

泰詠電子股份有限公司 TOP UNION ELECTRONICS CORP.

2023 Annual Report

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Top Union Electronics Corp.

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I. Letter to Shareholders

In 2023, the Company attained a new annual revenue peak, yet regrettably, profitability did not follow suit.

The world is in turmoil, lacking universal love... Protectionism is on the rise, populism is in power, and there's a loud and misleading display seeking active polarization and opposition. This approach involves extreme measures to exclude those who are different. The anticipated yet unknown major variables and impacts are no surprise! Reading the situation and promptly adapting to it is key to the company's long-term sustainability and profitability! It's absolutely critical!

In 2023, the Company's revenue grew by 10%, yet profits amounted to less than 90%. Discussions and actions about forging new paths between the U.S. and China are prevalent. However, the world's factory, poised to unleash its potential, possesses formidable capabilities in response, development, and overcoming obstacles. Should we fear "fear" itself, or the inadequacy of comprehensive alternative solutions? Among the three factories, operations in Taiwan remain the most stable. The Suzhou and Shanghai factories inherently lack a leading role in vitality, coupled with demands for OOC (Out Of China), resulting in a significant revenue decline. A complete transformation of market positioning and operations is urgently required, with an accelerated and deepened approach to promptly implement local orders and provide top-tier services on-site! In 2023 compared to 2022, annual revenue increased slightly to approximately NT\$3.66 billion, representing a 11% growth. After-tax profits for the year were approximately NT\$297 million, with a decrease of about 10%, and an ROE of approximately 13.31%.

In 2024, advancing with the lighter pace of populism, amidst the continuing standoff and rigidity in U.S.-China relations, and the intractable conflict between Russia and Ukraine... Geopolitical uncertainties persist, exacerbated by rising prices, increasing interest rates, and the lingering yet unabated pandemic... While the economy will evolve naturally, it will take time, and a complete recovery remains uncertain! The Company's operations primarily target quality customers, staying abreast of rapid changes, and actively seizing opportunities, fully understanding and exploring future prospects!

The following is a summary of the company's recent operating status and management.

Operation: The company regards customers as paramount, consistently striving to enhance and improve their well-being by providing quality products, anchoring in the market with sustainable profitability, and reciprocating the trust and support of shareholders!

External competition: As the world becomes more open, intelligence becomes unrestrained! By advancing with the times and offering customers more and better-tailored services, we fully embody the essence of service, becoming preferred partners or irresistible choices for customers. (Continuously focusing on enhancing the essence of service!)

Enhancing organizational effectiveness: Preconceptions entrenched in society often hinder progress. Human effort is pivotal in steadfastly advancing towards goals, rallying organizational strength and efficiency. Initiating and inspiring non-conventional thinking among colleagues, coupled with proactive planning and execution, lay the solid foundation for a prosperous future!

The future development strategy of the company: Embarking on the core principle of unity, actively playing a role in promoting and advocating, aiming to stay ahead of the curve, steadily facing the complexities of the future, demonstrating extensive expertise, and winning customer favor!

Regulatory environment: Focusing on enhancing organizational health and service capabilities, transcending superficiality to realize core principles and ideals, striving for positive and efficient growth, avoiding common pitfalls or losses arising from operational and managerial discrepancies!

Overall business environment: Improved living standards and a robust economy are imperative! Population growth and technological innovation serve as drivers for global economic prosperity. The development in India and Africa holds the potential for sustained economic growth over decades! In recent years, the company has continuously fortified and enhanced its service capabilities for customers, prioritizing future-oriented, urgent investments!

We sincerely thank you for your interest and support in Top Union Electronics. With an unwavering belief, the Company remains focused on continually improving our service capabilities, knowing that staying ahead is essential for playing an outstanding role! Serving long-term and excellent customers is a testament to our professional management and forms a solid basis for rewarding you with the fruits of our operations. Once again, thank you for your ongoing support and concern!

All the best, Sincerely yours.

Chairman Vincent Tsuei March 31, 2024

1. 2023 Business Report

(1) Implementation results of the business plan

The company's consolidated net revenue in 2023 is NT\$3,660,315 thousand, an increase of 11.10% from 3,294,689 thousand in 2022. In terms of consolidated annual net profit, the net profit after tax in 2023 is NT\$296,739 thousand, an decrease of 9.92% compared with the 2022 tax revenue of NT\$329,426 thousand.

The consolidated profit and loss of the company in 2023 is as follows:

Item	2023		2022		Increase or decrease amount	
	Amount	%	Amount	%	difference	Increase or decrease%
Operating revenue	3,660,315	100.00	3,294,689	100.00	365,626	11.10
Cost of revenue	3,110,327	84.97	2,705,401	82.11	404,926	14.97
Gross profit	549,988	15.03	589,288	17.89	(39,300)	(6.67)
Operating expenses	206,470	5.64	200,264	6.08	6,206	3.10
Income from operations	343,518	9.38	389,024	11.81	(45,506)	(11.70)
Total non-operating income	44,055	1.20	38,626	1.17	5,429	14.06
Income before tax	387,573	10.59	427,650	12.98	(40,077)	(9.37)
Income tax expense	90,834	2.48	98,224	2.98	(7,390)	(7.52)
Net income	296,739	8.11	329,426	10.00	(32,687)	(9.92)
Basic earnings per share (NT\$)	2.15	-	2.38	-	(0.23)	(9.66)

(2) Budget implementation

In FY2023, the Company achieved the consolidated net operating income of NT\$3,660,315 thousand, and compared with the target for FY2023 consolidated operating income NT\$4,000,000 thousand, the achievement rate was 91.51% ; the consolidated net profit or loss for FY2023 was NT\$296,739 thousand, compared with the profit or loss target of NT\$450,000 thousand, the achievement rate was 65.94%.

Unit: NT\$ thousand

Year	Consolidated Statements	Target Value	Achievement rate (%)
2023 Consolidated operating income	3,660,315	4,000,000	91.51
2023 Consolidated net profit or loss	296,739	450,000	65.94

(3) Financial revenue and expenditure and profitability analysis of the consolidated statement

Unit: NT\$ thousand unless otherwise specified

Year		2023	2022	Change ratio(%)
Financial balance	Net operating income	3,660,315	3,294,689	11.10
	Operating profit	549,988	589,288	(6.67)
	Interest income	32,384	8,695	272.44
	Interest expense	2,587	5,799	(55.39)
	Net profit after tax	296,739	329,426	(9.92)
Profitability	Return on assets (%)	9.16	10.84	(15.50)
	ROE (%)	13.31	17.41	(23.55)
	Profit rate (%)	8.11	10.00	(18.90)
	Basic earnings per share (NT\$)	2.15	2.38	(9.66)

(4) Research developments

1. Level of technology of the operations

As electronic products continue to develop toward multi-functionality, high density and rapidly changing direction, the assembly requirements will be small, diverse, complex, and unsophisticated. For this reason, Top Union Electronics is committed to the research and development of various production processes to meet the different assembly requirements

of other products, as well as the functional testing and reliability verification of the product, so that our customers can feel free to leave their products to Top Union Electronics, without worrying about the production technology, quality and this allows customers to leave their products in the hands of Top Union Electronics without having to worry about insufficient production technology, quality and production capacity.

2. Research and Development Results

- (1) Proactively participate in the early development stage of customers' products to standardize the technical services of DFM (Design for Manufacturing) Together with the customer, we design the yield and reasonable cost of each type of process during the product development stage with the concept of QDC, and cover the design of process reduction and man-hour reduction to make a value-added contribution to the product.
- (2) Further DFC (Design for Component) analysis and design to improve board availability, introduce the advantages of localization of components and select raw material resources with supply chain advantages. This is used to enhance the flexibility of material procurement and to achieve continuous and uninterrupted material supply.
- (3) To build low dust, pollution, energy saving and safe working environment. This provides the quality of high-precision product assembly and meets the sterility and cleanliness requirements of medical electronic products. Regarding environmental protection, energy-saving, and low-pollution operations are also developed and realized through process design. Industrial safety and hygiene issues are also recognized in process design.
- (4) The integration of automation and intelligence in information systems and assembly equipment. The intelligence level of the smart factory will be developed step by step through the introduction of resources and the common development and application of contemporary technology.
- (5) Develop the ability to assemble products with ultra-thin and flexible substrates. Lightweight and tiny modules can be embedded in mobile devices with more and diversified functions.
- (6) Continuously pushing the limits of various processes and challenging conventional boundaries, accumulating process expertise to ensure customers' product designs are not constrained by conventional processes.

2. Overview of the business plan for the year

(1) Business Policy

In the face of increasingly hostile business environments, our company, apart from reinforcing operational resilience and attracting diverse talents worldwide, excels in leveraging minimal, diversified, high-difficulty, and nascent service advantages, along with profound technical backgrounds. We actively expand overseas and mainland markets, aiming towards internationalized professional outsourcing.

(2) Expected sales volume and its basis

The operating unit prepares the annual sales target based on the annual processing demand from customers, the existing production capacity of the Company and the estimated increase in production capacity. However, as the Company is an SMT specialist and processes a wide range of product units, it is not meaningful to compare quantities.

(3) Important production and sales policies

Leveraging regional development advantages, adjusting outsourcing strategies for production bases, both in Taiwan and mainland China, to focus on turnkey projects and providing services oriented towards small-scale, diversified, high-difficulty, and nascent demands, aiming to challenge higher revenue performance and generate greater profits.

II. Company Profile

1. Date of Establishment.

February 15, 1990

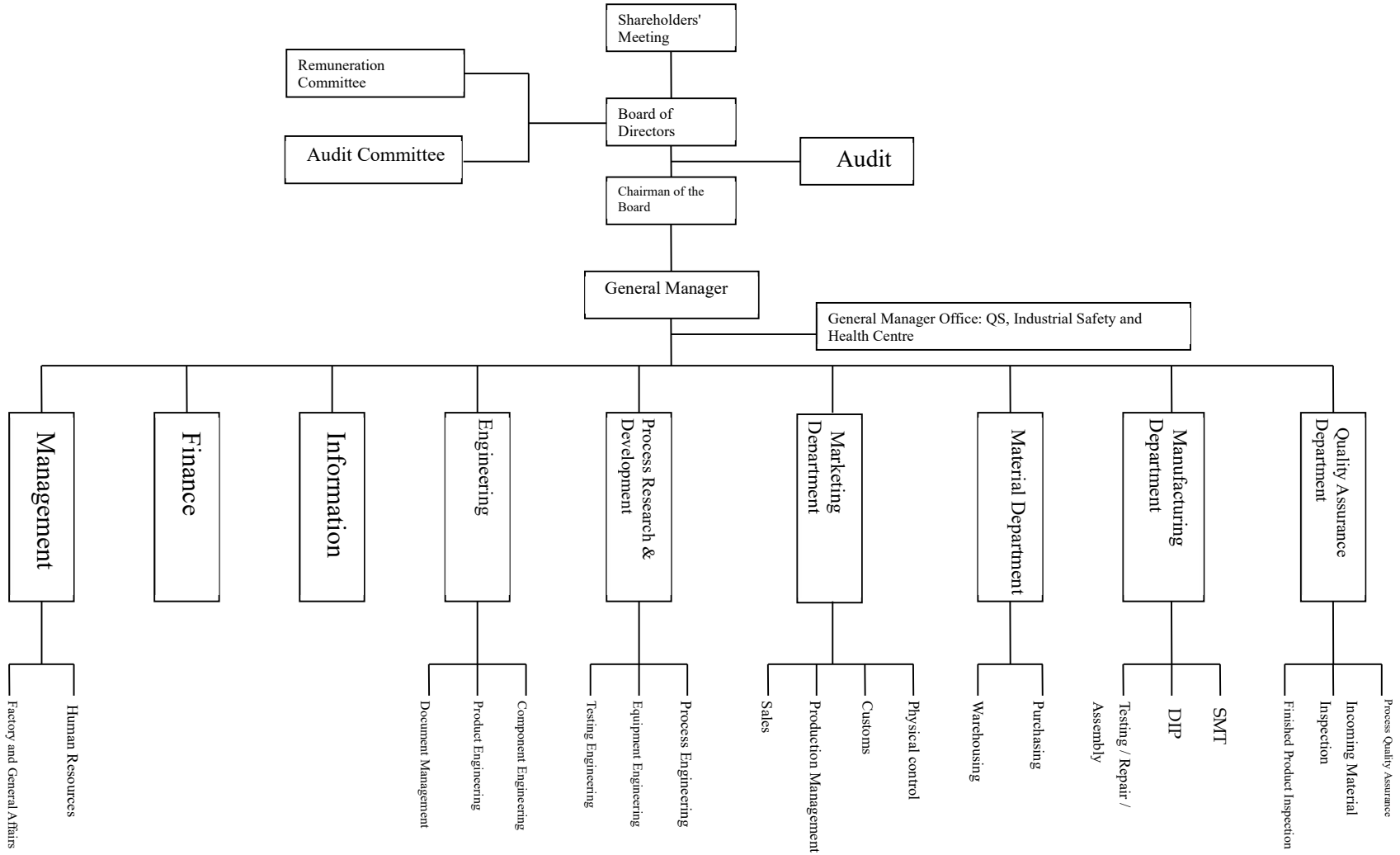
2. Company History.

Feb. 1990	Top Union Electronics Corp. was established at No. 1, Lane 44, Sec. 576, Kwang-Fu Road, Hsinchu City with a capital of \$15 million.
June. 1990	SMT SIEMENS equipment was installed in the factory.
Sep. 1990	Expansion of SIEMENS equipment with additional capital of \$25 million in cash, resulting in a paid-in capital of NT\$40 million.
Feb. 1992	Motherboard of the academic/student notebook computers entered stable production (high functional density)
May. 1994	Ngau Po factory was established, mainly for back-end processing, to make up for the shortage of production capacity in Kwang Fu Plant.
Sep. 1994	Relocated to No. 17, Lane 576, Sec. 1, Kuangfu Road, Hsinchu City.
Dec. 1994	Contracted C-ONE TECHNOLOGY CORP. to produce PCMCIA series products (thin boards) .
May. 1995	Acquired FUJICP6 with 0603 process capability and increased production capacity.
Oct. 1995	ISO-9002 quality certification obtained.
Oct. 1996	Vincent Tsuei Assistant Manager took over as General Manager.
May. 1998	Invested in Allied Oriental (V.I.) Ltd. and indirectly invested in Top Union Electronics (Shanghai) Ltd. in China with a factory area of 400 pings.
Aug. 1998	Introduced AMBIT MICROSYSTEMS CORP. Ltd. to produce Notebook peripheral control cards.
Jan. 2000	Shanghai Top Union relocated to the current site of the Free trade zone (Guolian Building) in Waigaoqiao, Shanghai, with an area of 1,500 ping due to insufficient production capacity.
Mar. 2000	Established Dahu factory at No. 171-1 Dahu Road, Hsinchu City.
Dec. 2001	Received DNV ISO 90012000 certification.
Apr. 2002	Applied for indirect investment in Top Union Electronics (Suzhou) Co.
May. 2003	Listed on the Emerging Stock Exchange.
Apr. 2004	Stock listed on the stock exchange.
May. 2004	Purchased land worth NT\$77.33 million to build a factory building.
Dec. 2004	Issue of NT\$15,000,000 domestic convertible bonds.
Apr. 2005	Company Address moved to No. 480, Nioupu E.Rd., Hsinchu.
Aug. 2005	Passed ES20.20 certification and ISO14001:2004 certification.
Mar. 2007	Passed QC080000 certification.
May. 2007	Former Chairman, Song Chao-Chin, passed away on May 2, 2007 due to illness and the Board of Directors elected Vincent Tsuei as Chairman.
Nov. 2007	Issued NT\$20,000,000 first domestic guaranteed convertible bond
Jul. 2008	Write-off of 35 million treasury shares and change of paid-in capital to NT\$628.54 million
Apr. 2009	Shanghai plant passed TS16949: 2002 certification.
Dec. 2016	Hsinchu and Suzhou plants passed the new version of ISO 9001: 2015 certifications
Aug. 2017	Hsinchu, Shanghai and Suzhou plants were certified to ANSI ESD S20.20-2014.
Feb. 2018	Hsinchu factory passed ISO 13485 for the medical system quality management certification in 2016.
Mar. 2018	Hsinchu Plant officially obtained the IATF 16949:2016 Quality Management System Certificate for the automotive industry.
Mar. 2019	Hsinchu plant, Shanghai plant and Suzhou plant passed IECQ QC 080000 system certificate.
May. 2020	Audit Committee was established.
Dec. 2022	Cash capital increase of NT\$140 million was processed and the paid-in capital was changed to NT\$ 1,234.3 million.

III. Corporate Governance Report

1. Organization

(1) Organizational chart:



(2) Businesses of the major divisions

1. Audit: To establish and maintain a system of internal controls to provide reasonable assurance of effective and efficient operations, reliable financial reporting, and compliance with relevant laws and regulations.
2. General Manager Office: responsible for the operation and development of the head office and all branches in accordance with the organization and its responsibilities.
3. Information Department: Responsible for improving the management and operational efficiency of the Company in all aspects through information systems and related operations.
4. Marketing Department
 - 4.1 Business: To fully grasp the market demand, actively obtain orders, provide professional services to the satisfaction of customers, and become the main partner of customers.
 - 4.2 Production and Management: To be responsible for the integration of internal and external production capacity and raw material resources for the most efficient use to achieve customer needs.
 - 4.3 Customs: To complete all related import and export, customs clearance, logistics, foreign exchange management, tax collection and other operations in a timely and quality manner.
 - 4.4 Physical Control: To co-ordinate the planning and use of materials.
5. Materials Department
 - 5.1 Purchasing: Coordinate the planning according to the purchasing strategy.
 - 5.2 Warehouse Management: Responsible for the management of materials and finished goods warehouses in order to achieve the most efficient warehouse management operations.
6. Management Department
 - 6.1 Human Resources: To structure the organization's needs and to lead the development of the Company.
 - 6.2 Plant: To ensure that all plant facilities are maintained in a safe and normal operation so as to enhance the positive efficiency of production.
 - 6.3 General Affairs: To co-ordinate the Company's assets and general affairs arrangements for the effective use of administrative resources.
7. Finance Department: To ensure the smooth operation of funds and to promote management effectiveness and operational performance with financial perspectives and indicators.
8. Manufacturing Department: To provide the best production products that exceeds customers' expectations through excellent production process technology.
9. Quality Assurance Department: To ensure that production processes are properly and effectively followed and implemented, and that there is room for improvement in established processes to meet customer requirements and satisfaction.
10. Engineering: To provide the best solutions to solve and prevent problems in a scientific manner.
11. Process Research and Development Department: To verify the necessity of each operation, the correctness of each action, and the efficiency of each output in the production process.

