of directors and supervisors, and this shall be specified in their articles of incorporation. Shareholders shall elect directors and supervisors from the list of candidates.

Our company will act in accordance with the regulations.

- (5) The Impact of Technological Changes and Industrial Transformation on the Company’s Financial Operations and Corresponding Measures

Excluding display cables, our company’s production of connection cables has expanded to all 3C products. Due to rapid technological advancements, the demand for related 3C products has increased significantly, coupled with the growing prevalence of high-frequency production, high transmission capacity, and high-resolution products. Accordingly, our company has also increased the shipment of high-end products in response to technological trends and industry changes. Moreover, our company’s developed electric vehicle charging guns have entered mass production and shipment, officially entering the electric vehicle industry. Electric vehicles are undoubtedly the future trend in the industry, and our company has also actively pursued corporate transformation. We will accompany the development trend of electric vehicles and expand the application scope of electric vehicle-related charging products and cables. Therefore, technological changes and industry transformations have had a positive impact on our company’s finances and business operations.

We will constantly pay attention to the impact of technological changes and industrial changes in the industry on our company, accelerate the speed of new product development, improve product quality and accelerate automated production technology, actively strive for diversified market business development, and adopt a sound financial management strategy.

In addition, to enhance the company’s revenue and profitability, and due to rising environmental awareness, coupled with the rise of intelligent and digital technologies, the electric vehicle and renewable energy industries have become an inevitable future development trend globally. Our company has complete the development and shipment of electric vehicle charging guns, entering the electric vehicle market. In the future, we will accompany the development of the electric vehicle industry, developing related charging and energy storage equipment, as well as peripherals for solar power plants.

(6) The Impact of Corporate Image Change on Corporate Crisis Management and Countermeasures

The company's corporate image has always been good, and up to now, there has been no incident of a corporate crisis caused by a major change in the corporate image.

(7) Expected Benefits, Potential Risks, and Countermeasures for Carrying out Mergers and Acquisitions

As of the date this prospectus was printed, the company has no merger or acquisition plans, so this is not applicable.

(8) Expected Benefits, Potential Risks and Countermeasures of Expanding the Plant

1. Establish a New Factory in Hubei

(1) Expected Benefits

Due to the still-thriving demand for 3C products, as well as the continuous introduction of new products, and as our company aims to expand into product application areas including automotive, gaming, and medical cables, and to meet the increasing demand for electric vehicle charging cables as the number of electric vehicles gradually increases, the current production capacity at our Suzhou plant is no longer sufficient. Therefore, through the 100% equity investment of Hotron Suzhou, we have established a 100% equity-owned subsidiary, Hotron Hubei. Hotron Hubei's new plant officially commenced mass production in July 2022, and together with the production capacity of Hotron Suzhou, we can meet the demand for production capacity.

(2) Potential Risks and Countermeasures

The new plant in Hubei faces a significant risk of overcapacity due to a substantial increase in production capacity. However, the Hubei plant is planned to be highly automated, so even if there is overcapacity, the relative use of less human labor will limit the operational losses.

2. Establish a New Factory in Vietnam

(1) Expected Benefits

The new plant in Vietnam was established in response to the impact of the US-China trade war, to set up a production base that caters to customers relocating their production lines. This allows for close proximity in serving customers and supplying goods, as well as maintaining a closer cooperative relationship with customers.

(2) Potential Risks and Countermeasures

The new factory in Vietnam, being a newly established production site, officially began mass production in July 2022, supplying customer demand locally. The increase in operating expenses is mainly due to logistics management costs. However, due to the impact of the US-China trade war and pandemic lockdowns, more and more electronic factories originally based in mainland China have relocated to Vietnam, leading to an increasing trend in potential demand in Vietnam. Therefore, the company estimates that the operations of Hotron Vietnam will be more optimistic than originally planned, and the increased management costs will relatively reduce the operational risks.

3. Yilan New Factory

On January 11, 2023, the board of directors approved the purchase of 36 plots of specific agricultural construction land in the Dayuan Section 3, Sanxing Township, Yilan County, with a total area of 44,780.05 square meters, at a price of NT\$520 million. We are currently in the process of land transfer, and the new factory construction plan is being planned by our factory construction team.