2. Information on directors, general manager, Vice President, assistants, department and branch supervisors

(1) Information on directors

March 31, 2024

Title	Nationality or Registration	Name	Gender & Age	Date First Elected	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor child Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions concurrently served in other companies	Executives, Directors or Supervisors Who are Spouses or within the Second Degree of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	ROC	Vincent Tsuei	Male 61~70Y/O	2023.05.19	3	2007.05.03	5,237,506	4.24	5,870,858	4.25	307,043	0.22	0	0.00	National Chiao Tung University EMBA, Researcher of ERSO, ITRI	Chairman and CEO of the Company. Director of Allied Oriental International Ltd., Chairman of Shanghai Top Union Limited and Soochow Top Union Limited.	None	None	None	None
Director	ROC	OMNICO INTERNATIONAL LTD. Rep.: Liao Bo-xiang	Male 61~70Y/O	2023.05.19	3	2014.05.30	5,792,474	4.69	6,487,570	4.69	0	0	0	0.00	California State University, USA Chairman of Yutong International Trade Co., Ltd.	Chairman—OMNICO INTERNATIONAL LTD., Tatung Chinaware Co., Ltd. and Carax International Ltd. Executive director of Taiwan Ceramic Industries Association	None	None	None	None
Director	ROC	Cheng Chung Investment Co., Ltd. Rep.: Kao Xin-ming	Female 71~80Y/O	2023.05.19	3	2007.06.28	4,447,205	3.60	4,980,869	3.60	0	0	0	0.00	Master of International Business Management, EMBA, National Taiwan University Director of ERSO, ITRI	Chairman and Chief Executive Officer—Marketech International Corp. Chairman - Gee Hsuan Investment Co., Ltd., Taiwan Radisen HealthCare Co., Ltd., (MIC TECHNO Co., Ltd.) Directors—WT MICROELECTRONICS CO., LTD., (MACROTEC TECHNOLOGY CORP., EZOOM INFORMATION, INC., ADAT Technology CO., LTD., Vertex System Corporation, FORWARD SCIENCE CORP., Brilliant Network & Automation Integrated System Co. Ltd., Probe Leader Co., Ltd., Everlasting Digital ESG Co., Ltd., SAFETY ASSURANCE TECHNOLOGIES CO., LTD.	None	None	None	None
Director	ROC	Song Ying-chuan	Male 71~80Y/O	2023.05.19	3	2007.06.28	627,708	0.51	703,032	0.51	308,568	0.22	1,199,699	0.87	MBA, Chung Hsing University National Cheng Kung University, Department of Electrical Engineering Manager of Research and Development Department, Chien-Hong Electronics Co. Ltd. Director of Audio Department, Taiwan Pony Music Co. Ltd. Director of Technical Department, Funet Technologies Inc. Taichung	Chairman - Gigatek Inc., YAGA INC., GIGA-TMS INC., CHUAN INC., KEIGA ELECTRONIC INC., and S&E Technology Co., Ltd. Director of Tibbo Technology Inc., Kuan Ying Investment Co., Ltd.	None	None	None	None
Director	ROC	Lin Jin-Tsai	Male 71~80Y/O	2023.05.19	3	2002.06.18	887,424	0.72	993,914	0.72	0	0	0	0.00	Rui Fang Vocational Senior High School Chairman of Fuyuan Construction Co., Ltd.	Chairman—Fu Yuan Construction Co., Ltd.	None	None	None	None
Director	ROC	Chuang Yong-shun	Male 71~80Y/O	2023.05.19	3	2003.05.29	0	0.00	0	0.00	0	0	0	0.00	EMBA, National Taiwan University Master of Business Administration, Tulane University, USA National Taiwan University of Science and Technology, Taiwan, B.S., Electrical Engineering	Chairman—Yenxin Investment Co., Ltd., Fuli Investment Co., Ltd., Fuyi Investment Co., Ltd. EVERFOCUS ELECTRONICS CORP. Chairman - legal representative — AAEON TECHNOLOGY INC., (AAEON TECHNOLOGY(Soochow)INC., Yenyou Investment Co., Ltd., Onyx Healthcare Co., Ltd., Onyx Healthcare (Shanghai) Inc. Director —AAEON Foundation, ALLIED BIOTECH CORP., King Core Elec. Co., Ltd., AtechOEM Co., Ltd., Kiyich Electronics (Dongguan) Ltd., Danyang Qiye Technology Co., MACHVISION, INC., MACHVISION (Dongguan) Inspection Equipment Co., Top Union Elec. (Soochow) Limited, Litemax Electronics Inc. Director legal representative— iHELPER Inc., (WINMATE INC., XAC Automation Corporation, CHC Healthcare Group, SUNENGINE CORPORATION LTD., NEW FUTURE CAPITAL CO., LTD., IBASE TECHNOLOGY INC. Independent director—Top Union Elec. Corp., TAI-FLEX SCIENTIFIC CO., LTD.	None	None	None	None
Director	ROC	James Wang	Male 51~60Y/O	2023.05.19	3	2023.05.1	887,806	0.72	994,342	0.72	1,008	0.00	0	0.00	EMBA of National Tsing Hua University Production Management Specialist of Jingsheng Art Ceramics Company	General Manager—Top Union Electronics Corp.	None	None	None	None
Director (Independent)	ROC	Lee Ching-Ho	Male 61~70Y/O	2023.05.19	3	2003.05.29	0	0.00	0	0.00	0	0	0	0.00	EMBA of Taipei University of Science and Technology Director and General Manager of Lea Hold Enterprise Co. Ltd.	Member of the Compensation Committee and Audit Committee - Top Union Elec. Director and General Manager - LEA HOLD ENTERPRISE CO., LTD. Director-SI-LUMM CO. Independent Director and Remuneration Committee Member—TungThih Electronic Co.	None	None	None	None
Director (Independent)	ROC	Yan Wei-Qun	Male 61~70 Y/O	2023.05.19	3	2022.05.20	0	0.00	0	0.00	0	0	0	0.00	Accounting major in National Cheng Kung University MBA of The City University of New York-Finance	Chairman—ATECH OEM Inc., Qiye Electronics (Dongguan) Co., Ltd., Outstanding Electronics Manufacture Group Co. Ltd., ATECH Technology (Yichang) Ltd., QQE Technology Co., Ltd. Director—AAEON (SZ) Technology Inc., ATECH Technology (SAMOA) Ltd., Growing Profits Group Limited, Outstanding Electronics Manufacturer Group Co., Ltd., Machvision, Inc., CIPHERLAB Co., Ltd. Supervisor—Cybertek Corporation Independent Director: Abico Avy Co., Ltd., Top Union Electronics Corp.	None	None	None	None
Director (Independent)	ROC	Huang Xu-Nan	Male 61~70 Y/O	2023.05.19	3	2005.05.31	0	0.00	0	0.00	0	0	0	0.00	National Chiao Tung University-PhD, Institute of Management Science Ming Chuan University-Dean of School of Management Ming Chuan University-Chair of School of Management National Yunlin University of Science & Technology-Associate Professor, Department of Business Administration Economic Construction Committee of the Executive	Independent Director and Compensation Committee—King Core Electronics Inc., XAC Automation Corporation, Everfocus Electronics Corp. Compensation Committee—Top Union Electronics Corp. Director-Litemax Electronics Inc. Supervisor—Le Young Construction Co., Ltd. Director (Legal Representative)—Sunsino Development Associate Inc. Ming Chuan University-Full-time Professor and Director of SME Innovation and Development Center	None	None	None	None

Title	Nationality or Registration	Name	Gender & Age	Date First Elected	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor child Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions concurrently served in other companies	Executives, Directors or Supervisors Who are Spouses or within the Second Degree of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
															Yuan- Associate Researcher/Group Leader Executive Director of Taiwan Efficiency and Productivity Association Executive Supervisor of The Global Logistics & Commerce Council of Taiwan Director of Academy of Promoting Economic Legislation Evaluation Committee of Higher Education Evaluation and Accreditation, Evaluation Committee of Taiwan Assessment and Evaluation Association (TWAEA)					
Director (Independent)	ROC	Yang Chang-Mou	Male 61~70 Y/O	2023.05.19	3	2016.08.19	0	0.00	0	0.00	0	0	0	0.00	Cornell University-Master in Materials Science and Engineering, America IBM Corporation Research Division, Almaden Research Center, San Jose, CA, U.S.A Researcher National Tsing Hua University-Professor in Materials Science and Engineering Assistant Professor in Taipei Medical University	Independent Director-Shin Foong Specialty And Applied Materials Co., Ltd.	None	None	None	None

Table 1: Major shareholders of the corporate shareholders:

March 31, 2024

Name of Institutional Shareholders	Name of Institutional Shareholders
Cheng Chung Investment Co., Ltd.	Sung Ping-Chung (41.14%), Sung Feng-Pei (19.88%), Ji Chang Investment Company (15.82%)、Ji Xuan Investment Company (10.66%), Song En-Rui (3.96%), Song Yi-Le (3.96%)、Bai Xuan Investment Company (3.96%)、Margaret Kao (0.62%)
OMNICO INTERNATIONAL LTD.	Liao Bo-Xiang (33%), Liao Kai-Chen(32%), Liao Kai-En (30%), Kao Xiu-fang (5%)

Table II: Major Shareholders of the Institutional Investors Listed in Table I

March 31, 2024

Institutional investors (Note 1)	Major shareholders of the institutional investors (Note 2)
Ji Chang Investment Company	Ji Xuan Investment Company (48.44%), Sung Ping-Chung (21.45%), Song En-Ru (11.96%), Song Yi-Le (11.96%), Sung Feng-Pei (5.94%), Margaret Kao (0.25%)
Ji Xuan Investment Company	Sung Ping-Chung (23.41%), Sung Feng-Pei (22.56%), Bai Xuan Investment Company (16.35%), Ji Chang Investment Company (16.26%), Margaret Kao (16.06%), Song En-Ru (2.68%), Song Yi-Le (2.68%)
Bai Xuan Investment Company	Ji Xuan Investment Company (66.67%), Sung Feng-Pei (21.45%), Song En-Ru (5.88%), Song Yi-Le (5.88%), Sung Ping-Chung (0.10%), Margaret Kao (0.02%)

(2) Information of Directors

1. Information on professional qualifications of Directors and on independence of Independent Directors

March 31, 2024

Name	Criteria	Professional qualifications and experience	Independence	Number of other public companies in which the person is concurrently serving as an independent director.
Vincent Tsuei		Hold the work experience necessary for business and company operations. Acted as the Company's Chairman, Allied Oriental International Ltd Director. Not having the circumstances under Article 30 of the Companies Act.	None	None
OMNICO INTERNATIONAL LTD. Rep.: Liao Bo-xiang		Hold the work experience necessary for business and company operations. Acted as Chairman of Yutong International Trade Co., Ltd., OMNICO INTERNATIONAL LTD. Chairman, Tatung Chinaware Co., Ltd. and CARAX INTERNATIONAL CO., Ltd., Chairman. Not having the circumstances under Article 30 of the Companies Act.	None	None
Cheng Chung Investment Co., Ltd. Rep.: Kao Xin-ming		Hold the work experience necessary for business and company operations. Acted as Director of ERSO, ITRI, Marketech International Corp. Chairman & CEO, MACROTEC TECHNOLOGY CORP. Chairman, Jixuan Investment Co, Ltd. Chairman, MIC TECHNO CO., LTD. Chairman. Not having the circumstances under Article 30 of the Companies Act.	None	None
Song Ying-chuan		Hold the work experience necessary for business and company operations. Acted as Gigatek Inc. Chairman, KEIGA ELECTRONIC INC. Chairman, S&E Technology Co., Ltd. Chairman, Tibbo Technology Inc. Director, Kuan Ying Investment Co., Ltd. Director. Not having the circumstances under Article 30 of the Companies Act.	None	None
Lin Jin-Tsai		Hold the work experience necessary for business and company operations. Acted as Fu-Yuan Construction Co., Ltd. Chairman. None of the directors are classified under Article 30 of the Companies Act.	None	None

Chuang Yong-shun	Hold the work experience necessary for business and company operations. Acted as Yenxin Investment Co., Ltd. Chairman, Onyx Healthcare Inc. Chairman, AAEON TECHNOLOGY INC. Chairman, AAEON Foundation, Director, Atech OEM Inc. Director, King Core Co., Ltd. Director, LITEMAX ELECTRONICS INC. Director, MACHVISION, INC. Director. Not having the circumstances under Article 30 of the Companies Act.	None	1
James Wang	Hold the work experience necessary for business and company operations. Acted as Company's General Manager, Production Management Specialist of Jingsheng Art Ceramics Company. None of the directors are classified under Article 30 of the Companies Act.	None	0
Lee Ching-Ho	Hold the work experience necessary for business and company operations. Acted as LEA HOLD ENTERPRISE CO., LTD. Director & General Manager, SI-LUMM CO., LTD. Director, TungThih Electronic Co., Ltd. Independent Director & Member of Remuneration Committee. None of the directors are classified under Article 30 of the Companies Act.	All Independent Directors meet the independence conditions, Director (or in the name of others), spouse and minor children hold no shares in the Company. Remuneration received by the Company or its affiliated companies for business, legal, financial, accounting and other services has not been provided in the last two years.	1
Yan Wei-Qun	Hold the work experience necessary for business and company operations. Acted as Atech OEM Inc. Chairman, Kiyieh Electronics (Dongguan) Limited Chairman, Danyang Qiye Technology Limited Chairman, Yiyuan (Yichang) Electronics Limited Chairman, QQE TECHNOLOGY CO., LTD. Chairman, etc., ABICO AVY CO., LTD. Independent Director. None of the directors are classified under Article 30 of the Companies Act.		1
Huang Xu-Nan	Hold the work experience necessary for business and company operations. Graduated from the doctoral program in Management Science at National Chiao Tung University. I have served as the dean of the College of Management at Ming Chuan University and as a member of the evaluation committee at the Higher Education Evaluation Center. None of the directors are classified under Article 30 of the Companies Act.		
Yang Chang-Mou	Hold the work experience necessary for business and company operations. Graduated with a Ph.D. in Materials Engineering from Cornell University in the United States and have served as an adjunct professor at Taipei Medical University None of the directors are classified under Article 30 of the Companies Act.		

II. Diversification and independence of Board of Directors:

(1) Board of Directors Diversification:

1. Board of Directors Diversification Policy:

At the 5th meeting of the 9th session of the Board of Directors on March 5, 2015, the Company approved the amendment of the "Corporate Governance Best Practice Principles" to strengthen the functions of the Board of Directors in Chapter 3, which is intended to have a diversity approach. The nomination and selection of the Company's Board of Directors is based on the provisions of the Company's Articles of Incorporation, the evaluation of the academic qualifications of each candidate, and compliance with the "Election of Directors" and the "Corporate Governance Best Practice Principles" to ensure the diversity and independence of the Board of Directors. In accordance with Article 20 of the "Corporate Governance Best Practice Principles" of the Company, the members of the Board of Directors should generally possess the knowledge, skills and qualities necessary to perform their duties. In order to achieve the desired goals of corporate governance, the Board as a whole should possess the following competencies: (1) Business judgment (2) Accounting and financial analysis (3) Operational management (4) Crisis management; (5) Industry knowledge (6) International Market Perspective (7) Leadership (8) Decision-making.

2. Objectives

The Board of Directors of the Company shall be responsible to the Shareholders' Meeting. The practices and arrangements of the corporate governance system shall ensure that the Board of Directors shall exercise its authority in accordance with the law, the provisions of the Articles of Incorporation or the resolutions of the shareholders' meeting.

The specific objectives are as follows:

- (1) The Board of Directors of the Company shall emphasize gender equality and shall include at least one female director.
- (2) The Board of Directors of the Company shall focus on business judgment, operational management and crisis management, and at least two-thirds of the Board members shall have the ability to handle the relevant core items.

3. Achievements

- (1) The Company's 12th Board of Directors consists of eleven directors, including ten males and one female, achieving the goal of gender equality and diversity.
- (2) All of our directors have the necessary knowledge, skills, and abilities to execute our business. Among the eight core competencies, more than two-thirds of our board members possess the three core competencies of operational judgment, management and crisis management.
- (3) The Company will continue to arrange diversified training programs for Board members to enhance their decision-making quality and supervisory responsibilities, and to strengthen the functions of the Board of Directors.

Diversification Items Director's Name	Basic consistence				Diversification core professional competencies						
	Nationality	Gender	Concurrently serving as an employee of the Company	Independent Director Terms (Seniority)	Business judgment	Accounting and Financial Analysis	Operational Management	Crisis Management	Industry Knowledge	International Market Perspective	Leadership and Decision Making
Vincent Tsuei	ROC	Male	✓	—	✓	✓	✓	✓	✓	✓	✓
OMNICO INTERNATIONAL LTD. Rep.:Liao Bo-xiang	ROC	Male	—	—	✓	—	✓	✓	—	—	✓
Cheng Chung Investment Co., Ltd. Rep.:Kao Xin-ming	ROC	Female	—	—	✓	—	✓	✓	✓	✓	✓
Song Ying-chuan	ROC	Male	—	—	✓	—	✓	✓	✓	✓	✓
Lin Jin-Tsai	ROC	Male	—	—	✓	—	✓	✓	—	—	✓
Chuang Yong-shun	ROC	Male	—	—	✓	—	✓	✓	✓	✓	✓
James Wang	ROC	Male	✓	—	✓	✓	✓	✓	✓	✓	✓
Lee Ching-Ho	ROC	Male	—	More than 9 years	✓	—	✓	✓	✓	✓	✓
Yan Wei-Qun	ROC	Male	—		✓	✓	✓	✓	✓	✓	✓
Huang Xu-Nan	ROC	Male	—	More than 8 years	✓	—	✓	✓	✓	—	✓
Yang Chang-Mou	ROC	Male	—		✓	—	✓	✓	—	✓	✓

- (2) Independence of the Board of Directors: The Company has established a system for the selection of directors, and the procedures for the election of all directors are open and fair, in compliance with the Company's Articles of Incorporation, the Rules Governing the Election of Directors, the Corporate Governance Best Practice Principles, the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies, and Article 14-2 of the Securities and Exchange Act. The current composition of the Board of Directors consists of 3 Independent Directors (30%) and 7 Non-Independent Directors (70%), of which 1 Director is an employee (10%, not more than one-third of the total number of directors), and none of the directors are related to each other as spouses or second cousins, which comply with Article 26-3, paragraphs 3&4 of the Securities and Exchange Act

(II) General Manager, Vice President, assistants, department and branch supervisors

March 31, 2024

Title (Note 1)	Nationality	Name	Gender	Date of Elected	Current Shareholding		Spouse & Minor child Shareholding		Shareholding by Nominee Arrangement		Professional qualifications and Education (Note 2)	Other positions	Managers with a spouse or within the second degree of kinship		Remark	
					Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relationship	
CEO	ROC	Vincent Tsuei	Male	1996.10.15	5,870,858	4.25	307,043	0.22	0	0.00	National Chiao Tung University EMBA Top Union Electronic Corp. Assistant Manager of Market Division Researcher of ERSO, ITRI	Allied Oriental International Ltd. Director	None	None	None	Note 3
General Manager	ROC	James Wang	Male	2014.08.07	994,342	0.72	1,008	0.00	0	0.00	National Tsing Hua University EMBA Jing Sheng Art Ceramics Limited, Specialist of Production Management	None	None	None	None	None
Factory Manager of Hsinchu Factory	ROC	Andy Hsieh	Male	2022.12.09	306,222	0.22	71,621	0.05	0	0.00	Dahua Technical College, Electrical Engineering	None	None	None	None	None
Factory Manager of Shanghai and Suzhou Factories	ROC	Wang Meichu	Female	2009.07.01	124,704	0.09	0	0.00	0	0.00	Shinming SeniorHigh School, General Dept Cyanamid Taiwan Corporation	None	None	None	None	None
Accounting Manager	ROC	Vicky Chou	Female	2019.04.25	109,205	0.08	0	0.00	0	0.00	Chaoyang University of Science and Technology, Department of Business Administration National Taichung University of Science and Technology, Department of Accounting and Statistics Chief Accountant of STRONG HAND ENTERPRISE LTD.	None	None	None	None	None

(1) Remuneration for Directors (including Independent Directors)

Unit: NT\$ thousand

Title	Name	Directors' remuneration								Ratio of total remuneration (A+B+C+D) to net income (Note 10)		Part-time employees receive related remuneration						Ratio of total remuneration (A+B+C+D) to net income (%) (Note 10)		Remuneration from ventures other than subsidiaries or from the parent company (Note 11)						
		Salary(A) (Note 2)		Severance Pay (B)		Directors' Remuneration (C) (Note 3)		Allowance(D) (Note 4)				Remuneration, bonus and special expenses, etc. (E) (Note 5)		Retirement Pension		Employee remuneration (G)										
		The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	Cash	Stock	Cash	Stock		The Company	All companies in the consolidated financial statements (Note 7)				
Chairman	Vincent Tsuei	600	600	0	0	901	901	35	35	1,536	1,536	0.52%	0.52%	6,587	6,943	0	0	1,538	0	1,538	0	9,661	10,017	3.26%	3.38%	None
Director	OMNICO INTERNATIONAL LTD. Rep.: Liao Bo-xiang	0	0	0	0	901	901	35	35	936	936	0.32%	0.32%	0	0	0	0	0	0	0	0	936	936	0.32%	0.32%	None
Director	Cheng Chung Investment Co., Ltd. Rep.: Kao Xin-ming	0	0	0	0	901	901	30	30	931	931	0.31%	0.31%	0	0	0	0	0	0	0	0	931	931	0.31%	0.31%	None
Director	Song Ying-chuan	0	0	0	0	901	901	35	35	936	936	0.32%	0.32%	0	0	0	0	0	0	0	0	936	936	0.32%	0.32%	None
Director	Lin Jin-Tsai	0	0	0	0	901	901	35	35	936	936	0.32%	0.32%	0	0	0	0	0	0	0	0	936	936	0.32%	0.32%	None
Director	Chuang Yong-shun	0	0	0	0	901	901	35	35	936	936	0.32%	0.32%	0	0	0	0	0	0	0	0	936	936	0.32%	0.32%	None
Director	James Wang	0	0	0	0	504	504	20	20	524	524	0.18%	0.18%	4,785	5,001	106	106	1,700	0	1,700	0	7,115	7,331	2.40%	2.47%	None
Director	Peng Ming-xia	0	0	0	0	398	398	15	15	413	413	0.14%	0.14%	0	0	0	0	0	0	0	0	413	413	0.14%	0.14%	None
Director	Chen Bo-yon	0	0	0	0	398	398	15	15	413	413	0.14%	0.14%	0	0	0	0	0	0	0	0	413	413	0.14%	0.14%	None
Independent Director	Lee Ching-Ho	0	0	0	0	901	901	35	35	936	936	0.32%	0.32%	0	0	0	0	0	0	0	0	936	936	0.32%	0.32%	None
Independent Director	Yan Wei-Qun	0	0	0	0	901	901	35	35	936	936	0.32%	0.32%	0	0	0	0	0	0	0	0	936	936	0.32%	0.32%	None
Independent Director	Huang Xu-Nan	0	0	0	0	504	504	20	20	524	524	0.18%	0.18%	0	0	0	0	0	0	0	0	524	524	0.18%	0.18%	None
Independent Director	Yang Chang-Mou	0	0	0	0	504	504	20	20	524	524	0.18%	0.18%	0	0	0	0	0	0	0	0	524	524	0.18%	0.18%	None
Total		600	600	0	0	9,516	9,516	365	365	10,481	10,481	3.57%	3.57%	11,372	11,944	106	106	3,238	0	3,238	0	25,197	25,769	8.53%	8.72%	None

Directors (include Independent Directors) remuneration range

Remuneration range of each of the Company Directors	Names of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D)	
	The Company (Note 8)	All companies in the consolidated financial statements (Note 9) H	The Company (Note 8)	All companies in the consolidated financial statements (Note 9) I
Less than NT\$ 1,000,000	OMNICO INTERNATIONAL LTD. Rep.:Liao Bo-xiang	OMNICO INTERNATIONAL LTD. Rep.:Liao Bo-xiang	OMNICO INTERNATIONAL LTD. Rep.:Liao Bo-xiang	OMNICO INTERNATIONAL LTD. Rep.:Liao Bo-xiang
	Cheng Chung Investment Co., Ltd. Rep.:Kao Xin-ming	Cheng Chung Investment Co., Ltd. Rep.:Kao Xin-ming	Cheng Chung Investment Co., Ltd. Rep.:Kao Xin-ming	Cheng Chung Investment Co., Ltd. Rep.:Kao Xin-ming
	Song Ying-chuan	Song Ying-chuan	Song Ying-chuan	Song Ying-chuan
	Lin Jin-Tsai	Lin Jin-Tsai	Lin Jin-Tsai	Lin Jin-Tsai
	Chuang Yong-shun	Chuang Yong-shun	Chuang Yong-shun	Chuang Yong-shun
	James Wang	James Wang		
	Peng Ming-xia	Peng Ming-xia	Peng Ming-xia	Peng Ming-xia
	Chen Bo-yon	Chen Bo-yon	Chen Bo-yon	Chen Bo-yon
	Lee Ching-Ho	Lee Ching-Ho	Lee Ching-Ho	Lee Ching-Ho
	Yan Wei-Qun	Yan Wei-Qun	Yan Wei-Qun	Yan Wei-Qun
	HuangvXu-Nan	HuangvXu-Nan	HuangvXu-Nan	HuangvXu-Nan
	Yang Chang-Mou	Yang Chang-Mou	Yang Chang-Mou	Yang Chang-Mou
	NT\$1,000,000 - NT\$1,999,999	Vincent Tsuei	Vincent Tsuei	
NT\$2,000,000 - NT\$3,499,999				
NT\$3,500,000 - NT\$4,999,999				
NT\$5,000,000 - NT\$9,999,999			Vincent Tsuei	
NT\$10,000,000 - NT\$14,999,999			James Wang	
NT\$15,000,000 - NT\$29,999,999			Vincent Tsuei	
NT\$30,000,000 - NT\$49,999,999				
NT\$50,000,000 - NT\$99,999,999				
Greater than or equal to NT\$100,000,000				
Total	13 persons	13 persons	13 persons	13 persons

(2) Remuneration for General Manager and Vice President

Unit: NT\$ thousand

Title	Name	Salary (A) (Note 2)		Retirement Pension (B)		Bonus and special allowance (C) (Note 3)		Employee Remuneration (D) (Note 4)				Ratio of total remuneration (A+B+C+D) to net income (%) (Note 8)		Remuneration from ventures other than subsidiaries or from the parent company (Note 9)
		The Company	All companies in the consolidated financial statements (Note 5)	The Company (Note 8)	All companies in the consolidated financial statements (Note 5)	The Company (Note 8)	All companies in the consolidated financial statements (Note 5)	The Company (Note 8)		All companies in the consolidated financial statements (Note 5)		The Company (Note 8)	All companies in the consolidated financial statements (Note 5)	
								Cash	Share	Cash	Share			
CEO	Vincent Tsuei	2,160	2,516	0	0	4,427	4,427	1,538	0	1,538	0	8,125 2.74%	8,481 2.86%	None
General Manager	James Wang	1,668	1,884	106	106	3,117	3,117	1,700	0	1,700	0	6,591 2.22%	6,807 2.29%	None

Note: Regardless of title, all positions equivalent to General Manager, Vice President (e.g., President, CEO, Director...etc.) should be disclosed. In 2023, the amount of payment is NT\$0, and only the amount of withdrawal is NT\$106 thousand.

Remuneration rang for General Manager and Vice President

Remuneration rang for General Manager and Vice President	General Manager and Vice President Name	
	The Company (Note 6)	All companies in the consolidated financial statements (Note 7) E
Less than\$ 1,000,000		
NT\$1,000,000 - NT\$1,999,999		
NT\$2,000,000 - NT\$3,499,999		
NT\$3,500,000 - NT\$4,999,999		
NT\$5,000,000 - NT\$9,999,999	Vincent Tsuei	Vincent Tsuei
	James Wang	James Wang
NT\$10,000,000 - NT\$14,999,999		
NT\$15,000,000 - NT\$29,999,999		
NT\$30,000,000 - NT\$49,999,999		
NT\$50,000,000 - NT\$99,999,999		
Greater than or equal to NT\$100,000,000		
Total	2	2

Note 1: General Manager and Vice President Name should be listed separately to disclose the amount of each benefit in aggregate. If the Director is also the General Manager or Vice President, please fill in this table and the above table (1-1), or (1-2-1) and (1-2-2).

Note 2: The most recent annual remuneration, remuneration increment, and severance pay of General Manager and Vice President are listed.

Note 3: Amount of bonuses, incentives, travel expenses, special expenses, allowances, dormitories, vehicles and other reimbursements for the General Manager and Vice President in the most recent year. If housing, automobiles and other transportation or personal expenses are provided, the nature and cost of the assets provided, the actual or fair market value of rent, fuel and other payments should be disclosed. If a driver is provided, please include a note stating the remuneration paid by the company to the driver, but not included in the remuneration. Salaries recognized under IFRS 2 "Share-based Payment", including the acquisition of employee stock options, new shares with restricted employee rights and participation in cash capital increase, should also be included in the remuneration.

Note 4: The amount of employee remuneration (including stock and cash) approved by the Board of Directors for the General Manager and Vice President in the most recent year. If the amount cannot be estimated, the proposed distribution for the current year should be calculated based on the proportion of the actual distribution last year and should also be listed in Table 1-3. If IFRSs have been adopted, the net income after tax refers to the net income after tax of the most recent year for individual or separate financial reports.

Note 5: The total amount of remuneration paid to the General Manager and Vice President of the Company by all companies (including the Company) in the consolidated report should be disclosed.

Note 6: The total amount of remuneration paid by the Company to each General Manager and Vice President should be disclosed in the General Manager's and Vice President's name in the ranking.

Note 7: The total amount of remuneration paid by the Company to each General Manager and Vice President of the Company should be disclosed in the vesting hierarchy of all companies (including the Company) in the consolidated report, and the General Manager and Vice President Name should be disclosed in the vesting hierarchy.

Note 8: The net income after tax refers to the net income after tax of the most recent year; if IFRSs have been adopted, the net income after tax refers to the net income after tax of the most recent year for individual or separate financial reports.

Note 9: a. The amount of remuneration received by the General Manager and Vice President of the Company from the subsidiaries, or the parent company should be clearly stated in this column. (If none, please enter "none").

b. If the General Manager and Vice President of the Company receive remuneration from a subsidiary or parent company, the remuneration received by the General Manager and Vice President of the Company from a subsidiary or parent company should be included in column E of the remuneration scale, and the name of the column should be changed to the name of the column should be changed to "Parent Company and All Invested Entities".

c. Remuneration refers to the remuneration, remuneration (including employee, director and supervisor remuneration) and business execution expenses received by the General Manager and Vice President of the Company in their capacity as directors, supervisors or managers of non-subsidary companies or parent companies.

* The remuneration disclosed in this table differs from the concept of income under the Income Tax Act, therefore, the purpose of this table is for informational purposes only and is not for tax purposes.

(3) Names of managers in charge of employee remuneration and distribution:

March 31, 2024
Unit: NTS thousand

Title	Name	Stock	Cash	Total	Proportion of total amount to net profit after tax
CEO	Vincent Tsuei	0	5,450	5,450	1.84%
General Manager	James Wang				
Factory Manager of Hsinchu Factory	Andy Hsieh				
Factory Manager of Shanghai and Soochow Factories	Wang Meichu				
Chief Accounting	Vicky Chou				

Note 1: Individual names and titles should be disclosed, but the distribution of profits should be summarized.

Note 2: The amount of employee compensation (including stock and cash) approved by the Board of Directors in the most recent year, or the proposed distribution for this year if the amount cannot be estimated, based on the proportion of the actual distribution last year. The net income after tax refers to the net income after tax of the most recent year; for those who have adopted IFRSs, the net income after tax refers to the net income after tax of the most recent year for individual or separate financial reports.

Note 3: The scope of application of the Manager, as stipulated in the letter of Tai Tsai Cheng 3 Tzu No. 0920001301 dated March 27, 2003, is as follows:

- (1) General Manager and equivalent level
- (2) Vice President and its equivalent
- (3) Associate Manager and equivalent level
- (4) Head of Finance Department
- (5) Head of accounting department
- (6) Any other person who has the right to manage and sign for the company.

Note 4: If the Director, General Manager and Vice President receive employee compensation (including stock and cash), they should fill out this form in addition to Schedule 1-2.

(4) Analysis of the ratio of the total amount of remuneration (to the after-tax net profit) paid to Directors, President, and Vice President in the last two years by the Company and all companies in the consolidated statement:

Title	2022		2023	
	Ratio of total remuneration of the Company and all companies in the consolidated financial statements paid to Director, supervisor, General Manager and Vice President of the Company to net profit after tax		Ratio of total remuneration of the Company and all companies in the consolidated financial statements paid to Director, supervisor, General Manager and Vice President of the Company to net profit after tax	
	The Company (%)	All companies in the consolidated financial statements (%)	The Company (%)	All companies in the consolidated financial statements (%)
Director and Supervisor	6.10	6.21	8.53	8.72
General Manager and Vice President	4.68	4.86	4.96	5.15

The correlation between the remuneration provisions for the directors, general manager and vice president of the Company and the operating performance and future risks are as follows:

- (1) The Company's policy for the payment of directors' remuneration is defined in the Articles of Incorporation. In the event that the Company makes a profit in the year, the Company shall provide for the remuneration 6% of the employees and not more than 2.3% of the remuneration of the directors. However, if the Company has accumulated losses, the amount of compensation shall be reserved in advance and the remuneration of directors shall be paid in cash only. The Board of Directors shall resolve to do so and report to the shareholders' meeting.
- (2) The remuneration of the Company's managers, including salaries, stock options, share distributions, retirement benefits, allowances and other tangible incentives, shall be evaluated by the Remuneration Committee based on the Company's operating performance, financial performance and individual performance, and shall be recommended to the Board of Directors for approval.
- (3) To adapt to future economic changes and reduce operational risks, the performance targets of the company's managers are integrated with risk management measures. This ensures that potential risks within their scope of responsibility are effectively managed and

mitigated. Compensation is granted based on the results of actual performance evaluations. The company's management makes key decisions after carefully considering various risk factors, and the performance of these decisions is reflected in the company's profitability. As a result, the compensation of the management team is linked to their effectiveness in risk management.

The company regularly reviews the compensation system based on operational status and legal requirements, with the Remuneration Committee conducting evaluations to ensure a balance between sustainable business operations and risk management.

3. Implementation of Corporate Governance

(1) Board of Directors

A total of 7 (A) meetings of the Board of Directors were held in most recent year, the attendance of directors was as follows:

Title	Name(Note 1)	Actual attendance B	By proxy	Actual attendance rate (%) 【 B/A 】 (Note 2)	Remark
Chairman	Vincent Tsuei	7	-	100%	None
Director	Cheng Chung Investment Co., Ltd. Rep.: Kao Xin-ming	6	-	86%	None
Director	OMNICO INTERNATIONAL LTD. Rep.: Liao Boxiang	7	-	100%	None
Director	Song Yingchuan	7	-	100%	None
Director	Chuang Yong-shun	7	-	100%	None
Director	Lin Jin-Tsai	7	-	100%	None
Director	James Wang	4	-	100%	Appointed on 2023/5/19
Director	Peng Ming-xian	3	-	100%	Stepped down on 2023/5/19
Director	Chen Bo-yong	3	-	100%	Stepped down on 2023/5/19
Independent Director	Lee Ching-Ho	7	-	100%	None
Independent Director	Yan Wei-Qun	7	-	100%	None
Independent Director	Huang Xu-Nan	4	-	100%	Appointed on 2023/5/19
Independent Director	Yang Chang-Mou	4	-	100%	Appointed on 2023/5/19

1. The Board of Directors shall state the date and duration of the meeting, the content of the resolution, the opinions of all Independent Directors and the Company's treatment of the opinions of the Independent Directors if any of the following circumstances apply to the operation of the Board of Directors:

- (1) The matters listed in Article 14-3 of the Securities and Exchange Act are disclosed on page 27 of the Annual Report under "Important Resolutions of the Shareholders' Meeting and the Director's Meeting".
- (2) Other than the foregoing matters, other matters resolved by the Board of Directors with the dissenting or qualified opinions of the Independent Directors and recorded or stated in writing:
The Independent Directors did not express any objection or reservation at any of the Board of Directors meetings in 2022, as disclosed in "Significant Resolutions of Shareholders' Meetings and Board of Directors' Meetings" on page 28 of the Annual Report.

2. In the case of recusal of a director from the implementation of an interest motion, the name of the director, the content of the motion, the reasons for the recusal and the participation in voting should be stated:

Meeting Date	Director	Motion Content	Reason for recusal	Participation in Voting
2023/02/22	Vincent Tsuei	The Remuneration Committee considered the Manager's bonus and compensation proposal.	Vincent Tsuei and James Wang was a stakeholder in the motion and left the meeting temporarily.	Did not participate in voting.
2022/08/03	Vincent Tsuei James Wang	Managers' bonuses for the 2023 Dragon Boat Festival.		
2023/10/26	Vincent Tsuei James Wang	Managers' bonuses for the 2023 Mid-Autumn Festival.		
2024/02/29	Vincent Tsuei James Wang	The Remuneration Committee considered the Manager's bonus and compensation proposal		

3. Listed companies should disclose information on the periodicity and duration, scope, manner and content of the Board of Directors self- (or peer) evaluation, and fill out Schedule 2(2) of the Board of Directors evaluation implementation: None.

4. Current and most recent year's objectives for enhancing the functions of the Board of Directors (e.g., establishing an audit committee, enhancing information transparency, etc.) and the status of implementation: The Audit Committee was established by the shareholders' meeting on May 28, 2020.

(2) Audit Committee Operations:

A total of 5 (B) Audit Committee meetings were held in the previous period. The attendance of the independent directors is as follows::

Title	Name	Attendance in Person(B)	Actual Attendance Rate (%) (B/A)(Note)	Remark
Independent Director	Lee Ching-Ho	5	100%	None
Independent Director	Yan Wei-Qun	5	100%	None
Independent Director	Huang Xu-Nan	3	100%	Appointed on 2023/5/19
Independent Director	Yang Chang-Mou	3	100%	Appointed on 2023/5/19
Director	Chuang Yong-shun	2	100%	Stepped down on 2023/5/19

Other supplementary notes:

1. If the Audit Committee operates under any of the following circumstances, it shall state the date of the Audit Committee meeting, the period, the content of the motion, the content of the independent director's dissenting opinion, reservations or major recommendations, the results of the Audit Committee's resolution and the Company's handling of the Audit Committee's opinion.

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Audit Committee Meeting Date	Motion content	Resolution result	The Company's handling of the Audit Committee's opinion
2023.02.22 (14th meeting of the 1 st Board)	1. 2022 Annual Report on Operations and Financial Statements. 2. Distribution of earnings for fiscal year 2022. 3. Issue of new shares by transfer of earnings for fiscal year 2022. 4. Statement of Internal Control System for fiscal year 2022. 5. Independence evaluation of the appointment of a certified public accountant for fiscal year 2022.	Passed with the consent of all members present.	Proposed to the Board of Directors. Approved by all directors present.
2023.04.27 (15th meeting of the 1 st Board)	1. The Company's consolidated financial statements for the first quarter of 2023.		
2023.08.03 (1 th meeting of the 2 st Board)	1. The Company's consolidated financial statements for the second quarter of 2023. 2. Revised company's 'Internal Significant Information Processing Procedure' case. 3. Revised company's 'Board of Directors Meeting Rules' case		
2023.10.26 (2th meeting of the 2 st Board)	1. The Company's consolidated financial statements for the third quarter of 2023. 2. Audit Supervisor Appointment Case.		
2023.12.14 (3th meeting of the 2 st Board)	1. 2024 Audit Plan Case.		

(2) Except for the preceding matters, other resolutions not approved by the Audit Committee and approved by two-thirds or more of all directors: None.

2. The Independent Director's recusal from the implementation of the interested parties' motions shall include the name of the Independent Director, the content of the motion, the reasons for the recusal and the participation in voting: None.

3. Communication between the Independent Director and the internal auditors and accountants (including the major issues, manner and results of communication regarding the Company's financial and business conditions):

(1) Summary of communication between Independent Directors and internal auditors for the year 2023:

Meeting Date	Communication key point	Form of Comm.	Communication results
2023.02.22	Overview of internal audits from January to February 2023.	Meeting Presentation	No other opinions.
2023.04.27	Overview of internal audits from March to April 2023.		
2023.08.03	Overview of internal audits from May to August 2023.		
2023.10.26	Overview of internal audits from September to October 2023.		
2023.12.14	Overview of internal audits from November to December 2023. 2024 Audit Plan Case.		

(2) Summary of the Independent Director's communication with the CPA for the year 2023:

Meeting Date	Communication key point	Form of Comm.	Communication results
2023.02.22	Audited financial statements for fiscal year 2022.	Meeting Presentation	No other opinions.
2023.08.03	Audited financial statements for fiscal year 2023 Q2.		