(9) The Risks Faced From Concentrated Purchases or Sales and the Corresponding Countermeasures

1. Risks and Countermeasures Faced by Centralized Purchasing

The main products of the company are signal cables, and the major raw materials used are copper rods, PVC powder, tin cable and tin bars, connectors, tinplate, ferrite cores, and enameled cables. The total purchases of the company in 2022 and 2021 were NT\$734,607 thousand and NT\$1,813,069 thousand, respectively. The top ten suppliers accounted for 50% and 47% of total purchases, respectively. The largest supplier accounted for 9% and 0% of total purchases, respectively, while the second-largest supplier accounted for 8% and 4% of total purchases, respectively. Overall, the company does not have a concentration of purchases. Additionally, the main raw materials for the company's products are common component products in the market with many suppliers, so there is no concern about supply.

2. Risks and Countermeasures Faced by Centralized Sales

Our company and our 100% owned subsidiary Suzhou Hotron's main sales customers are all internationally renowned companies with significant market positions globally. Therefore, our company's cable sales are not highly concentrated on a few customers. Nevertheless, we actively maintain customer relationships to prevent new competitors from easily entering the market. We also continue to develop new products to expand our operations and move towards diversifying our product range, reducing the risk of overly relying on a single product for sales.

(10) Impact, Risks and Countermeasures for Significant Transfer of Shareholdings or Replacements of Directors, Supervisors or Shareholders Holding More Than 10% of Shares

In 2023 and up until the date of printing the annual report, the Company had no directors or major shareholders holding more than 10% equity interest, nor any situation involving a significant transfer or change in shareholding.

(11) Impact, Risks and Countermeasures of Changes in Operating Rights on the Company:

The company has no facts or plans regarding a change in operational control, so there is no impact on the company's operations.

(12) Litigation or Non-Litigation Matters:

1. The company's lawsuits, non-litigious or administrative disputes that have been finalized or are still pending during the past two fiscal years and up to the date of printing of the annual report, where the results may have a material impact on shareholders' equity or securities prices, including the facts in dispute, the subject amount, the date the litigation commenced, the main parties involved in the dispute, and the current status:

The company has no litigation or non-litigation matters that would have a material impact on shareholders' equity or securities prices.

2. The company's directors, supervisors, President, substantial responsible persons, major shareholders holding more than 10% of the shares, and subsidiaries, for the past two years and up to the date of printing of the annual report, have been definitively adjudicated or are currently involved in major litigations, non-litigious or administrative disputes that may have a material impact on shareholders' equity or securities prices. The disputed facts, subject amounts, litigation commencement dates, main parties involved, and current status of the cases:

Our company does not have such a situation.

(13) Other Important Risks and Countermeasures

1. Interest Rate Risk and Countermeasures

The main source comes from bank loans generated to support operating activities. To reduce interest rate risk, the company mainly uses operating cash inflows, and issues corporate bonds or conducts cash capital increases in a timely manner to meet the funding needs for operations, in order to reduce the interest burden caused by interest rate fluctuations.

2. Exchange Rate Fluctuation Risks and Countermeasures

The Company's sales revenue and manufacturing costs are primarily denominated in non-Taiwan dollar currencies. The Company adopts a natural hedging approach by

offsetting foreign currency receipts and payments, and adjusts the amount of foreign currency assets and liabilities in a timely manner to mitigate the impact of exchange rate risks.

3. Risks and Countermeasures for Inflation and Deflation

Inflation and deflation often have a significant impact on the global economy. Whether it is high inflation or deflation, it will reduce market efficiency and have adverse effects on both the overall and individual economies. Our company closely monitors changes in upstream raw material prices to mitigate the impact of inflation or deflation on the company's profits and losses.

4. Risks and Countermeasures for Financing

Due to the rapid changes and increasingly shorter cycles in the electronics industry, there is relative uncertainty in the planning of capital requirements. To meet customer and market demands, our company will require more working capital in the coming years, but financing involves many uncertainties:

- (1) The Company's future financial condition, operating performance and cash flows
- (2) Financing conditions in the domestic and international markets (especially China)
- (3) Trends in the interaction between Taiwan and the international economic climate

The company's credit status is good, its operations are stable, and its financing capacity is still sufficient. However, if it is unable to obtain sufficient and low-cost funds in a timely manner, it will consider raising funds from the market according to the company's operating scale.