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

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons	
	Yes	No		Summary Description
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		<p>1. On March 5, 2015, the 5th meeting of the 9th Board of Directors of the Company approved the establishment of the "Corporate Governance Best Practice Principles", which were disclosed on the Company's website and the Market Observation Post System.</p> <p>2. Implementation status: In 2022, the Company will implement the Corporate Governance Best Practice Principles in accordance with the guidelines and adjust the content of the website to increase the content and completeness of the items that have not scored in the corporate governance assessment.</p>	No major differences.
2. Shareholding structure & shareholders' rights (1) Has the Company established internal operating procedures to deal with shareholders' suggestions, queries, disputes and litigations, and managed these based on the procedures? (2) Does the Company have a list of its major shareholders as well as the ultimate owners of those shares? (3) Has the Company established and executed a risk management and firewall system within its conglomerate structure? (4) Has the Company established internal rules against using undisclosed information for insider trading?	✓ ✓ ✓ ✓		<p>(1) The Company has a spokesperson and stockholders' representative to deal with shareholders' suggestions and other matters, and the Company's website has a special section for shareholders' questions and concerns.</p> <p>(2) The Company's stockholders are responsible for keeping track of the names of directors, managers and major shareholders, and disclosing and reporting them in accordance with relevant regulations.</p> <p>(3) The Company and its affiliates operate independently and regularly monitor the financial and business operations of its subsidiaries on a monthly basis.</p> <p>(4) The Company has established procedures to prevent insider trading, which are disclosed on the Company's website. (Financial Zone→Protection against Insider Trading Procedures), which prohibits insiders from trading marketable securities using undisclosed information in the market.</p>	No major differences.
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members? (2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the Company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection? (4) Does the Company regularly evaluate the independence of CPAs?	✓ ✓ ✓ ✓		<p>(1) A. At the 5th time of the 9th of the Board of Directors meeting on March 5, 2015, the Company approved the amendment of the "Corporate Governance Best Practice Principles" to strengthen the functions of the Board of Directors in Chapter 3, i.e., to establish a diversity approach. In addition to the academic qualifications of each candidate, the Company also complies with the "Regulations Governing the Election of Directors and Supervisors" and the "Code of Corporate Governance" to ensure the diversity and independence of the Director members. B. The ten directors (nine men and one woman) of the 11th term of the Company, who possess leadership, operational judgment, business management, crisis management, industry knowledge, and international market perspective, will provide guidance to the operation of the Company. C. The Board of Directors has prepared a diversity policy on the composition of the Board of Directors, which is disclosed on the Company's website and the Market Observation Post System.</p> <p>(2) The Company has established a Remuneration Committee and an Audit Committee in accordance with the law and currently does not have any other functional committees, which will be evaluated as necessary in the future.</p> <p>(3) In accordance with Article 21 of the Company's Articles of Incorporation, the remuneration of directors and supervisors shall be no more than 2.3% of the Company's annual profit. The remuneration of each director and supervisor is based on the average amount of total remuneration, which is resolved by the Compensation Committee. Although the Board of Directors' performance evaluation method has not yet been established, considering that the directors and supervisors are actively involved in the operation and management of the Company and make suggestions, the Company adopts the policy of equal distribution in order to strike a balance between sustainable operation and risk control.</p> <p>(4) The Company has established the Independence Assessment Program with reference to the provisions of the Accountants Act and the Statement of Professional Ethics and formulated</p>	<p>No major differences.</p> <p>It will be set up according to the future needs.</p> <p>It will be set up in the future as necessary for the Company's governance system.</p> <p>No major differences.</p>

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons	
	Yes	No		Summary Description
			the Independence Assessment Form for the Appointment of Certified Public Accountants, which was evaluated by the Finance Department (Note 1). Based on the results of the assessment, Deloitte Taiwan’s CPAs, Fang Suli and Chen Minghui have met the criteria for the assessment of independence and have not violated the requirements for independence under the Accountants Act and other relevant regulations. The Company has submitted the results to the Board of Directors for approval on February 24, 2022.	
4. Does the Company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	✓		The company set up a Corporate Governance Officer on April 27, 2023. The Company's Finance Department is a dedicated corporate governance unit with at least three years of experience in the management of financial, stock, or business affairs of the Company's issuing companies. It is responsible for providing information necessary for the Director's business operations, conducting meetings of the Board of Directors and shareholders' meetings in accordance with the law, registering and registering changes to the Company, preparing minutes of the Board of Directors and shareholders' meetings, and assisting the Company in complying with the relevant laws and regulations of the Board of Directors and shareholders' meetings. The Company values the rights and interests of its stakeholders and is committed to providing them with the best possible service.	No major differences.
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The Company pays attention to the rights and interests of its stakeholders, understands their reasonable expectations and needs, and responds appropriately to the important CSR issues. The Company's stakeholders include employees, shareholders, customers, suppliers, society, academic and research institutions and government agencies. The Company has set up a stakeholder's area on the Company's website, and has disclosed their contact information and contact details to respond to the stakeholders. The Company will refer to the feedback from all sectors for continuous improvement.	No major differences.
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		This year, SinoPac Securities Co., Ltd has been appointed as our shareholder service agent.	No major differences.
7. Information disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	✓ ✓ ✓		(1)The Company's website:www.topunion.com.tw has disclosed the Company's financial, business and corporate governance information. (2)The Company has set up a website in English and Chinese, and has designated a person responsible for collecting and disclosing updated information to provide investors with inquiries and enhance information transparency. A spokesperson and a proxy spokesperson have been set up, and contact numbers and e-mail addresses are posted on the Market Observation Post System. The annual report and the stakeholder area of the Company's website serve as a bridge for information collection, disclosure and external communication. (3)The Company announces and reports its annual financial report (within three months), first, second, and third quarter financial reports (within 45 days), and operating results (by the 10th day of each month) within the period specified in Article 36 of the Securities and Exchange Act.	No major differences. No major differences. No major differences.
8. Does the Company have other important information that can help understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, director and supervisor training, implementation of risk management policies and risk measurement standards, implementation of customer policies, and the Company's purchase of liability insurance for directors and supervisors, etc.)?	✓		(1)Employee rights, employee care: The company attaches great importance to employee-management relationship, regular labor-management meetings to promote two-way communication and exchange. The Company's management philosophy is open, with a flat organization, so that good decisions can be transmitted more quickly so that the interaction between colleagues can be a more direct expression of their ideas, and the strengths shown more easily seen, three festivals bonuses and employee compensation also grow with the performance of the performance. The company has set up an employee welfare committee to hold activities and trips from time to time to care for the needs of employees. (2)Investor Relationship: A spokesperson and a proxy spokesperson are set up to serve as a channel of communication between the Company and its investors, and to disclose information on the Company's management team, financial operations, important information, and corporate governance on the Company's website.	No major differences. No major differences.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
			(3) Supplier Relationship: The Company holds supplier meetings every year to reach bilateral communication through the meetings, and continues to cooperate with suppliers to create value. (4) Rights of stakeholders: The Company respects the legal rights of stakeholders, maintains good communication channels with customers, employees, and suppliers, and announces and discloses relevant information on the Company's website. (5) Director and Supervisor's Continuing Education: The details of the Director and Supervisor's continuing education status in 2022 are as described in Note 2, which has been disclosed in the Corporate Governance section of the Market Observation Post System. (6) Implementation of risk management policies and risk measurement standards: The Company's major decisions regarding operations, investments, capital loans, endorsements, and financing are evaluated and analyzed by the responsible departments and implemented in accordance with the resolutions of the Board of Directors. (7) Implementation of customer policies: The marketing department of the Company is responsible for the implementation of customer policies and holds meetings from time to time for internal communication and transmission, which is operating smoothly. (8) The Company has purchased liability insurance for Directors and Supervisors: The Company's Directors and Supervisors have purchased liability insurance in 2023.	No major differences. No major differences. No major differences. No major differences. No major differences.
9. Please describe the improvements that have been made to the results of the Corporate Governance Assessment released by the Taiwan Stock Exchange Corporation in the most recent year and propose priorities and measures to enhance those that have not yet been improved. Description: 1. Assessment results: The Company's 9th & 10 th corporate governance assessment results are in the top 66% to 80% and 36% to 50% of companies, respectively. 2. Improvement measures: The Company will revise the rules and regulations of corporate governance in accordance with the corporate governance evaluation, and improve the disclosure of information in the annual report and website in order to strengthen the completeness of the description of each indicator.				

Note 1: 2023 Independence Assessment for Certified Public Accountants

No.	Evaluation Item	Evaluation Result	Whether it meets independence
1	The firm has not been the CPA of the Company for seven consecutive years.	V	Yes
2	The firm is not overly dependent on the Company's source of remuneration.	V	Yes
3	The firm does not hold recurring employment with the firm, receive a fixed remuneration, or serve as a director or supervisor.	V	Yes
4	The firm has not provided non-audit and consulting services to the Company that would affect the independence of the firm, its affiliates, or members of the audit services team.	V	Yes
5	Has not been a director, supervisor, manager, or officer of the Company with significant influence on visa cases and has not left the Company for more than two years.	V	Yes
6	Not a natural person shareholder who holds more than one percent of the total issued shares or the top ten shares in the name of another person, his or her spouse, minor children, or other persons.	V	Yes
7	Not a spouse, lineal descendant, consanguineous relative, or consanguineous relative within two degrees of consanguinity to a responsible officer, manager, or other directors.	V	Yes
8	Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the company, or a director, supervisor or employee of a corporate shareholder who holds the top five shares.	V	Yes
9	A director, supervisor, manager, or shareholder holding 5% or more of the shares of a company or organization that does not have financial or business dealings with the Company.	V	Yes
10	The accountant or his or her spouse or minor children have no financial borrowing, investment or financial sharing relationship with the Company.	V	Yes
11	The accountant maintains an impartial and objective position in the performance of professional services and does not influence professional judgment due to bias, conflict of interest or interest.	V	Yes
12	The accountant, members of the audit service team, other co-practicing accountants or shareholders of the accounting firm, the accounting firm, the firm's affiliates, and the alliance firm maintain an independent status with the Company.	V	Yes

Note 2: Directors' trainings in 2023

Title	Name	Organizer	Course Name	Training Hours
Chairman	Vincent Tsuei	Taipei Exchange	Internal Employee Stock Ownership Advocacy Seminar	3
		Taiwan Corporate Governance Association	Opportunities and Challenges of Asia-Pacific Regional Economic Integration for Taiwan	3
		Securities & Futures Institute	Post-Pandemic Talent Sustainability Challenges	3
		Taiwan Corporate Governance Association	Trends in Smart Manufacturing and the Application of Digital Technology in Management	3
		Taiwan Corporate Governance Association	Carbon-related Issues: Carbon Fees, Carbon Taxes, Carbon Rights, and Carbon Trading	3
		Taiwan Corporate Governance Association	2024 Global Economic Outlook and Industrial Trends	3
		Taiwan Corporate Governance Association	Circular Economy Benefits and Sustainable Financial Opportunities	3
Director	Kao Xin-ming	Taiwan Investor Relations Institute	ESG and Corporate Governance	3
		Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3
Director	Liao Bo-xiang	Taiwan Corporate Governance Association	Opportunities and Challenges of Asia-Pacific Regional Economic Integration for Taiwan	1
		Taiwan Investor Relations Institute	Practical Analysis of the 2023 Edition of Corporate Governance and Board Performance Evaluation	3
Director	Chuang Yong-shun	Taiwan Corporate Governance Association	Trends in Smart Manufacturing and the Application of Digital Technology in Management	3
		Securities & Futures Institute	Key Points for Directors, Supervisors, and Senior Executives of Listed Companies to Pay Attention to Regarding Supervisory Authorities	3
Director	Chuang Yong-shun	CNAIC	Business Resilience and Taiwan's Competitiveness	3
		Taiwan Academy of Banking and Finance	Corporate Governance Seminars	3
		Taiwan Corporate Governance Association	Opportunities and Challenges of Asia-Pacific Regional Economic Integration for Taiwan	3
Director	Lin Jin-Tsai	Taiwan Corporate Governance Association	Opportunities and Challenges of Asia-Pacific Regional Economic Integration for Taiwan	3
		Taiwan Corporate Governance Association	Trends in Smart Manufacturing and the Application of Digital Technology in Management	3
Director	James Wang	Securities & Futures Institute	Introduction to Insider Trading within the Company and Case Analysis	3
		Taipei Exchange	Internal Employee Stock Ownership Advocacy Seminar	3
		Securities & Futures Institute	Green Industrial Revolution 2030/2050	3
		Taiwan Corporate Governance Association	Opportunities and Challenges of Asia-Pacific Regional Economic Integration for Taiwan	3
		Taiwan Corporate Governance Association	Trends in Smart Manufacturing and the Application of Digital Technology in Management	3
Independent Director	Lee Ching-Ho	Securities & Futures Institute	Business Operations and Risk Management	3
		Securities & Futures Institute	Business Judgment Rules and Case Studies	3
		Taiwan Corporate Governance Association	Opportunities and Challenges of Asia-Pacific Regional Economic Integration for Taiwan	3
		Taiwan Corporate Governance Association	Trends in Smart Manufacturing and the Application of Digital Technology in Management	3
Independent Director	Huang Xu-Nan	Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit	6
Independent Director	Yang Chang-Mou	Taiwan Corporate Governance Association	Zero Emissions Trends and Strategies for the Paper Industry; Carbon Rights Operations and Zero Emission Assistance,	3
		Taiwan Corporate Governance Association	Taiwan's Opportunities in the AI Industry; Generative AI Accelerating Digital Transformation and Smart Manufacturing	3
Independent Director	Yan Wei-Qun	CNAIC	Business Resilience and Taiwan's Competitiveness	3
		CNAIC	2023 Taishin Net Zero Summit	3

(4) Information on setting of the Remuneration Committee

(1) Information on Composition of the Remuneration Committee

March 31, 2024

Criteria		Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as a remuneration committee member
Title	Name			
Independent Director	Yan Wei-Qun	Refer to Page 9 for Information on professional qualifications of Directors and on independence of Independent Directors		1
Independent Director	Lee Ching-Ho			1
Independent Director	Huang Xu-Nan			3
Independent Director	Yang Chang-Mou			1

(2) Information on the operation of the Remuneration Committee

- There are 4 members of the Remuneration Committee of the Company.
- The term of office of the second term members: May 30, 2014 to May 29, 2017
The term of office of the third term members: May 26, 2017 to May 25, 2020
The term of office of the fourth term members: May 27, 2020 to May 26, 2023
The term of office of the fifth term members: May 19, 2023 to May 18, 2026
The Remuneration Committee met three times in FY2023 (A), and the qualifications and attendance of members are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】 (Note)	Remark
Convener	Huang Xu-Nan	4	0	100%	None
Member	Lee Ching-Ho	4	0	100%	None
Member	Yan Wei-Qun	3	0	100%	Appointed on 2023/5/19
Member	Yang Chang-Mou	3	0	100%	Appointed on 2023/5/19
Member	Chuang Yong-shun	1	0	100%	Stepped down on 2023/5/19

Other supplementary notes:

- If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, the date and period of the Board of Directors' meeting, the content of the motion, the result of the Board of Directors' resolution and the Company's handling of the Remuneration Committee's recommendations should be stated (If the remuneration approved by the Board of Directors is better than the recommendations of the Remuneration Committee, the difference and reasons for such difference should be stated.): None.
- If a member of the Remuneration Committee has any objection or reservation to a resolution and it is recorded or stated in writing, the date, period, and content of the resolution of the Remuneration Committee and the treatment of the member's opinion shall be stated as follows: None.

Remuneration Committee	Content of the proposal	Resolution result	Company's handling of Remuneration Committee members' opinions
2023.02.22	1. 2022 remuneration for employees, directors and supervisors. 2. Manager's bonus and compensation proposal. 3. Amendment of the Overview of Employee Benefits in Taiwan	Approved by all members of the Committee	Proposed to the Board of Directors. Approved by all directors present.
2023.08.03	2023 Managers' Dragon Boat Festival Bonus Payment.		
2023.10.26	1. Manager's bonus and remuneration proposal. 2. Implementation of Employee Stock Trust and Manager Participation in Employee Stock Trust Deposit Incentive Case.		
2023.12.14	Discussion Items Retained from the Last Meeting: Handling of Employee Stock Trust and Manager Participation in Employee Stock Trust Deposit Incentive Case		

(5) The implementation of sustainable development and the differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons

Item	Implementation Status (Note 1)		The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons	
	Yes	No		
1. Has the company established a governance structure to promote sustainable development and set up a special (part-time) unit to promote sustainable development, which is authorized by the board of directors to be handled by senior management, and is the board of directors supervising the situation?	✓		The company has approved the establishment of a sustainable development committee on April 25, 2023, to promote and deepen the sustainable development of Taiyong. The implementation results will be reported to the board of directors every quarter.	Same as Summary Description.
2. Does the company conduct risk assessment on environmental, social and corporate governance issues related to its operations and establish relevant risk management policies or strategies in accordance with the materiality principle? (Note 2)	✓		The Management Department and the Finance Department are responsible for the formulation and implementation of sustainable development policies, systems or related management guidelines and specific promotion plans.	Same as Summary Description.
3. Environmental issues				
(1) Has the Company established proper environmental management systems based on the characteristics of its industries?	✓		(1) The Company's environmental policy: "Quality for customers, environmental protection for the earth A. The Company undertakes to (a) Develop green process and reduce the use of harmful substances in the process. (b) Comply with domestic environmental protection laws and regulations, and meet the environmental protection requirements of our customers. (c) To effectively control process pollution, promote industrial waste reduction, and implement resource separation, recycling, and reuse. (d) Promote green procurement and purchase only from suppliers that meet our environmental requirements. B. The Company adopts ISO14001 environmental management system, and regularly reviews the environmental impact and safety risks and revises the management system.	Same as Summary Description.
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(2) The company is committed to modernizing outdated equipment to enhance operational efficiency, including: Infrastructure: Selecting first-tier energy calibration equipment to reduce annual electricity consumption and carbon emissions. Product: Striving to minimize waste generation, recycling all generated scraps, and actively promoting resource utilization efficiency, including: 1. Energy-saving schemes 2. Paperless documents and paper recycling usage 3. Resource recycling and waste sorting.	Same as Summary Description.
(3) Does the Company evaluate potential climate change risks and opportunities in connection with the present and future of its business, and take appropriate action to counter climate change issues?	✓		(3) The company places importance on the impact of climate change on its operations. In 2024, greenhouse gas inventorying was conducted, and ISO14064-1 certification is anticipated, with ongoing efforts to reduce greenhouse gas emissions, contributing actively towards a low-carbon economy. Through upgrading facility equipment, transitioning to LED lighting, and optimizing equipment operation to save energy, the company aims to enhance operational efficiency and energy savings.	Same as Summary Description.
(4) Has the Company taken inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implemented policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water conservation, or waste management?	✓		(4) According to Scopes 1 and 2 of the greenhouse gas inventory, carbon dioxide emissions from electricity usage remain the primary source of greenhouse gas emissions. Actual data is based on usage from the Taiwan Power Company and carbon dioxide conversion. Annual CO2 use in 2022: 3,169.95 tonne/year Annual CO2 use in 2022: 3,284.92 tonne/year A. According to the Energy Administration, the average electricity saving rate will reach 1.4% from 2015 to 2022. B. The average annual energy saving rate for the whole period (2016~2024) should still reach 1.3% or more. Through greenhouse gas inventory, the emissions from the factory area have been confirmed. We have set greenhouse gas reduction targets and will continue to promote reduction policies in the future, fulfilling our corporate social responsibility with the aim of becoming a low-carbon enterprise for environmental sustainability.	Same as Summary Description.
4. Social issues				
(1) Has the Company established appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The Company complies with the Labor Standards Law and respects internationally recognized basic labor human rights principles, such as: caring for the disadvantaged groups, prohibiting child labor, eliminating all forms of forced labor, eliminating discrimination in employment and employment, taking out group insurance to promote employees' rights and interests, and holding regular labor-management meetings to ensure effective two-way communication between employers and employees in order to protect the rights and interests of employees.	Same as Summary Description.
(2) Does the Company have reasonable employee benefit measures (including remuneration and wages, leave, and other benefits), and does employee remuneration reflect business performance or results?	✓		(2) The Company establishes various salary and benefit measures for its employees in accordance with the relevant laws and regulations and provides competitive benefits to motivate employees.	Same as Summary Description.

Item	Implementation Status (Note 1)		Summary Description	The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No		
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?			(3) In accordance with the Occupational Safety and Health Act, the company has established the "Safety and Health Code of Practice". Labor safety and health management personnel are responsible for planning and supervising, providing employees with a comfortable and safe working environment, including: Implementing access control measures. Establishing comprehensive and comfortable employee facilities (health centers, lactation rooms, sports centers). Annual safety promotion training and seminars (CPR, AED basic operation training, health and infectious disease awareness). Conducting health check-ups and health promotion activities for new and existing employees. Planning and implementing workplace environment monitoring. Monthly on-site physician consultation services. Through thorough and rigorous planning and implementation, the safety and health of personnel and the working environment in the factory area are ensured. In 2023 there were no fire-related emergencies on the premises, with zero casualties. Continuous reinforcement of emergency response handling for all personnel on-site is achieved through annual emergency response training and disaster simulation drills.	Same as Summary Description.
(4) Does the Company provide career development and training for its employees?	✓		(4) The Company arranges annual training programs every year, designs courses according to functional attributes and functions, and organizes internal training and external training courses from time to time to enhance the training of employees' professional abilities. The total number of career training hours for the year 2023 was 913. The succession plan for members of the board of directors and important management of our company is as follows: Board member succession plan: A. The election of directors of the Company shall all adopt the candidate nomination system in accordance with the "Articles of Incorporation", and the composition of the board of directors shall consider diversification in accordance with the "Code of Corporate Governance Practice" and "Measures for Election of Directors". We shall also seek a Board of Directors composed of industry elites and experts from various fields based on the Company's own operation, operation mode, and development. B. The General Manager of the Company will attend all Board meetings as nonvoting delegates, so as to cultivate his/her ability to formulate strategies and understand the operation of the Board, and to select candidates for the Company's successor board of directors. This year, the General Manager was nominated as a director candidate by the Board of Directors after assessment. C. The Company expects to adopt the "Board Performance Evaluation Measures" in the third quarter of this year, using performance evaluation measures to verify the effectiveness of the board's operations and evaluate the performance of directors, as a reference for future director selection. D. We plan to carry out the succession of directors with the following methods: (a) The current board of directors selects suitable candidates. (b) Directors recommended by shareholders. (c) Candidates for director training for senior executives. Succession planning for important management levels: A. Inventory the status of important positions or management level talents to identify the professional abilities and leadership traits of the required talents internally. B. Plan a complete cultivation plan, strengthen job experience, and regularly review their performance and competence. C. Explore highly potential employees and effectively build company leadership talents by undertaking project tasks. D. Develop strategic thinking and combine it with annual performance evaluation as a basis for important management succession. In October 2021, the board of directors of the Company proposed Vice President James Wang as the general manager, which is the succession plan for the senior management.	Same as Summary Description.
(5) Do the Company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, as well as marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		(5) The Company attaches great importance to customer opinions. In addition to signing a confidentiality agreement, the Company's website provides a contact window and email address and sets up a stakeholder area to provide a channel for customers to ask questions, complaints or suggestions, and the Company will handle and reply appropriately to protect the rights of customers.	Same as Summary Description.
(6) Does the Company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	✓		(6) The Company may terminate or cancel the contract at any time if the main supplier is involved in a violation of its policy on sustainable development practices and has a significant impact on the environment and society.	Same as Summary Description.

Item	Implementation Status (Note 1)		Summary Description	The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No		
5. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the Company, such as corporate social responsibility reports? Did the reports above undergo assurance review conducted by a third-party verification unit?		✓	The Company has not yet prepared a perpetual report, but relevant and reliable information on sustainable operations is available on the Company's website.	The Company will prepare it in the future as necessary.
6. If the Company has its own Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the differences between its operation and the Code: The Company has developed and implemented a Code of Corporate Social Responsibility (CSR). The Company places great emphasis on the interaction between overall corporate operations and sustainable development, whether among employees, shareholders, and the community at large, and implements it in its operations to provide a better working and social environment.				
7. Other important information for understanding sustainability implementation: The board of directors of the company in Japan passed the establishment of a sustainability committee on April 25, 2024.				

Note 1: If "Yes" is selected for operation, please explain the important policies, strategies, measures and implementation status. If "No" is checked for operation, please explain the reason and the plan to adopt relevant policies, strategies and measures in the future. In regard to Items 1 and 2, the listed company should describe its governance and supervisory framework for sustainable development, including but not limited to management policies, strategy and goal setting, and review measures. The Company shall also describe its risk management policies or strategies on environmental, social and corporate governance issues related to its operations, and the evaluation thereof.

Note 2: Materiality refers to environmental, social and corporate governance issues that have a significant impact on the Company's investors and other stakeholders.

(6) Implementation Status of Climate-Related Information

Item	Implementation Status
1. Describe Board and management oversight and governance of climate-related risks and opportunities.	In April 2024, the company established a Sustainability Development Committee, which includes the "Corporate Governance Team," "Sustainable Environment Team," "Social Welfare Team," and "Sustainability Information Disclosure Team." The Chairman serves as the Chair of the Sustainability Committee, and the General Manager acts as the Chief Sustainability Officer. The outcomes of the committee's activities are reported to the Board of Directors at least once a year, where they are reviewed, supervised, and guided. The company plans to complete the carbon inventory for the parent and subsidiary companies and obtain ISO 14064-1 external verification by 2024.
2. Describe how the identified climate risks and opportunities affect the Company's business, strategy, and finances (in the short, medium, and long-term).	The company is paying close attention to the impact of climate change on its future operations and is currently gathering various assessments regarding the effects of sustainability and climate change on the business. In the future, the different functional teams within the Sustainability Development Committee will discuss and conduct short-, medium-, and long-term risk assessments of climate change on the company's finances and operations. Based on the timeline and the degree of impact on business operations, the company will develop plans that include not only inventory checks but also reduction targets. These plans will be communicated and discussed regularly, allowing for timely adjustments as necessary.
3. Describe the financial impact of extreme weather events and transformation actions.	The company is still in the process of identifying climate-related risks and opportunities. Currently, there is no significant impact on the company's finances.
4. Describe how the identification, assessment, and management process of climate risks are integrated into the overall risk management system.	The company's Board of Directors has approved the establishment of a "Sustainability Development Committee." The company plans to complete the carbon inventory for the parent and subsidiary companies and obtain ISO 14064-1 external verification by 2024. This will enable the company to integrate the risks associated with sustainability issues into its operational plans, ensuring alignment with sustainable development goals.
5. If using scenario analysis to assess resilience to climate change risks, provide details on the scenario, parameters, assumptions, analysis factors, and major financial impacts.	The company has not yet adopted scenario analysis to assess its resilience to climate change risks. However, since the company is not part of an energy-intensive industry, climate change risks do not have a significant impact on the company's finances.
6. If there is a transformation plan to manage climate-related risks, describe content of the plan, and indicators and targets used to identify and manage physical and transition risks	The company has obtained ISO 14001 Environmental Management System certification and continues to monitor climate change-related policies closely. The company actively responds to domestic and international carbon reduction strategies to enhance its carbon emission management. To contribute to a low-carbon economy, the company has implemented

Item	Implementation Status
	measures such as upgrading infrastructure at its facilities, replacing lighting with LED sources, and optimizing equipment operation methods and schedules to conserve electricity.
7. If internal carbon pricing is used as a planning tool, the basis for price setting should be explained.	The company has not yet implemented an internal carbon pricing system but plans to continue planning and preparing for its future introduction.
8. If climate-related goals are set, information should be provided on the activities covered, greenhouse gas emission scopes, planning timeframe, progress achieved each year, etc. If carbon offsets or renewable energy certificates (RECs) are used to achieve the related goals, details should be provided regarding the source and quantity of carbon offsets or the number of RECs used.	The Company currently does not utilize carbon offsets or renewable energy certificates (RECs).
9. Greenhouse gas inventory and verification status, reduction targets, strategies, and specific action plans.	The company is only required to complete the inventory for Scope 1 and Scope 2 emissions by 2026.

(7) Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies":

Evaluation Item	Implementation (Note 1)		Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p> <p>(2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>(1) A. The "Code of Business Conduct with Integrity" was approved by the Board of Directors at the 3rd meeting of the 9th session of the Board of Directors on August 7, 2014 and published in the Company's internal regulations and the Company's website, and is being implemented accordingly. B. Enforcement: In 2022, the Company and its directors, supervisors, managers, employees, appointees and beneficial owners have not received any improper benefits of any kind from the stakeholders in the execution of their business.</p> <p>✓ (2) The Company's employee handbook and the Code of Conduct for Integrity Management specify the procedures for handling dishonest conduct by the Company's employees, the channels for reporting, and the procedures for sanctions and grievances, which are usually communicated by the supervisor and implemented, but the evaluation mechanism has not yet been established and will be set up later.</p> <p>(3) The Company's employee handbook and the Code of Conduct on Integrity. It is stipulated that the Company may dismiss without notice and take legal action against dishonest behavior within the scope of business, such as "misappropriation of public funds with concrete evidence" and "intentional leakage of the Company's technical and business secrets that cause significant damage to the Company. The Company may remove the employee without notice and take legal action for dishonest behavior within the scope of business.</p>	<p>No major differences..</p> <p>Same as Summary Description.</p> <p>No major differences..</p>
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p> <p>(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>(1) The Company conducts an evaluation of the counterparties and signs similar terms and conditions, which will be incorporated into the contracts in the future.</p> <p>✓ (2) The General Manager's Office is responsible for and supervises the implementation of the Code, checks compliance with the Code, and reports to the Board of Directors. The Board of Directors has not reported to the Board of Directors and will include this in the future.</p> <p>(3) The Company's "Rules of Procedures of the Board of Directors" has a provision for the recusal of the Director's interest in the Board of Directors' meeting.</p>	<p>No major differences..</p> <p>Same as Summary Description.</p> <p>No major differences..</p>

Evaluation Item	Implementation (Note 1)		Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons	
	Yes	No		
(4) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	✓		(4) The Company's internal auditors conduct regular audits of the internal control system to implement the monitoring mechanism and control various risks. External auditors are hired annually to conduct audits of the Company's internal controls and computer audits.	No major differences..
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	✓		(5) In order to promote the integrity of the Company, the Company has announced the relevant regulations in the Company's internal rules and regulations and on the Company's website for employees to comply with. In 2022, there were 95 internal and external training sessions (including courses related to integrity management, safety and health practices, accounting policy, internal control, etc.), totaling 312 hours.	No major differences..
3.Operation of the integrity channel (1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) The Company has established a whistle-blowing and disciplinary system in the Employee Handbook and the Code of Conduct for Integrity Management, which has been announced and disseminated to all employees. Employees may submit their complaints to their supervisors or human resources managers by e-mail or by written missive and will be investigated if accepted.	No major differences..
(2) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	✓		(2) The Company will keep the identity of the whistleblower and the content of the report confidential.	
(3) Does the Company provide proper whistleblower protection?	✓		(3) The Company shall keep the identity of the whistleblower confidential and shall investigate the whistleblower and the whistleblower separately and shall protect the whistleblower from improper disposal due to the whistleblower.	
4.Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	✓		The Company's website discloses the Company's profile, basic information and financial information, and discloses the Company's information in a timely, open and transparent manner on the Market Observation Post System.	No major differences..
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: None				
6. Other important information to facilitate a better understanding of the Company's ethical corporate management policies. Ethical Corporate Management Best Practice Principles, etc.):				

Note 1: The operating conditions should be described in the summary description field regardless of whether "Yes" or "No" is checked.

(8) If the Company has established a code of corporate governance and related regulations, it should disclose its inquiry methods:

The Company has established the "Corporate Governance Best Practice Principles" and disclosed the Public Information Observation Post System. The Company's website also contains procedures for acquiring or disposing of assets, procedures for engaging in derivative transactions, procedures for lending funds to others, and procedures for endorsement and guarantee, and the Company's intranet contains procedures for handling the internal control system and other practices for access by relevant personnel.

(9) Other important information that may be disclosed to enhance the understanding of the operation of corporate governance:

The Company discloses material information to the investing public in a timely manner in accordance with the law and maintains a simultaneous disclosure of information to shareholders. Also, all Directors and Supervisors have been trained in accordance with the rules and regulations and provide advice to the Board of Directors when they attend the meetings.

(10) The status of the implementation of the internal control system should disclose the following.

1. Statement of Internal Controls

Top Union Electronics Corp.
Statement of Internal Controls

Feb. 29, 2024

The Company's internal control system for the year 2023, based on the results of a self-assessment, is stated as follows.

1. The Company recognizes that it is the responsibility of the Board of Directors and the Manager to establish, implement and maintain a system of internal control, and that the Company has established such a system. The purpose of the system is to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability of reporting, timeliness, transparency and compliance with relevant regulations and compliance with relevant laws and regulations.
2. No matter how well designed, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives; furthermore, the effectiveness of the internal control system may change due to changes in circumstances and conditions. The Company's internal control system has a self-monitoring mechanism in place and once deficiencies are identified, the Company will take corrective action.
3. The Company makes judgments on the effectiveness of its internal control system in accordance with the Regulations Governing the Establishment of Internal Control Systems by Public Companies (the "Regulations") The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the judgment items set forth in the Regulations Governing the Establishment of Internal Control Systems by Public Companies ("the Regulations") The internal control system judgment items adopted in the Regulations are based on the management control process and are divided into five components: 1. control environment, 2. risk assessment, 3. control practices, 4. information and communication, and 5. monitoring practices. Each component includes a number of items. Please refer to "the Regulations for the aforementioned items.
4. The Company has adopted the above internal control system judgment items to assess the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the preceding assessment, the Company considers that the design and implementation of the Company's internal control system (including supervision and management of subsidiaries) as at December 31, 2023, including the understanding of the extent to which operational effectiveness and efficiency objectives have been achieved, reporting is reliable, timely, transparent and in compliance with relevant regulations and compliance with relevant laws and regulations, is effective, and that it can reasonably ensure the achievement of the above objectives.
6. This statement will become the main content of the Company's annual report and public statement, and will be made public. If any of the above-mentioned contents are disclosed in a false or concealed manner, the Company will be subject to legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement was approved by the board of directors of the Company on February 29, 2024, and of the 11 directors present, 0 held an opposing view.

Top Union Electronics Corp.

Chairman, Vincent Tsuei

General Manager: James Wang

2. Where a CPA is entrusted to conduct a special audit of the internal control system, the CPA's audit report shall be disclosed: none.
- (11) The Company and its internal personnel have been punished by law, the Company has punished its internal personnel for violating the provisions of the internal control system, major deficiencies and improvements for the most recent year and up to the printing date of the annual report: None.
- (12) Significant resolutions of shareholders' meetings and board meetings in the most recent year and up to the date of printing of the annual report

Meeting Date	Important resolutions	Implementation
2023.05.19	1. Ratified the Company's Business Report and Financial Statements for the year 2022.	The announcement was made in accordance with the resolution of the shareholders' meeting.
	2. Ratified the appropriation of the Company's fiscal year 2022 earnings.	The base date for distribution was set on June 26, 2023, and the cash dividend of NT\$148,107,212 was paid on July 25, 2023.
	3. Discussed the proposal to issue new shares by transferring capital from the fiscal year 2022.	The announcement was made in accordance with the resolution of the shareholders' meeting.
	4. The 12th Election of Directors.	

Name of the Board meeting	Meeting Minutes Summary	Matters listed in the Article 14-3 of the Securities and Exchange Act	Independent Director attendance	Independent directors' opinion and implementation
19 th meeting of the 11 th Board 2023/2/22	1. 2022 Annual Report on Operations and Financial Statements.		3 seats	
	2. 2022 Annual Compensation to Employees, Directors, and Supervisors.			
	3. Distribution of earnings for fiscal year 2022.			
	4. Issued new shares by transferring earnings in the fiscal year 2022.			
	5. Declaration of the internal control system for the fiscal year 2022.			
	6. Discussed the renewal of the Company's bank loan facilities and endorsement guarantee.			
	7. The Remuneration Committee considered the bonus and compensation for managers.			
	8. Amendment of the Overview of Employee Benefits in Taiwan	V		
	9. The Company's 2023 Independence Evaluation of the Appointment of Certified Public Accountants.			
	10. The 12th Election of Directors.			
	11. The date and meeting schedule of the 2023 Annual General Meeting of Shareholders.	V		
20 th meeting of the 11 th Board 2023/4/6	1. Nomination and deliberation of director and independent director candidates		3 seats	Independent Director's opinion: None. The Company's handling of the Independent Director's opinion: None. Resolution result: The resolution result was approved and implemented in accordance with the resolution result.
	2. Case of lifting restrictions on competition for newly appointed directors			
21 th meeting of the 11 th Board 2023/4/27	1. Consolidated financial statements for the first quarter of 2023.8		3 seats	
	2. Proposed motion to approve the appointment of "Corporate Governance Officer" within the company			
	3. Proposed motion to approve the appointment of "Chief Information Security Officer" within the company			
1 th meeting of the 12 th Board 2023/5/19	1. The 12th Election of Directors.		4 seats	
	2. Proposed motion to abolish the "Management Measures for the Operation of the Remuneration Committee" and amend the "Organizational Regulations of the Compensation Committee.			
	3. Proposed appointment of the Fifth Term Compensation Committee.			
	4. The ex-dividend basis for the transfer of earnings in fiscal year 2022 and the issuance of new shares.			
2 th meeting of the 12 th Board 2023/8/3	1. Consolidated financial statements for the second quarter of 2023.		4 seats	
	2. 2023 Manager's bonus payment for the Dragon Boat Festival.			
	3. Discussed the renewal of the Company's bank loan line.			
	4. Amendment to the "Internal Procedures for Handling Material Information" within the company			
	5. Amendment to the "Board Meeting Procedures" within the company			
3 th meeting of the 12 th Board 2023/10/26	1. Consolidated financial statements for the third quarter of 2023.		4 seats	
	2. Discussed the renewal of the Company's bank loan line.			
	3. Appointment of Head of Audi.	V		
	4. Distribution of Mid-Autumn Festival bonuses for managers in 2023.			
	5. Implementation of Employee Stock Ownership Trust and Manager Participation in Employee Stock Ownership Trust Deposit Incentive Plan.			
4 th meeting of the 12 th Board 2023/12/14	1. The audit plan for the fiscal year 2024.		4 seats	
	2. Proposed motion to approve the appointment of "Chief Information Security Officer" within the company.			
	3. Amendment to the "Organizational Regulations of the Compensation Committee" within the company			

Name of the Board meeting	Meeting Minutes Summary	Matters listed in the Article 14-3 of the Securities and Exchange Act	Independent Director attendance	Independent directors' opinion and implementation
5 th meeting of the 12 th Board 2024/2/29	1. 2023 Annual Report on Operations and Financial Statements.		4 seats	
	2. 2023 Employee and Director Remuneration Plan.			
	3. Distributed earnings for fiscal year 2023.			
	4. Increased capitalization of earnings and issuance of new shares for fiscal year 2023.			
	5. Statement of the internal control system for the fiscal year 2023.			
	6. Amendment to the "Board Meeting Procedures" within the company.			
	7. Amendment to the "Organizational Regulations of the Audit Committee.			
	8. Amendment to the "Endorsement Guarantee Operation Procedure.			
	9. Discussed the renewal of the Company's bank loan line.	V		
	10. Discussed the renewal of the Company's bank loan facilities and endorsement guarantee.			
	11. The Company's 2024 Independence Evaluation of the Appointment of Certified Public Accountants.	V		
	12. The date and meeting schedule of the 2024 Annual General Meeting of Shareholders..			
6 st meeting of the 12 th Board 2024/4/25	1.2024Q1 consolidated financial statement case.		4 seats	
	2. Discussed the renewal of the Company's bank loan line.			
	3. Adoption of the "Board Performance Evaluation Method"			
	4. Proposed establishment of the "Organizational Regulations of the Sustainable Development Committee			
	5. Appointment of members to the "First Term Sustainable Development Committee" within the company			

(13) For the most recent year and up to the date of publishing the annual report, where the directors or supervisors have dissenting views on important resolutions passed by the board of directors and where there is a record or written statement to that effect: None

(14) For the most recent year and up to the date of publishing the annual report, the resignation and dismissal of persons related to financial reporting (including the Chairman, General Manager, Head of Accounting, Head of Internal Audit, Head of Corporate Governance and Head of Research and Development, etc.) are summarized as follows:

Title	Name	Commencement Date	Resignation Date	Type of change
audit officer	Jessie Yang	2021.01.04	2023.06.09	resignation

4. Audit Fee

Unit: NT\$ thousand

Audit Fee	Audit Fee	Audit Period	Audit Fee	Non-audit Fee					Total	Remark
				System of Design	Company Registration	Human Resource	Other	Sub total		
Deloitte Taiwan	Shin Tong-Lin Chen Ming-hui	2023	2,100	0	0	0	300	0	2,400	None

Note: The non-audit fee other service content is auditing service.

(1) If there is a change in the accounting firm and the audit fee paid in the year of the change is less than the audit fee paid in the year before the change, the amount of the decrease in the audit fee, the percentage and the reason should be disclosed: Not applicable.

(2) If the audit fee is reduced by 10% or more from the previous year, the amount, percentage, and reasons for the reduction shall be disclosed: Not applicable.

5. Replacement of accountant information:

Cooperating with the internal rotation of the accounting firm, the company approved by the board of directors on 2023.2.22 that the certified accountants will be changed from Fang Suli and Tsai Meizhen of Deloitte & Touche Taipei, Taiwan to Shin TongLin and Chen Minghui from 2023Q1.

(1) About the former accountant

Replacement date	2023.2.22		
Replacement reasons and instructions	Cooperate with the internal rotation of accounting firms		
Indicates that the appointing person or accountant has terminated or refused to accept the appointment	Party	CPA	Appointed person
	Condition		
	Voluntary termination of appointment	NA	NA
	Not accepting (continuing) appointment	NA	NA
Opinions and reasons for audit reports other than unqualified opinions issued within the latest two years	None.		
Disagreement with the issuer	Yes		Accounting Principles or Practices
			Disclosure of financial reports
			Check scope or steps
			Other
	No	illustrate	
Other disclosures	None		

(2) About Successor Accountants

Firm	Deloitte & Touche Taipei, Taiwan
CPA	Lin Shin Tong and Chen Minghui
date of appointment	2023.2.22
Consultation matters and results of accounting treatment methods or accounting principles for specific transactions and possible issuance of financial reports before appointment	None.
Written opinion of the successor accountant on matters with different opinions from the predecessor accountant	None.