5. Risks and Countermeasures for Declining Market Demand and Average Selling Prices

The company's revenue mainly comes from selling high-definition signal cables and connection cables for 3C products. Since the prices of new electronic products are difficult to increase and tend to decrease as the products mature, the company's revenue may be impacted if product demand declines. Additionally, if sales volume decreases, the fixed cost allocation per unit will rise, affecting the company's profitability. Conversely, if product demand increases, the fixed cost allocation per unit will decrease, benefiting the company's profitability. In the future, besides increasing sales to existing customers, the company aims to develop new customers, expand into new application areas for its products to increase product sales volume, and strive for cost reduction. Moreover, to increase revenue and profitability sources, our company has complete the development and shipment of electric vehicle charging guns, entering the electric vehicle market. In the future, we will accompany

the development of the electric vehicle industry, developing related charging and energy storage equipment, as well as peripherals for solar power plants.

6. Information Security Risk Management and Response Measures

To establish a secure information security environment and strengthen the Group's internal information security management system, the Company has formulated information security management regulations. In order to maintain the confidentiality, integrity and availability of the Company's information assets and protect user data privacy. We conduct information security education and training to promote employees' awareness of information security and enhance their recognition of relevant responsibilities. We implement an information security risk assessment mechanism to improve the effectiveness and timeliness of information security management. We also implement an internal information security audit system to ensure the implementation of information security management.

Considering that cyber insurance is still an emerging type of insurance, involving information security level testing agencies, claim appraisal agencies and non-indemnity conditions, etc., the company is still under evaluation.

For our company's information security management regulations, please refer to our company's website: <http://www.hotron-ind.com/>