(3) Reply from the previous accountant to the matter specified in Article 10, Paragraph 6 (1) and Item 2 (3) of these Standards: Not applicable.

6. Information on the chairman, general manager, and manager responsible for the Company's financial or accounting operations, who have worked at the firm of a certified public accountant or its affiliated companies in the most recent year: None.

7. Transfer of equity and changes in equity pledge of directors, supervisors, managers and shareholders with a shareholding ratio of more than 10% in the most recent year and as of the date of publication of the annual report

(1) Changes in shareholdings of directors, supervisors, managers and substantial sha

Unit: Share

Title(Note 1)	Name	2023		As of March 31, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Vincent Tsuei	633,352	-	-	-
Director	OMNICO INTERNATIONAL LTD.	695,096	-	-	-
Director	Cheng Chung Investment Co., Ltd.	533,664	-	-	-
Director	Song Yingchuan	75,324	-	-	-
Director	Lin Jin-Tsai	106,490	-	-	-
Director	James Wang	106,536	-	-	-
Director	Chuang Yongshun	-	-	-	-
Director	Peng Mingxian	-	-	-	-
Director	Chen Boyong	-	-	-	-
Independent Director	Lee Ching-Ho	-	-	-	-
Independent Director	Yen Weiqun	-	-	-	-
Independent Director	Huang Xu-Nan	-	-	-	-
Independent Director	Yang Chang-Mou	-	-	-	-

Note: None of the Company's shareholders held more than 10% of the shares.

(2) Information on transfer of equity interest: Not applicable.

(3) Information on pledge of equity interest: Not applicable.

8. The Shareholding percentage of the top ten shareholders as a result of their relationship with each other under R.O.C. SFAS No. 6.

NAME (NOTE 1)	Name and Relationship Between the Company's Top Ten Shareholders		or Spouses or Relatives Within Two Degrees		Name and Relationship Between the Company's Top Ten Shareholders		NAME AND RELATIONSHIP BETWEEN THE COMPANY'S TOP TEN SHAREHOLDERS, OR SPOUSES OR RELATIVES WITHIN TWO DEGREES(NOTE 3)		REMARK
	Shares	%	Shares	%	Shares	%	Name	Relationship	
OMNICO INTERNATIONAL LTD. Rep.:Liao Boxiang	6,487,570	4.69	0	0	0	0	None	—	None
	169,022	0.12	114,251	0.08	0	0			
Vincent Tsuei	5,870,858	4.25	307,043	0.22	0	0	Tsuei Dexin	Parent-child	None
Cheng Chung Investment Co., Ltd. Rep.:Song Binchong	4,980,869	3.60	0	0	0	0	None	—	None
	687,324	0.50	0	0	0	0			
Fu-Yuan Construction Co., Ltd. Rep.:Lin Jin-Tsai	3,262,471	2.36	0	0	0	0	None	—	None
	993,914	0.72	0	0	0	0			
Ruihai Investment Co., Ltd.	3,227,696	2.33	0	0	0	0			
Lee Chuang Suk Hwa	3,203,981	2.32	0	0	0	0	None	—	None
ONYX HEALTHCARE INC.	2,593,000	1.88	0	0	0	0			
Peng Mingxian	1,725,739	1.25	452,617	0.33	0	0	None	—	None
Jian Tingchang	1,441,350	1.04	0	0	0	0	None	—	None
Tsuei Dexin	1,332,954	0.96	0	0	0	0	Vincent Tsuei	Parent-child	None

Note 1: The top ten shareholders should be listed, and the corporate shareholder's name and the representative name should be listed separately if the shareholder is a corporation.

Note 2: The calculation of the percentage of shareholding refers to the percentage of shareholding in the name of oneself, spouse, minor children or using others' names.

Note 3: The shareholders listed in the preceding paragraph include both corporate and natural persons, and the relationship between them should be disclosed.

9. Number of shares held by directors, supervisors, managers and companies directly or indirectly controlled by the Company in the same business to be reinvested shall be aggregated to calculate the consolidated percentage of shareholding.

March 31, 2023 Unit: Share;

Transferred Investment Business (Note)	The Company's investment		Directors, Supervisors, Managers and Investments in Direct or Indirectly Controlled Businesses		Comprehensive Investment	
	Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %
ALLIED ORIENTAL INTERNATIONAL LTD.	12,200,000	100%	-	-	12,200,000	100%
Top Union (Shanghai) Co.	-	-	-	100%	-	100%
Top Union (Suzhou) Co.	-	-	-	100%	-	100%

Note: Long-term investments are accounted for by the equity method.

10. Operating procedures for handling material information

The Company has established "Internal Material Information Handling Procedures" and all relevant units and employees are required to comply with the relevant procedures and laws and regulations in handling possible material information and disclosures.

IV. Capital raising

I. Capital and shares

(1) Source of capital: The types of shares issued by the Company in the latest year and up to the date of publishing the annual report.

1. Type of shares

March 31, 2024 Unit: Share

Type of shares	Authorized share capital			Remark
	Outstanding shares (Note)	Unissued shares	Total	
Registered Common Shares	138,233,397	41,766,603	180,000,000	None

Note: Par value of \$10 per share, on the over-the-counter shares.

2. Equity formation process

March 31, 2023 Unit: MTS/Share

Year Month	Issued price (NT\$)	Approved Capital		Paid-in Capital		Remark		
		Share	Amount	Share	Amount	Source of Capital	The use of property other than cash to offset the payment of shares	Other
1990.02	10	1,500,000	15,000,000	1,500,000	15,000,000	Initiation (Cash)	None	None
1990.09	10	4,000,000	40,000,000	4,000,000	40,000,000	Cash Capital IncreaseNT\$25,000,000	None	None
1991.03	10	4,500,000	45,000,000	4,500,000	45,000,000	Cash Capital IncreaseNT\$5,000,000	None	None
1992.03	10	5,400,000	54,000,000	5,000,000	50,000,000	Cash Capital IncreaseNT\$5,000,000	None	None
1993.05	10	5,400,000	54,000,000	5,120,000	51,200,000	Cash Capital IncreaseNT\$1,200,000	None	None
1996.04	10	6,400,000	64,000,000	6,400,000	64,000,000	Cash Capital IncreaseNT\$12,800,000	None	None
1996.05	10	6,848,000	68,480,000	6,848,000	68,480,000	Transfer of capital from earningsNT\$4,480,000	None	None
1998.12	10	10,180,000	101,800,000	10,180,000	101,800,000	Cash Capital IncreaseNT\$33,320,000	None	None
1999.11	10	19,000,000	190,000,000	13,360,000	133,600,000	Cash Capital IncreaseNT\$20,602,000 Transfer of capital from earningsNT\$11,198,000	None	None
2000.06	10	22,200,000	222,000,000	19,800,000	198,000,000	Cash Capital IncreaseNT\$41,137,750 Transfer of capital from earningsNT\$23,262,250	None	None
2000.11	10	22,200,000	222,000,000	22,200,000	222,000,000	Cash Capital IncreaseNT\$24,000,000	None	Note 1
2001.11	10	50,000,000	500,000,000	32,200,000	322,000,000	Cash Capital IncreaseNT\$55,697,170 Employee bonus to capital increaseNT\$4,342,830 Transfer of capital from earningsNT\$39,960,000	None	Note 2
2002.10	10	50,000,000	500,000,000	35,600,000	356,000,000	Cash Capital IncreaseNT\$34,000,000	None	Note 3
2003.11	10	50,000,000	500,000,000	38,352,000	383,520,000	Transfer of capital from earningsNT\$27,520,000	None	Note 4
2004.08	10	70,000,000	700,000,000	43,616,494	436,164,940	Transfer of capital from earnings NT\$52,644,940	None	Note 5
2005.03	10	70,000,000	700,000,000	44,640,585	446,405,850	Conversion of corporate bonds into shares NT\$10,240,910	None	Note 6
2005.06	10	70,000,000	700,000,000	44,941,789	449,417,890	Conversion of corporate bonds into shares NT\$3,012,040	None	Note 6
2005.09	10	70,000,000	700,000,000	51,061,865	510,618,650	Transfer of capital from earnings NT\$61,200,760	None	Note 7
2006.07	10	70,000,000	700,000,000	51,130,241	511,302,410	Conversion of corporate bonds into shares NT\$683,760	None	Note 6
2006.10	10	70,000,000	700,000,000	51,369,557	513,695,570	Conversion of corporate bonds into shares NT\$2,393,160	None	Note 6
2007.01	10	70,000,000	700,000,000	57,497,756	574,977,560	Conversion of corporate bonds into shares NT\$61,281,990	None	Note 6
2007.04	10	70,000,000	700,000,000	60,022,916	600,229,160	Conversion of corporate bonds into shares NT\$23,931,600 Employee Stock Options NT\$1,320,000	None	Note 6 Note 8
2007.07	10	100,000,000	1,000,000,000	60,082,745	600,827,450	Conversion of corporate bonds into shares NT\$598,290	None	Note 6
2007.08	10	100,000,000	1,000,000,000	63,313,515	633,135,150	Transfer of capital from earnings NT\$32,307,700	None	Note 9

Year Month	Issued price (NT\$)	Approved Capital		Paid-in Capital		Remark		
		Share	Amount	Share	Amount	Source of Capital	The use of property other than cash to offset the payment of shares	Other
2007.10	10	100,000,000	1,000,000,000	65,686,835	656,868,350	Conversion of corporate bonds into shares NT\$21,298,200 Employee Stock Options NT\$2,435,000	None	Note 6 Note 8
2008.01	10	100,000,000	1,000,000,000	65,831,835	658,318,350	Employee Stock Options NT\$1,450,000	None	Note 8 Note 10
2008.04	10	100,000,000	1,000,000,000	66,319,044	663,190,440	Conversion of corporate bonds into shares NT\$1,084,590 Employee Stock Options NT\$3,787,500	None	Note 8 Note 10 Note 11
2008.04	10	100,000,000	1,000,000,000	62,853,544	628,535,440	Employee Stock Options NT\$345,000 Cancellation of treasury shares NT\$35,000,000	None	Note 8 Note 10 Note 12
2008.09	10	100,000,000	1,000,000,000	68,361,699	683,616,990	Transfer of capital from earnings NT\$55,081,550	None	Note 13
2009.10	10	100,000,000	1,000,000,000	68,363,949	683,639,490	Employee Stock Options NT\$22,500	None	Note 10
2010.01	10	100,000,000	1,000,000,000	68,412,699	684,126,990	Employee Stock Options NT\$487,500	None	Note 10
2010.04	10	100,000,000	1,000,000,000	68,511,699	685,116,990	Employee Stock Options NT\$990,000	None	Note 8 Note 10 Note 11
2010.07	10	100,000,000	1,000,000,000	68,714,199	687,141,990	Employee Stock Options NT\$2,025,000	None	Note 8
2010.12	10	100,000,000	1,000,000,000	68,902,449	689,024,490	Employee Stock Options NT\$1,882,500	None	Note 8 Note 10 Note 11
2011.03	10	100,000,000	1,000,000,000	69,511,001	695,110,010	Conversion of corporate bonds into shares NT\$3,975,520 Employee Stock Options NT\$2,110,000	None	Note 8 Note 10 Note 11 Note 14
2011.06	10	100,000,000	1,000,000,000	69,809,730	698,097,300	Conversion of corporate bonds into shares NT\$2,752,290 Employee Stock Options NT\$235,000	None	Note 10 Note 11 Note 14
2011.08	10	100,000,000	1,000,000,000	74,489,120	744,891,200	Transfer of capital from earnings NT\$46,793,900	None	Note 15
2011.11	10	100,000,000	1,000,000,000	74,497,620	744,976,200	Employee Stock Options NT\$85,000	None	Note 10 Note 14
2012.03	10	100,000,000	1,000,000,000	74,585,120	745,851,200	Employee Stock Options NT\$875,000	None	Note 10
2012.06	10	100,000,000	1,000,000,000	74,593,620	745,936,200	Employee Stock Options NT\$85,000	None	Note 14
2012.08	10	100,000,000	1,000,000,000	77,109,424	771,094,240	Transfer of capital from earnings NT\$25,158,040	None	Note 16
2012.12	10	100,000,000	1,000,000,000	77,127,924	771,279,240	Employee Stock Options NT\$185,000	None	Note 14
2013.08	10	100,000,000	1,000,000,000	78,301,721	783,017,210	Transfer of capital from earnings NT\$11,737,970	None	Note 17
2014.03	10	100,000,000	1,000,000,000	78,364,221	783,642,210	Employee Stock Options NT\$625,000	None	Note 14
2014.08	10	100,000,000	1,000,000,000	80,797,689	807,976,890	Transfer of capital from earnings NT\$24,334,680	None	Note 18
2014.11	10	100,000,000	1,000,000,000	80,890,189	808,901,890	Employee Stock Options NT\$925,000	None	Note 14
2015.08	10	100,000,000	1,000,000,000	84,996,280	849,962,800	Transfer of capital from earnings NT\$41,060,910	None	Note 19
2016.08	10	100,000,000	1,000,000,000	92,197,356	921,973,560	Transfer of capital from earnings NT\$72,010,760	None	Note 20
2019.07	10	120,000,000	1,200,000,000	98,946,203	989,462,030	Transfer of capital from earnings NT\$67,488,470	None	Note 21
2021.09	10	120,000,000	1,200,000,000	102,359,847	1,023,598,470	Transfer of capital from earnings NT\$34,136,440	None	Note 22
2022.07	10	180,000,000	1,800,000,000	109,422,676	1,094,226,760	Transfer of capital from earnings NT\$34,136,440	None	Note 22
2022.12	10	180,000,000	1,800,000,000	123,422,676	1,234,226,760	Cash Capital Increase NT\$34,136,440	None	Note 22
2023.07	10	180,000,000	1,800,000,000	138,233,397	1,382,333,970	Cash Capital Increase NT\$148,107,210	None	Note 25

Note 1: Approval date and document number: Approved by letter No. 88905 dated November 6, 2000 (89) Tai-Cai-Certificate (1) Tzu No. 88905.

Note 2: Approval date and document number: Approved by letter No. 161883 dated October 17, 2001 (90) Tai-Cai-Certificate (1) Tzu No. 161883.

Note 3: Approval date and document number: Approved by letter of Tai-Cai-Certificate1 Tzu No. 0910149210 dated September 10, 2002.
 Note 4: Approval date and document number: Approved by Tai-Cai-Certificate1 Tzu No. 0920148738 on October 17, 2003.
 Note 5: Approval date and document number: Approved by letter No. 0930129969 dated July 7, 2004.
 Note 6: Approval date and document number: Approved by Jin-Guan-Certificate 1 Tzu No. 0930149463 on November 15, 2004.
 Note 7: Approval date and document number: Approved by Jin-Guan-Certificate 1 Tzu No. 0940126924 on July 5, 2005.
 Note 8: Approval date and document number: Approved by Jin-Guan-Certificate 1 Tzu No. 0930145880 on October 12, 2004.
 Note 9: Approval date and document number: Approved by Jin-Guan-Certificate 1 Tzu No. 0960031043 on June 21, 2007.
 Note 10: Approval date and document number: Approved by Jin-Guan-Certificate 1 Tzu No. 0940147712 on October 25, 2005.
 Note 11: Approval date and document number: Approved by Jin-Guan-Certificate 1 Tzu No. 0960058473 on October 30, 2007.
 Note 12: Approval date and document number: Approved by Jin-Guan-Certificate 3 Tzu No. 0970018839 on April 28, 2008.
 Note 13: Approval date and document number: Approved by Jin-Guan-Certificate 1 Tzu No. 0970036018 on July 17, 2008.
 Note 14: Approval date and document number: Approved by Jin-Guan-Certificate 1 Tzu No. 0960054590 on October 3, 2007.
 Note 15: Approval date and document number: Approved by Jin-Guan-Certificate by letter No. 1000027001 dated June 14, 2011.
 Note 16: Approval date and document number: Approved by Jin-Guan-Certificate issued Tzu No. 1010026967 on June 18, 2012.
 Note 17: Approval date and document number: Approved by Jin-Guan-Certificate issued Tzu No. 1020024323 on June 24, 2013.
 Note 18: Approval date and document number: Approved by Jin-Guan-Certificate was approved by letter Tzu No. 1030023027 dated June 20, 2014.
 Note 19: Approval date and document number: Approved by Jin-Guan-Certificate in Tzu No. 1040022890 dated June 17, 2015.
 Note 20: 2016/06/08 Declaration effective (three-day system)
 Note 21: 2019/06/05 Declaration effective (three-day system)
 Note 22: 2021/07/28 Declaration effective (three-day system)
 Note 23: 2022/06/01 Declaration effective (three-day system) - Cancellation of paper approval letter
 Note 24: Approval date and document number: Approved by Jin-Guan-Certificate Fa Tzu No. 1110358682 on October 17, 2022.
 Note 25: Approval date and document number: Approved by Jin-Guan-Certificate Fa Tzu No. 11230128460 on July 14, 2023.

(2) Shareholder structure: Statistics on the proportion of the composition of each type of shareholder

March 26, 2024

Shareholder structure Amount	Governmental Organizations	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Organizations and foreigners	Total
Number of people	1	2	193	31,733	55	31,984
Number of shares held	10	200,277	26,158,978	108,915,314	2,958,818	138,233,397
Shareholding ratio	0.00%	0.14%	18.92%	78.79%	2.14%	100.00%

(3) Shareholding Distribution Status: Number of shareholders by class and percentage of shares held to the number of issued shares

March 26, 2024; Unit: person; share:

Shareholding Class	Number of Shareholders	Shareholding (Shares)	Shareholding Percentage
1~999	20,270	1,271,497	0.92%
1,000~5,000	8,317	17,624,759	12.75%
5,001~10,000	1,654	12,036,790	8.71%
10,001~15,000	676	8,281,304	5.99%
15,001~20,000	295	5,255,256	3.80%
20,001~30,000	310	7,662,970	5.54%
30,001~40,000	122	4,312,174	3.12%
40,001~50,000	78	3,533,093	2.56%
50,001~100,000	155	10,877,778	7.87%
100,001~200,000	44	5,951,968	4.31%
200,001~400,000	30	8,280,461	5.99%
400,001~600,000	6	3,035,165	2.20%
600,001~800,000	6	4,167,802	3.02%
800,001~1,000,000	5	4,771,977	3.45%
1,000,001 and above	16	41,170,403	29.78%
Total	31,984	138,233,397	100.00%

(4) List of major shareholders: the names of shareholders with at least 5% or the top 10 shareholders, the amount and percentage of shareholding.

March 26, 2024 ; Unit: Share

Shareholder's Name	Shares	Shareholding (Shares)	Shareholding Percentage
OMNICO INTERNATIONAL Co., Ltd.		6,487,570	4.69
Vincent Tsuei		5,870,858	4.25
Cheng Chung Investment Co., Ltd.		4,980,869	3.60
Fu-Yuan Construction Co., Ltd.		3,262,471	2.36
Ruihai Investment Co., Ltd.		3,227,696	2.33
Lee Chuang Suk Hwa		3,203,981	2.32
ONYX HEALTHCARE INC.		2,593,000	1.88
Peng Mingxian		1,725,739	1.25
Jian Tingchang		1,441,350	1.04
Tsuei Dexin		1,332,954	0.96

(5) Market Price, Net Worth, Earnings, and Dividends per Share in the last two years
Stock Price per share, net value, earnings and dividend information

Unit: NT\$ thousand

Item		Year.	2022	2023	As of March 31, 2024 (Note 8)
Market Price per Share(Note 1)	Highest Market Price		38.50	47.70	34.50
	Lowest Market Price		18.90	23.80	31.95
	Average Market Price		29.21	38.01	33.59
Net value per Share(Note 2)	Before Distribution		19.70	16.66	15.87
	After Distribution		17.00	(Note 9)	Not distributed yet
Earnings per Share	Weighted Average Shares		138,233 thousand shares	138,233 thousand shares	138,233 thousand shares
	EPS-before adjustment		3.00	2.15	0.61
	EPS-after adjustment Note 3)		2.38	(Note 9)	(Note 9)
Dividends per Share	Cash Dividends		1.20	1.47	N/A
	Stock Dividends	Earnings distribution through stock issuance	0.49	0	N/A
		Capital surplus distribution through stock issuance	0	0	N/A
	Accumulated Undistributed Dividends(Note 4)		0	0	N/A
Return on Investment Analysis	Price / Earnings Ratio(Note 5)		9.74	17.68	N/A
	Price / Dividend Ratio(Note 6)		24.34	25.86	N/A
	Cash Dividend Yield Rate(Note 7)		0.04	0.04	N/A

* If there is an allotment of shares from earnings or capital surplus, the market price and cash dividend information should be disclosed retroactively adjusted for the number of shares issued.

Note 1: The highest and lowest market prices of common stock for each year are listed, and the average market price for each year is calculated based on the transaction value and volume of each year.

Note 2: Please use the number of shares issued at the end of the year as the basis and fill in the information according to the resolution of the shareholders' meeting in the following year.

Note 3: If retroactive adjustments are required due to the gratis allotment of shares, the earnings per share before and after the adjustments should be shown.

Note 4: If the conditions of issuance of equity securities stipulate that the unpaid dividends of the current year may be accumulated and paid in the year of earnings, the unpaid dividends as of the current year should be disclosed separately.

Note 5: Principal-to-benefit ratio = average closing price per share/earnings per share for the current year.

Note 6: Principal-to-profit ratio = average closing price per share / cash dividends per share for the year.

Note 7: Cash dividend yield rate = Cash dividend per share / Average closing price per share for the year.

Note 8: Net value per share and earnings per share should be shown as of the latest quarterly period audited by the accountants as of the date of the annual report; the rest of the columns should be shown as of the current year as of the date of the annual report.

Note 9: To be finalized after the resolution of the shareholders' meeting.

(6) Dividend policy and implementation status: The dividend policy in the Company's Articles of Incorporation and the proposed dividend distribution at this shareholders' meeting.

1. Dividend policy

In accordance with Article 21-1 of the Company's Articles of Incorporation, based on profit-sharing, the Company shall distribute dividends to shareholders at a rate of not less than 50% of the earnings available for distribution for the year, and shall distribute stock dividends at a rate of not more than 50% of the dividends distributed for the year, with the remainder being cash dividends.

2. Implementation

The proposed dividend distribution at the shareholders' meeting for the year was as follows
The Company's after-tax earnings for the year ended December 31, 2023 amounted to NT\$296,739,166. After setting aside NT\$30,609,526 as legal reserve, the Company set aside NT\$270,937,458 as dividends to shareholders based on the number of outstanding shares as of the date of the board of directors' meeting, of which NT\$67,734,370 was stock dividends and NT\$203,203,088 was cash dividends. The stock dividends were allotted at a rate of 25%, or NT\$0.49 per share, which means that 49 shares were allotted at no cost per thousand shares, and the cash dividends were allotted at a rate of 50%, or NT\$1.47 per share.

(7) Impact of the proposed gratis share placement on the Company's operating results and earnings per

share: The Company has not made public its financial forecast for 2024, so it is not applicable.

(8) Remuneration for employees and directors.

1. The percentage or scope of remuneration to employees and directors as set forth in the Articles of Association:

In accordance with Article 21 of the Company's Articles of Incorporation, if the Company makes a profit for the year (profit means profit before taxation before the distribution of employees' remuneration and directors' remuneration), 6% shall be appropriated as employees' remuneration and not more than 2.3% shall be appropriated as directors' remuneration. However, if the Company has accumulated losses (including adjustments to undistributed earnings), the amount to be made up shall be reserved in advance. Such remuneration may be in the form of shares or cash and may be paid to employees of subordinate companies who meet the conditions set by the Board of Directors. The remuneration of directors and supervisors in the preceding paragraph shall be payable in cash only. The first two items shall be resolved by the Board of Directors and reported to the shareholders' meeting.

2. The estimated amount of employee and director's remuneration for the period is based on the number of shares distributed to employees and the accounting treatment if the actual distribution differs from the estimated amount.

In accordance with the Company's Articles of Incorporation, the Company contributes 6% and no more than 2.3% of the pre-tax benefit to the employees' and directors' remuneration, respectively, for the year before the distribution of the employees' and directors' remuneration. The amount of employee compensation and remuneration to directors and supervisors in 2023 was estimated at 6% and 2.3% of the aforementioned pre-tax benefit, respectively, as resolved by the board of directors on February 29, 2023, and is subject to the resolution of the shareholders' meeting scheduled to be held on May 24, 2024 and reported to the shareholders' meeting as follows.

Unit: NT\$ thousand

Item	Distribution to	Board of Directors approved distribution amount	Distribution method	
			Cash	Stock
Employee remuneration	Employees of the Company	24,823	24,823	0
Director remuneration	Directors and Supervisors of the Company	9,516	9,516	0
Total		34,339	34,339	0

If there is a major change in the distribution amount resolved by the board of directors before the release date of the annual individual financial report, the change will adjust the original annual expenses. Annual adjustments are posted.

3. The board of directors' approval on the distribution of remuneration:

- (1) In addition to the payment of cash for directors and supervisors, the employee remuneration of NT\$24,823,469 is also paid in cash.
(2) The amount of employee remuneration distributed by stock and its proportion to the current individual or individual financial report after-tax net profit and the total amount of employee remuneration: Not applicable.

4. The actual distribution of employee, director and supervisor remuneration in the previous year (including the number of shares distributed, amount and stock price), if it is different from the recognized employee, director and supervisor remuneration, the difference, reason and handling situation should be stated :

Unit: NT\$ thousand

Item	Distribution to	Board of Directors approved distribution amount	Actual distribution amount	Distribution Method
Employee remuneration	Employees of the Company	26,594	26,594	cash
Director remuneration	Directors of the Company	10,194	10,194	cash
Total		36,788	36,788	

- (9) If the Company has repurchased shares of the Company, the Company shall state the purpose for which the Company has applied for the repurchase of the Company's shares, the period for which the shares were repurchased, the interval price of the repurchase, the type, number and amount of shares repurchased, the number of shares canceled and transferred, the accumulated number of shares held by the Company and the ratio of the accumulated number of shares held by the Company to the total number of issued shares for the most recent year and up to the date of printing of the annual report: None.

2. Status of corporate bonds.

- (1) Corporate bonds: Including outstanding and in-process corporate bonds, with reference to Article 248 of the Company Act, and disclosing the relevant matters and the impact on shareholders' equity. For private placement of corporate bonds, the following should be prominently displayed: None.
- (2) Information on conversion of corporate bonds: None.
- (3) Information on exchangeable bonds: None.
- (4) General reporting of the issuance of corporate bonds: None.
- (5) Information on bonds with stock options: None.

3. The status of preferred shares

The Company shall disclose the conditions of issuance, the effect on shareholders' equity and the provisions of Article 157 of the Company Act, including preferred shares outstanding and in process. For private placement of preferred shares, the following information should be highlighted: None.

4. Status of Global Depositary Receipt

Include Global Depositary Receipts that have been issued and not yet fully redeemed and are in process, and disclose the date of issue, the total amount of the issue, the rights and obligations of the holder of the Global Depositary Receipt, and other related matters. Global Depositary Receipts that are private placements should be highlighted as follows: None.

5. Employee stock options and new shares with restricted employee rights

- (1) The Company should disclose the status of employee stock options that have not yet expired as of the date of printing of the annual report and the impact on shareholders' equity. For private placement of Global Depositary Receipt, it should be conspicuously marked: None.
- (2) The names of the managers and the top ten employees who have acquired employee stock options as of the date of the annual report, the acquisition and subscription of stock options: None.
- (3) For new shares with restricted employee rights that have not yet fully met the vesting conditions, the status and impact on shareholders' equity as of the date of printing of the annual report should be disclosed: None.
- (4) The names of the managers and the top ten employees who have acquired new shares with restricted rights up to the date of the annual report and the circumstances of their acquisition: None.

6. The circumstances under which new shares of other companies have been acquired or transferred.

- (1) If a merger or acquisition of shares of another company has been completed in the most recent year and as of the date of printing of the annual report, the following information should be disclosed.
 - a. Companies whose shares are listed on the stock exchange or whose shares have been approved for trading on the TPEX in accordance with Article 3 or one of Article 3 of the Rules Governing the Review of Securities for Trading on the TPEX shall disclose the latest quarterly figures for the acquisition or transfer of shares of other companies. The opinion issued by the sponsoring securities underwriter of the new issue of shares of the Company: None.
 - b. Except for the companies specified in the preceding paragraph, the Company should disclose the performance of the most recent quarter. If the progress or effectiveness of the performance does not meet the estimated target, the impact on shareholders' equity and improvement plans should be specified: None.
- (2) If the Board of Directors has resolved to issue new shares through merger, acquisition or transfer of shares of other companies in the most recent year and up to the date of printing of the annual report, the implementation status and basic information of the merged or transferred company should be disclosed. For the issue of new shares by merger or transfer of shares of other companies in progress, the implementation status and the impact on shareholders' equity should be disclosed: None.

7. Implementation of capital utilization plans.

As of the quarter before the publication date of the annual report, the company's previous issuances or private placements of securities have not been completed or have been completed within the past three years and the benefits of the plan have not yet appeared: Not applicable

V. Operational Highlights

I. Business Description

(1) Business Scope

1. Major Business Activities

- (1) Manufacturing of electronic products (including processing, design and manufacturing).
- (2) Import and export of electronic components, semi-finished and finished products.
- (3) Manufacturing design and technical consulting for electronic products.

2. Operating Share

Unit: Thousand dollars

Main product categories	2023	
	Consolidated Income	%
Acoustics (Sound)	2,457,168	67.13%
Power Electronics	692,328	18.91%
Industrial Computers	220,485	6.02%
Network Communication	122,949	3.36%
Video	55,908	1.53%
Automotive Electronics	53,551	1.46%
Medical Equipment	32,401	0.89%
Other	25,525	0.70%
Total	3,660,315	100.00%

3. The main products of the Company at present

(1) Professional circuit board assembly service

Most electronic products are designed by connecting the functions of electronic components through circuitry on a circuit board to achieve the performance of the product. The Company has been established for more than 34 years and has evolved from a role of regulating the production capacity of our customers in the early days of our pursuit of increased business volume to a role of supporting our customers in their pursuit of increased production capacity, with plenty of room for market expansion.

(2) Professional electronic components procurement services

When the industry is interested in developing new products together, it is important to pool resources together to make the quickest and most efficient division of labor, to outsource marketing and research, and development, and even to further outsource OEM from spare parts to purchase (OEM requires OEM materials) In recent years, the Company has been planning and providing parts procurement services to meet the needs of its customers, and its turnover and proportion have been increasing year on year.

(3) Professional Electronic Product Assembly Services

When a customer's product is stable and has a mass production base, it is a dream to find a suitable third party to provide space, capacity, and price advantage.

4. New product development plans

Although the Company is mainly focused on mass production services, in view of the rapidly changing electronic industry, it is important for us to observe and grasp the industry dynamics, as well as to be able to plan for the development and introduction of new technologies.

The following technology projects are proposed for development.

- Industrial grade products
- Production and testing of high-frequency communication products
- The production and testing of high-frequency communication products Test environment development for network products
- Testing environments for networking products Flexible circuit board bonding technology
- Flip-Chip bonding technology
- Automotive Electronics and public transportation systems
- Medical devices

In terms of service offerings, the following items are proposed.

- The Specialized new product development and trial production
- Diverse, small-scale trial production with fast delivery
- Development and realization of high-difficulty process requirements
- Mass production process design for immature products

(2) Industry Overview

1. Current status and development of the industry

The company is primarily engaged in the production and assembly of various electronic products, including design, processing, and manufacturing. This involves the utilization of standardized (automated) electronic components through surface mount technology (SMT), which are assembled onto substrates. For components that cannot undergo SMT, alternative methods are employed to mount them onto the substrate, facilitating the interconnection of components and wiring circuits on the PCB substrate to realize its design functionality. Currently, SMT is widely used in the manufacturing of electronic products, which include but are not limited to, network communication electronics, computers and peripherals, industrial electronics, automotive electronics, optoelectronic products, consumer electronics, medical electronics, military, aerospace, and commercial electronics. Finally, after assembly with mechanical components and casings, and packaging with various exquisite designs, these products are presented to consumers in various forms.

The development of electronic product assembly and processing has spanned over half a century, and business models such as in-house production, outsourcing, or cooperative collaboration vary. However, whether a business model can be formed depends on factors such as professionalism and operational efficiency. Generally, investment in automation and automated factories is substantial, and the research and development costs to maintain advanced process capabilities are considerable, with a significant proportion attributed to talent development and retention costs. Thus, substantial and sustained investment is necessary to maintain productivity. Therefore, unless the scale of production processes for major factories and products is simple and large, the cost pressure of self-built production capacity can be significant. Hence, the business model of professional OEM manufacturing is continuously increasing, moving towards specialization, capitalization, and intensive labor.

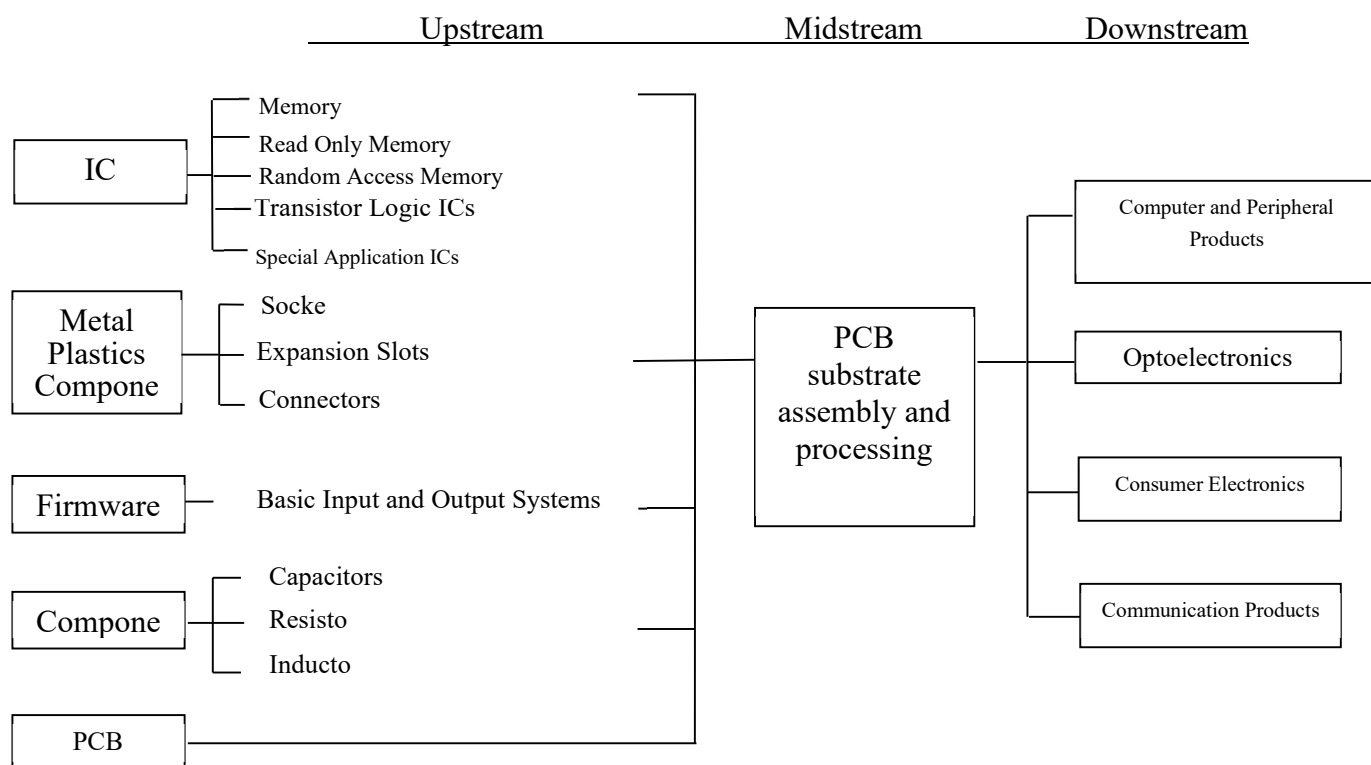
In the face of the fierce competition and the sustainable management of enterprises, PCB substrate assembly manufacturers are not only actively expanding their investment in equipment and increasing their production capacity in order to receive huge orders from customers, but are also starting to provide complete OEM services such as purchasing materials. With their strong manufacturing and service advantages, they have been able to obtain orders for various electronic products and maintain their competitive edge by accumulating manufacturing experience and the ability to quickly change lines between different products. Therefore, the PCB substrate assembly and processing company has moved from the pure PCB assembly and processing (Consignment) mode to a full range of services from PCB parts procurement management, manufacturing, assembly, mass production, testing, system integration, all the way to distribution support and maintenance services. At the same

time, we are developing advanced process technologies to reduce manufacturing costs and improve manufacturing quality. Through the professional manufacturing services provided by PCB substrate assembly and processing companies, electronic product manufacturers can reduce the proportion of resources devoted to production departments and still obtain quality products. In addition, the Company can shift its resources from production to marketing and product research and development, thus accelerating the growth of the Company.

In the future, under the trend of professional division of labour and global transportation mode, Taiwan PCB substrate assembly and processing companies are expected to develop rapidly and devote themselves to the direction of Electronics Manufacturing Service (EMS) to provide customers with a full range of electronic manufacturing services. The services provided by EMS can be divided into three main categories: PCB assembly, semi-finished product assembly and system assembly. Unlike OEM, ODM and OBM companies, EMS companies do not have their own branded products and are not involved in the design of new products. In contrast to OEM, ODM, OBM and so on, which only produce a single type of product, EMS produces a wide range of electronic products. The EMS service is available for all industries such as network communications, computer and computer peripherals, industrial electronics, automotive electronics, consumer electronics, medical electronics, military, aerospace electronics and commercial electronics.

In addition to OEM orders, OEMs, ODMs and OBMs can also outsource their production capacity or part of their manufacturing process to EMS companies as a potential customer.

2. Upstream, midstream and downstream industry relationships



The Company is a PCB substrate assembly manufacturer, which provides PCB assembly and OEM services to customers in terms of upstream and downstream linkages. The upstream industry includes ICs, metal and plastic components, circuit boards and their components. The downstream is the domestic and international computer and peripheral equipment, optoelectronics and consumer electronics industries.

3. Future trends of the product

(1) Precision of manufacturing process

In recent years, electronic products are gradually moving towards the trend of lighter, thinner, shorter, smaller and more functional, high density, and low cost, so that the PCB of each electronic product is also facing the same product development trend. For PCB

substrate assembly manufacturers, the demand for higher precision and thinner and thinner parts is the technological threshold. For example, the thickness of motherboards has evolved from 0.8~1.6mm in the past to 0.2~0.6mm at present. In the face of this trend, PCB assembly processors need to continue to improve the precision of their manufacturing processes and at the same time increase the yield of their products in order to meet the needs of their customers.

(2) Introduction of HSF (Hazardous Substance Free) process

In view of the increasingly serious problem of hazardous substance pollution caused by the manufacturing process of industrial products, the requirements for the removal of hazardous substances from industrial products have been increasing, and the European Union has announced RoHS, WEEE, REACH and a total ban on electronic products containing hazardous substances since 2006. All products containing hazardous substances in excess of the standard are banned or conditionally imported. As a result, many well-known electronics manufacturers have accelerated their HSF process and are moving towards a full HSF process for their products. For electronic product manufacturers and PCB assembly processors, the trend of HSF process for electronic products will become a mandatory requirement for customers to place orders. Therefore, accelerating the development of HSF process technology to provide HSF process post-processing services will be a must-have competitive niche for PCB assembly processors in the future.

(3) Speedy and immediate delivery capability

Taiwan is the world's leading information technology and electronics product and foundry, prompt and immediate delivery has been a key factor in the competitiveness of Taiwan's electronics manufacturers in recent years. The ability to control the financial, stocking, transportation and inventory aspects of a company's business is essential to its survival and to maintaining its competitiveness. In particular, the electronic product manufacturing industry in China is dominated by post-order production, customer-specific production and OEM. If we cannot match the fast delivery speed and quality of the world's largest manufacturers, we are bound to be eliminated. Therefore, professional PCB substrate assembly and processing companies must match the delivery speed and quality of downstream electronic product manufacturers in order to survive in a competitive market environment.