7. Other Important Matters: None.

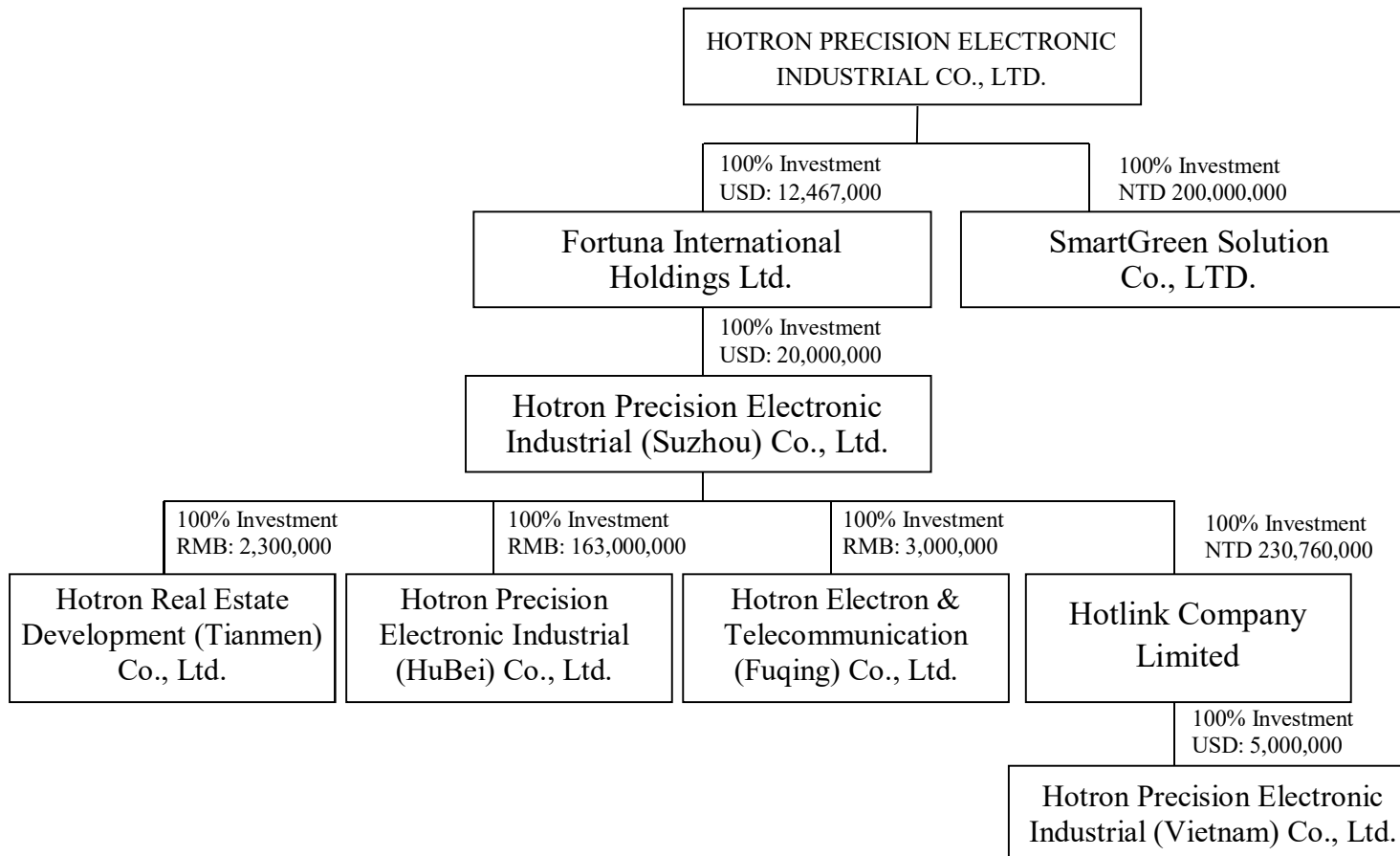
VIII. Special Remarks

1. Information on Related Corporations

(1) Consolidated Operating Report for Affiliated Companies

1. Organizational Chart of Related Companies

Date: December 31, 2023



2. The Names, Establishment Dates, Addresses, Paid-In Capital Amounts, and Main Business Activities of Related Companies

As of December 31, 2023

Name of Related Companies	Establishment Date	Address	Paid-In Capital	Main Business or Production Items
SmartGreen Solution Co., Ltd.	2022.09	4F, No. 169, Xing'ai Rd., Neihu Dist., Taipei City	NTD 200,000 thousand	Manufacturing and sale of automobiles and automotive parts, installation of solar thermal equipment, renewable energy self-generation equipment, energy technology services, electric vehicle charging guns, high-voltage automotive cables, and new energy materials.
Fortuna International Holdings Ltd.	2002.12	P.O.Box217, Apia, Samoa Western Samoa	USD 12,467 thousand	Investment business and merchandise trade
Hotron Precision Electronic Industrial(Suzhou) Co., Ltd.	2003.09	128 Lushuan Road, Gaoxin District, Suzhou City, Jiangsu Province	USD 20,000 thousand	Production and operation of 3C product cables, signal cables, electric vehicle charging guns, high-voltage wires, and new energy materials
Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	2004.10	Fuqing New High-Tech Industrial Zone, Fuqing City, Fuzhou City, Fujian Province	RMB 3,000 thousand	Processing of various 3C product connection cables and signal cables
Hotlink Company Limited	107.05	5F, No. 169, Xing'ai Rd., Neihu Dist., Taipei City	NTD 230,760 thousand	Merchandise trade
Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	2019.02	No. 168 Hotron Avenue, Tianmen Industrial Park, Tianmen City, Hubei Province	RMB 163,000 thousand	Production and operation of copper products, 3C product cables, signal cables, electric vehicle charging guns, high-voltage wires, 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 thousand	Real estate development, construction, sales, leasing, and housing agency services, etc.
Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	2020.02	4 Dongvan Industrial Park, National Highway 38, Hau Nghi Province, Vietnam	USD 5,000 thousand	Production and operation of 3C product cables and signal cables, etc.

3. Matters to Be Disclosed for Those Presumed to Have a Controlling and Subordinate Relationship in Accordance with Article 369-3 of the Company Act: None.
4. The Industries Covered by the Business Operations of the Overall Affiliated Enterprises:

Name of Related Companies	Business Scope	Division of Labor Situation
SmartGreen Solution Co., Ltd.	Manufacturing and sale of automobiles and automotive parts, installation of solar thermal equipment, renewable energy self-generation equipment, energy technology services, electric vehicle charging guns, high-voltage automotive cables, and new energy materials.	Production and operation of electric vehicle charging guns, high-voltage wires, and new energy materials
Fortuna International Holdings Ltd.	Investment business and merchandise trade	Investment holding
Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	Production and operation of 3C product cables, signal cables, electric vehicle charging guns, high-voltage wires, and new energy materials	Production and operation of copper products, 3C product cables, signal cables, electric vehicle charging guns, high-voltage wires, and new energy materials
Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	Processing of various 3C product connection cables and signal cables	Processing of various 3C product connection cables and signal cables
Hotlink Company Limited	Merchandise trade	Processing of various 3C product connection cables and signal cables
Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	Production and operation of copper products, 3C product cables, signal cables, electric vehicle charging guns, high-voltage wires, and new energy materials	Production and operation of copper products, 3C product cables, signal cables, electric vehicle charging guns, high-voltage wires, and new energy materials
Hotron Real Estate Development (Tianmen) Co., Ltd.	Real estate development, construction, sales, leasing, and housing agency services, etc.	Real estate development, construction, sales, leasing and management of self-built commercial housing and supporting facilities, property management, real estate agency services, interior and exterior decoration design and construction, etc.
Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	Production and operation of 3C product cables and signal cables, etc.	Production and sales of 3C product cables and signal cables, etc.

5. The Names of Directors, Supervisors, and President of Related Companies, and Their Shareholdings or Capital Contributions in Those Companies

The information of directors, supervisors, and President of related companies:

Unit: Thousand shares, %

Name of Related Companies	Job Title	Name or Representative	Shareholding or Investment in the Company (As of December 31, 2023)	
			No of Shares	Shareholding Ratio
SmartGreen Solution Co., Ltd.	Chairman	Chang, Li-Jung	0	0
	President	Chang, Li-Jung	0	0
Fortuna International Holdings Ltd.	Chairman	Chang, Li-Jung	0	0
	President	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
	President	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
	President	Lu, I-Hsuan	0	0
Hotlink Company Limited	Chairman	Chang, Li-Jung	0	0
	President	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
	President	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
	President	Lu, I-Hsuan	0	0
Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	Legal representative	Kao, I-Hong	0	0
	President	Kao, I-Hong	0	0

6. Overview of Operations of Affiliated Companies

Year: 2023 Unit: NT\$ Thousand

Name of Related Companies	Capital Amount	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profit	Post-tax Profit or Loss Current Period	Earnings per Share After Tax (NTD)
SmartGreen Solution Co., Ltd.	NTD: 200,000 thousand	203,726	19,110	184,616	29,682	(16,248)	(11,773)	(0.59)
Fortuna International Holdings Ltd.	USD: 12,467 thousand	1,550,086	-	1,550,086	-	(37)	(145,949)	(3.81)
Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	USD: 20,000 thousand	2,051,752	501,803	1,549,949	1,821,890	(124,151)	(145,913)	(2.38)
Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	RMB: 3,000 thousand	15,372	5,234	10,138	11,326	(718)	(850)	(0.65)
Hotlink Company Limited Department Manager	USD: 7,720 thousand	378,483	171,779	206,704	515,170	(6,619)	(48,867)	(2.12)
Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	RMB: 163,000 thousand	2,338,994	1,761,437	577,557	1,293,007	(23,011)	18,406	0.26
Hotron Real Estate Development (Tianmen) Co., Ltd.	RMB: 2,300 thousand	4,995	116	4,879	-	(861)	(857)	(0.86)
Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	USD: 5,000 thousand	315,330	250,804	64,526	113,014	(37,910)	(51,489)	(3.72)

7. Information on Endorsements/Guarantees for Related Enterprises, Lending Funds to Others, and Engaging in Derivative Transactions

(1) Endorsements/ Guarantees Provided by Related Parties:

As of December 31, 2023 Unit: NT\$ Thousand

Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsements/ Guarantees Provided for Single Entity	Maximum Endorsement/ Guarantee Balance for the Period	Endorsement and Guarantee Ending Balance	Actual Amount Drawn	Number of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth per Latest Financial Statements (%)	Endorsement/ Guarantee Ceiling	Endorsements/ Guarantees Provided by Parent for Subsidiary	Endorsements/ Guarantees Provided by Subsidiary for Parent	Endorsements/ Guarantees Provided for Subsidiary in Mainland China	Remarks
	Name of Company	Relationship (Note 2)											
Hotron Precision Electronic Industrial Co., Ltd.	Fortuna International Holdings Ltd.	2	\$ 1,918,837	\$121,920	\$61,410	\$ -	\$ -	2.87	\$ 2,132,041	Y	N	N	-
Hotron Precision Electronic Industrial Co., Ltd.	Hotron Precision Electronic Industrial (Vietnam) Co., Ltd.	2	\$ 1,918,837	\$309,640	\$309,640	\$148,920	-	14.52	\$ 2,132,041	Y	N	N	-
Hotron Precision Electronic Industrial Co., Ltd.	Hotlink Company Limited Department Manager	2	\$ 1,918,837	\$80,000	\$80,000	\$60,000	-	3.75	\$ 2,132,041	Y	N	N	
Hotron Precision Electronic Industrial Co., Ltd.	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	2	\$ 1,918,837	\$508,415	\$501,355	\$-	-	23.52	\$ 2,132,041	Y	N	Y	
Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	Hotron Precision Electronic Industrial (HuBei) Co., Ltd.	2	\$ 1,394,954	\$222,250	\$216,350	\$43,270	-	13.96	\$1,549,949	N	N	Y	

Note 1: The Company's total amount of endorsements/guarantees provided shall not exceed the Company's current net worth. For a single company's endorsement guarantee amount, the limit is not to exceed 10% of the current net worth, and for a single overseas affiliated company, the limit is not to exceed 90% of the current net worth. The net worth is based on the latest audited or reviewed financial statements of the company.

Note 2: The relationships between endorser/guarantors and endorsee/guarantees are categorized into the following 7 types. Please specify the type:

- (1) Companies who have business relationship.
- (2) Companies in which the Company directly or indirectly holds 50% or more of the voting shares.
- (3) Companies in which the Company directly or indirectly holds 50% or more of the voting shares.
- (4) Companies in which the Company directly or indirectly holds 90% or more of the voting shares.
- (5) Companies that mutually insure each other based on contractual agreements between businesses in the same industry or joint contractors for the purpose of contracted

construction projects.

(6) Shareholders making endorsements/guarantees for their mutually invested company in proportion to their Shareholding ratio.

(7) Companies in the same industry that provide mutual endorsements/guarantees for pre-sale housing contracts based on the consumer protection regulations.

Note 3: The company shall specify the limits on endorsements/guarantees for individual entities and the maximum amount of endorsements/guarantees based on its operational procedures for endorsements/guarantees, and explain the calculation method for the limits on endorsements/guarantees for individual entities and the total limit in the remarks column.

Note 4: The highest remaining amount of endorsements/guarantees provided to others during the year.

Note 5: The amount approved by the Board of Directors shall be filled in. However, if the Board of Directors has authorized the Chairman to make decisions pursuant to Article 12, Paragraph 8 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the amount decided by the Chairman shall be filled in.

Note 6: The actual amount drawn by the endorsed/guaranteed company within the balance of endorsements/guarantees shall be filled in.

Note 7: For endorsements/guarantees provided by a parent company to subsidiaries, by subsidiaries to a parent company, or in mainland China, “Y” must be filled in.

(2) Funds Loaned to Others by Related Enterprises:

As of December 31, 2023 Unit: NT\$ Thousand

Financing Company	Borrower	The Maximum Balance for This Period	Ending Balance (Note 2)	Actual Amount Drawn	Interest Rate Range (%)	Nature for Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debts	Collateral		Lending Limits on Individual Counterparties (Note 1)	Total Limit on Loans Provided (Note 1)	Remarks
										Name	Value			
Hotron Electron & Telecommunication (Fuqing) Co., Ltd.	Hotron Precision Electronic Industrial (Suzhou) Co., Ltd.	\$29,671	\$0	\$0	Non-interest bearing	Business transaction	\$12,422	The board approved the recognition of fund lending.	-	None	-	\$12,422	\$12,422	-

Note 1: The Company’s “Operational Procedures for Loaning of Funds to Others” stipulates that for loans to companies or firms with business dealings, the total amount loaned and the individual amount loaned shall not exceed the amount of business dealings between the parties in the most recent fiscal year. The term “amount of business dealings” refers to the higher of the amounts of purchases or sales between the two parties. The total amount of short-term financing loans shall not exceed 40% of the Company’s net worth, and the individual amount loaned shall not exceed 40% of the Company’s net worth. For loans between the Company and its directly or indirectly wholly owned foreign subsidiaries, the aforementioned restrictions shall not apply, but the total amount of short-term financing loans shall not exceed 100% of the Company’s net worth, and the individual amount loaned shall not exceed 100% of the Company’s net worth.

Note 2: The ending balance refers to the limit of capital lending approved by the board of directors.

- (3) Information on Derivative Transactions Undertaken by the Related Enterprises:
No such situation.

(2) Consolidated Financial Statements of Affiliates

In 2023, the companies required to be included in the consolidated financial statements of affiliates under the standards Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Financial Reporting Standards (IFRS) 10, and 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. The Corporation hereby produces this declaration to the effect that no preparation for the separate consolidated financial statements of affiliates is required.

- (3) Relationship Report: N/A.

2. **Private Securities Issuance Status for the Recent Fiscal Year and up to the Date of Printing the Annual Report:** None.
3. **Information on the Holding or Disposal of the Company's Shares by Subsidiaries in the Most Recent Year and up to the Date of Printing of the Annual Report:** None.
4. **Other Necessary Supplementary Explanatory Items:** None.

IX. Matters Having a Material Impact on Shareholders' Equity or Securities Prices

Recent annual events and events occurring up to the date of printing of the annual report that have a material impact on shareholders' equity 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.

Chairman: Chang, Li-Jung