(4) Increasingly aggressive westernization of the industry

As the services provided are in manufacturing, the types of products produced by professional electronic product assembly and processing factories vary according to the types of products of their customers. In the past, setting up factories in mainland China operated on a world factory order model, with large-scale and simple products as the main focus. However, since the beginning of regional economic integration, there has been a gradual shift to various countries in Southeast Asia. Currently, the development of the mainland market primarily revolves around domestic demand. Hence, the business model for servicing new industries is different, transitioning from mass production to primarily focusing on small quantities, diversity, high difficulty, and immaturity.

4. Competitive situation of products

We are a professional PCB substrate assembly company, providing services such as PCB OEM, electronic parts procurement and electronic product assembly services. The Company is a professional PCB assembly and processing company. Other established companies include INFO-TEK CORPORATION, TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.

(3) Technology and R&D Overview

1. Technology level of the business

When the Company was established in 1990, the management and technical team came from the SMT technology promotion unit of the Institute of Electronics, Industrial Technology Research Institute (ITRI) Not only did Top Union Electronics have many years of experience in process service research, production and marketing prior to the establishment of Top Union Electronics, but it has also maintained a very good interaction and cooperation channel with

ITRI. The project started with the technology transfer and establishment with Philips in the Netherlands, and Martin, a professional consultant from Philips in the Netherlands, has been supervising the project for many years. With this solid foundation, technological development has been kept up to date with the evolution of the times.

2. Research and development

(1) Introduction of process integration

From the very beginning of the Company's establishment, the experience accumulated in the Industrial Technology Research Institute (ITRI) has led us to adopt a comprehensive process integration plan when investing in equipment and manufacturing processes, in order to provide our customers with free and heartfelt services for complete product assembly and process design. Therefore, we not only develop SMT technology, but also provide DIP, functional test, reliability test, assembly, packaging, material procurement, functional test design and DFX analysis...etc. Our aim is to provide customers with integrated services, so that they can focus on product development and market operation without the hassle of process integration.

(2) Manufacturing Capability Enhancement and Application

Diversified and difficult PCB assembly techniques and capabilities

- Chip-scale package, CSP
- Ball Grid Array, BGA
- Micro Ball Grid Array, BGA
- Package on Package, PoP
- Film on Board, FoB
- Wave solder process
- Multi axis auto soldering
- Selective solder process
- Rigid board assembly
- Flex board assembly
- Rigid-Flex board assembly
- Press fit
- Past in hole
- Conformal coating
- Hat bar soldering

Assembly services (special assembly capabilities)

- Blister Pressing
- Ultrasonic case pressing
- Heat shrinks packaging
- Plastic casing hot pressing

Testing technology applications and capabilities

- In-circuit test ICT
- Solder paste inspection, SPI
- Auto optical inspection, AOI
- X-ray inspection
- Functional test
- Running test
- Wireless and telecom communication test
- Burn in test
- Optical testing
- ORT
- Drop test

(3) Progressive product type services

In the early days, we served Scanner, motherboards...etc. PCBs with low part density and simple board structure were the main products. However, the mainstream of the market has evolved with the times and Top Union Electronics is committed to providing technical support to our customers. By planning the process and building up the technology, Top Union Electronics provides customers with services in several different periods of time and offers a comprehensive product manufacturing service with the concept of Turn-Key. In 2009, our Shanghai plant firstly passed the TS16949 certification. Currently, we have more than 13 years of experience in the production of automotive electronics. The Hsinchu plant also started to provide automotive electronics services in 2014. In addition, since 2010, we have been providing PCBA assembly services for medical devices and industrial computers (IPC). In 2018, we obtained the ISO 13485 certification for the medical device quality management system. In recent years, we have been improving our process standards and assisting our customers to obtain various safety and national certifications, such as 3C/UL, etc.

(4) Continuous investment in testing equipment and technology

Top Union Electronics is constantly investing in the development of advanced testing equipment and automated testing software to develop a complete range of testing technologies to verify and guarantee the quality of our products. In recent years, Top Union Electronics has invested in a wide range of testing equipment and software to meet our customers' quality assurance needs.

In addition, we have been actively providing related services in the field of automated testing to enable our customers to enjoy high quality and high-performance services.

(5) Establishing an automated warehousing system

In recent years, Top Union Electronics has invested in an AI-based warehouse management system and has developed a fast delivery and turnaround system to shorten the time required by customers.

(6) System development for smart manufacturing

In order to deepen the value of our services, we have recently been pushing forward the introduction of smart manufacturing systems and facilities, from digitalization, big data, IoT, AI...etc. The Company has been gradually building up its manufacturing service capacity for smart factories.

3. Research and development personnel and their academic experience

As of March 31, 2024, there were 30 R&D personnel, of whom 50% (15) had a master's degree, 33% (10) had a university degree, 17% (5) had a specialist degree, with an average length of service of 6 years.

4. Technologies or products successfully developed in the last five years

(1) Software and hardware development services to increase functional testing.

(2) Provide thermal, current and stress simulations and process solutions for products.

(3) Independently develop equipment and processes for incoming inspection to reduce process losses.

(4) Input of special active components in feature selection and application services.

(5) Introduction of multi-axis automatic welding technology to reduce technical barriers for the workforce.

(6) Introduction of selective soldering processes.

5. Technology Promotion and Services

(1) From time to time, we are invited by academic institutions, educational institutes and industrial bodies on both sides of the Taiwan Strait to conduct presentations and seminars on various technologies such as PCBA and product functional testing.

(2) We continuously introduce and train our customers on DFX to help them achieve

competitive advantages in quality, efficiency and cost at the product design stage.

(3) To work with suppliers in the development and promotion of automation applications.

(4) To combine the expertise of suppliers to promote free services or to further develop value-added services.

(5) To actively participate in and expand smart manufacturing training and research and development in the industry and academia, and to actually put smart factories into operation.

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

1. Short-term plan development direction

(1) Marketing Strategy

A. The right industry.

To grasp the market dynamics and new product trends, and actively seek customers for related products to expand our competitive advantage in the market.

B. The right products.

To operate niche products with flexible production capacity to avoid price competition from the industry.

C. The right customers.

We choose our customers carefully and grow together with them through mutual product cooperation to establish long-term strategic partnerships.

D. Complete service.

From a pure assembly and processing model to a turn-key service model.

(2) Production Policy

A. Produce high quality products with high efficiency.

To introduce the latest automated production equipment and staff training to improve the quality of our products, and to build up our mass production management capabilities based on our existing flexible productivity of small quantities and multiple samples.

B. Mastering advance technology.

To provide the best service options for our customers, we have developed advanced processing technology for their future products.

C. High flexibility to support business.

We have introduced SAP ERP management system to establish real-time management capability and build up market competitiveness with short and accurate delivery capability.

(3) Product Development Direction

Under the principle of flexible production, we aim to become a virtual factory for our customers by providing flexible production modes, professional production management and OEM services to meet the diversified production needs of our customers, in order to become the best choice for professional manufacturers in the industry.

(4) Scale of Operations and Financial Planning

A. Transformation of Taiwan into a streamlined organization.

In line with the industry's need for international division of labour, the parent company in Taiwan will be transformed into an organization whose main functions are technology research and development, flexible production and financial management.

B. China is an opportunity to seize and develop.

In addition to extending the services of the parent company in Taiwan to its existing customers, the China Business Transfer Business will establish production bases for standardized and high-volume consumer products, actively pursue processing orders from major international manufacturers, and expand production scale and increase local procurement in line with the development of the industrial environment in China.

C. Financial stability.

The Company uses its own capital and surplus to reinvest in production equipment and obtains long-term low-interest loans to finance its business development. In order to meet the long-term development needs of the Company, the Company has also conducted

counselling and application for listing on the stock exchange, with a view to raising funds from the market, so as to facilitate the Company's successful completion of its long-term development goals.

2. Long-term plan development direction

(1) Marketing Strategy / Market Positioning

A. The right industry.

With the continuous development of new types and models of electronic products, there are unlimited business opportunities for the upstream PCB substrate assembly manufacturers.

B. The right product.

Although electronic products have their own life cycle, with the Company's extensive experience in the industry, it is able to fully grasp the growth of each electronic product, so as to timely fade out the declining products and enter the new product market with potential.

C. For customers.

We seek out proactive, objective and reasonable customers with long-term business strength to ensure a long-lasting relationship and long-term results.

D. Professionalism.

To establish a process research and development department to develop and challenge future process technologies.

E. Internationalization.

Strengthen our language skills and our ability to gather and circulate information on the Internet to keep pace with world trends and keep abreast of the latest product trends.

F. Globalization.

As product lead times continue to shorten and product service offerings become more complex, the ability to operate and plan globally is essential to reduce costs and enhance product competitiveness.

(2) Production Policy

In response to the needs of the international division of labour in the global industry, and in line with the establishment of customer service and production bases, we will gradually establish production bases in the vicinity, and in the long term, we will establish regional operation centers to support and serve each production base.

(3) Product Development Direction

A. Planning and establishing an operation management model.

With the emergence of global logistics management as a result of the electronic industry's order-and-produce operation strategy, professional electronics manufacturers will produce close to their customers' markets and distribute directly to the point of sale. Therefore, in the long term, we are planning to establish a modular production, flexible manufacturing system, Sophisticated Order Management and Integrated Information System (Information System) and other management models.

B. Introduction of electronic assembly technology and services.

For example, Huatai, a major packaging company, is moving towards EMS and will introduce new electronic assembly technologies with the customer's needs as its primary goal.

(4) Scale of Operations and Financial Planning

Through continuous vertical integration and strategic alliances, we will increase the range of customers we serve and expand our production scale, as well as consolidate related product lines and enhance production efficiency to provide more complete outsourcing services to our customers.

The financial operations will be prudent, and the selected investment or expansion targets will be oriented towards strategic applications, which are expected to form an integrated system of upstream, midstream, downstream and peripheral operations to combine individual resources to create the best overall benefits.

2. Market and Production Overview

(1) Market Analysis

1. Major product sales regions

Unit: NT\$ thousand

Region	2021		2022		2023	
	Consolidated Income	%	Consolidated Income	%	Consolidated Income	%
Americas	1,184,058	46.45	1,184,058	46.45	1,871,185	51.12
China	713,873	28.00	713,873	28.00	1,246,455	34.05
Taiwan	651,169	25.55	651,169	25.55	542,675	14.83
Total	2,549,100	100.00	2,549,100	100.00	3,660,315	100.00

2. Market share

Only the right customers who can bring in reasonable profits will be the target customers of Top Union. Top Union always focuses on the industry, not on the turnover, but on the premise of real profitability, in order to achieve healthy growth, to continue to provide customers with better services, to build a more solid foundation for profitability, to accumulate more mature and favorable conditions for the future, to avoid the pursuit of growth and high risk, which will lead to irreparable losses. In the world market, Top Union's market share is extremely low and there is no limit to its growth, so there is plenty of potential for growth.

3. Future supply and demand and growth of the market

(1) Possible future supply and demand in the market

A. Demand

All physical electronic products need to be manufactured by production, and Top Union's core business is Printed Circuit Board Assembly (PCBA) services. Although the main processed products may vary with the rise and fall of the market, the production equipment, technology, and experience apply virtually to all products. In recent years, the Company has continued to focus on wireless communications, including wireless microphones and peripherals, ADSL, LCD control cards, card reader control cards and clock control modules.

Driven by the development of globalization, although market demand is higher, competition is also more direct and intense. In addition to quality, the most direct competition is on the delivery time and price. The functional and individualized demand of electronic products has long overturned the thinking and operation mode of mass production, and the ecology of low-life products with small quantity, variety and high variation will become the mainstream. The ability to cater to the needs of the market with profession will be the key to the expansion of market and profit.

B. Supply situation

Taiwan has always had the advantage of flexibility, and with its diligence and hard work, it has long been known worldwide for its high quality and low prices. Under the collaborative division of labour between the two sides of the Taiwan Strait, Taiwan has taken full advantage of the price of land and labour in the Mainland, as well as preferential investment policies, to occupy a higher market share, playing a dominant role whether in the production of electronic components or in the research and development and manufacturing of electronic products. From OEM/ODM in the early years to EMS in recent years, Taiwan has been able to dominate the market, demonstrating its high performance, professional division of labour and integrated service model. As the core of electronic products, circuit board assembly, its related industry practitioners have experienced countless tests and have long been equipped with a world view of global operations and excellent capabilities. In the face of the trend of diversity, low quantity, and high difficulty in the future, any company must be professional enough to be able to win and achieve good development.

(2) Future market growth

The trade war between the US and China and the COVID-19 epidemic have affected the global industry, but the rapid changes in electronic technology and the emergence of a wide range of products with shorter and shorter product lifecycles have created a huge market demand and have shown a trend of development in different fields. For fields such as communication, industrial control, consumer electronics, medical electronics, and

automotive electronics, there are more and more electronic products of economic scale. Even if the brands are able to complete mass production themselves, they can still rely on the professional services of EMS to make the manufacturing more flexible, increase or decrease production yield, and meet the demand in a timely manner. In addition, market competition is increasing the overall competitiveness of the supply chain and the proportion of outsourced services in all segments of the supply chain is increasing, focusing on market demand and adjusting product structure and business brands. This also provides great opportunities for the development and cultivation of the EMS industry, bringing promising prospect in market growth.

4. Competitive niches

(1) Development and improvement of production technology and processes

With customer trust and investment efficiency in mind, the Company always maintains the latest production equipment and is capable of providing the most sophisticated PCB assembly services. The introduction of new equipment is complemented by the refinement of production technology and continuous process improvement to ensure product quality. In recent years, in addition to the continuous replacement of production equipment, we have also accumulated considerable investment in testing equipment for wireless communication products, and have now set up additional testing equipment for product reliability, which can help customers save time in product development and increase confidence in product sales (which can reduce the risk of defective product returns and abnormal product recalls). In terms of long-term product development and customer service, the Company is constantly looking at new processes, new equipment and related process technologies for application and development, introducing them in a timely manner, providing timely services to meet customer needs, consolidating orders and securing markets with excellent performance in quality and delivery.

The Company has an open orientation to provide a wide range of customers and products with different needs. Therefore, it is necessary to master the advanced process technology and changing needs for processes to provide customers with good production services. The company has a real-time and clear flexible production scheduling capability to meet the increase, decrease, and changes in customer orders. In addition, the Company is pleased to use its accumulated experience to provide feedback to customers on their manufacturing processes. Furthermore, the Company never stops its pace in R&D and has invested in front-end product producibility design software, which can assist customers in integrating production quality and efficiency considerations into product design or improvement. This is extremely beneficial to the development of products in competitive markets.

(2) Good and stable business relationship with upstream and downstream suppliers

As far as the supply chain is concerned, the upstream and downstream manufacturers are always partners on the same boat and any error in any link will jeopardize the overall performance. To cope with the soaring order or urgent order from customers, the shortage of production capacity in the peak season and the over-capacity in the off-season, and the inability to improve the process technology in line with the product development of the downstream industry, which may lead to the dilemma of poor order control or loss of orders, it is important to grasp the dynamics and needs of customers. The main key to success is to cultivate and develop good business relationships.

Similarly, PCB assembly and processing companies have a wide range of products to process, and there are countless raw materials required for each product. Therefore, it is important to have a stable source of raw materials and the full support of suppliers in order to keep the production line running and the products being shipped smoothly, so that there will not be a shortage of materials in the production line or a shortage of scheduling due to additional orders from customers.

Since its establishment, the Company has maintained good and stable long-term relationships with its major customers and suppliers, and its major customers are all leading domestic and international manufacturers in their respective industries. Our suppliers also fully cooperate with the company's production and material procurement policies. As a result, the Company is able to continue to grasp market opportunities and expand its scale of operations in a timely manner.

(3) Economic scale and flexibility of production

The Company has been engaged in professional OEM for a long time, and its production lines have reached a large scale, and its technology is mature, making its production costs competitive with those of its peers. In addition to plants in Taiwan, the Company also has production bases in Shanghai and Suzhou, which enables us to provide customers with sufficient support in production locations and capacity with great production flexibility.

(4) Excellent management and work team

Our management team has extensive experience in the production and management of PCB assembly and processing business, so we can effectively plan and co-ordinate the

Company's development strategy and cross-departmental cooperation. In addition, process developers and staff have accumulated sufficient information about the characteristics and technologies of various types of products. Therefore, in spite of the toughness, variety and differences of products outsourced for our processing, we are able to provide the best manufacturing services to meet the production orders of different types of products and to overcome any difficulties and challenges that may be faced.

(5) Continuous growth and globalization

Since our establishment, we have been responding to the trend and environment. Throughout the past 30 years of development, we have always focused on improving content and quality of PCB assembly service. With the recognition of well-known domestic and foreign manufacturers, we have established long-term and stable cooperative relationships with our customers. In recent years, we have actively participated in the customers' production confirmation of new products before mass production, directly contributing to shortening the development schedule, ensuring yield, and saving costs (reducing waste). In addition, in order to build up our market potential, we have also been seeking agents/dealers in overseas markets to assist in the introduction of high-end orders, thus promoting the continuous growth of our professional capabilities and performance, and becoming a competent and reputable professional foundry service company.

5. Favorable and unfavorable factors for the future development of the Company and measures to deal with them

(1) Positive factors

A. Continued increase in demand for professional OEMs

The more complex a society is, the finer the division of labor is bound to be. The competition and comparison brought about by globalization have made the life cycle of electronic products shorter and shorter. In order to speed up product development and market launch, both the R&D and manufacturing processes of various electronic products have undergone epoch-making changes and progress. The irreversible trend towards outsourcing and off-shore production in Europe and the US, as well as higher investment in the industry, has led to the rise of a professional foundry service industry, allowing product development companies to focus more on product design and marketing, leaving the physical production and manufacturing to the relevant foundry service providers. As the population continues to grow, so does demand, and this trend will not stop.

B. The growth in demand for electronic products has led to the growth of the PCB professional services industry, which has great potential for development

All the functions of electronic products that need to be plugged in or use batteries are basically structured and developed through the joining of PCBs and electronic components, and the electronic products are not only increasing, but the functions are constantly evolving. Therefore, the application scope of PCB assembly services can almost reach all electronic industries, so the Company does not have any concerns about product substitution. As long as we can offer high quality, good technology and outstanding services, we will enjoy long term development.

C. Global distribution model, close to customers

Although Taiwan is small, it has an excellent and mature industrial chain. With the absolute advantage of geographic and cultural linkage with the Mainland, we have mastered more manufacturing orders. Our plants in Taiwan undertake high-end customers and products, while mainland factories undertake low-cost mass production customers and products. The Company has its own factory in Taiwan and has set up Top Union (Shanghai) and Top Union (Suzhou) in China. Based on customer needs and considering the optimal overall geoservice, we provide timely production services to our customers, which can help potential customers who need to make use of Taiwan to enter China and enhance the market niche of both parties.

D. Excellent manufacturing technology and stable product delivery

Without quality, everything is in vain! As far as PCB assembly service companies are concerned, production technology, process scheduling capability and stable product delivery are the key factors for customers' concerns and orders. Production technology is critical to quality, process scheduling is critical to production efficiency and delivery, and flexibility ensures product delivery. Our key management team has many years of experience in the management of PCB assembly services. Throughout the years, we have been able to coordinate with our business and manufacturing departments to plan and facilitate production schedules flexibly, so that our products can be delivered within the quality and deadline required by our customers.

(2) Negative factors

A. The proliferation of lobbyists and the fierce competition for new electronic products, has reduced the profitability of processing

With the opening up of globalization, there is a lot of competition in terms of capital, technology and markets, and the majority of companies and products are competing to gain a larger share of the market. With the price reduction of parts, the advancement of production technology, and the diversification of consumer demand differences, the life cycle of diversified electronic products is shorter, and the speed of product replacement is faster. This, coupled with the increasing competition between electronics companies, has resulted in electronic products having little to no honeymoon period in terms of the selling price.

In the face of fierce competition in the market, prices are falling much faster than in the past and, with only a few exceptions, profits are no longer high. When profits are low, the response is often to compress the profits of suppliers.

Contingency measures:

The Company is aware of the competitive environment in the electronics industry and has made a long-term position based on the consideration of business risks and long-term profits. Focusing on professional services, targeting high-quality customers, avoiding aggressive expansion and low price bidding with performance growth as the highest indicator, the Company continues to make progress and strengthen professional manufacturing capacity, so as to improve quality, reduce production costs, improve competitiveness, provide high-quality and long-term customers services. We take pride in making customers feel relieved, satisfied, and grow together healthily, and in having the ability to acquire more gains to lay a solid foundation for future development.

B. Impact on production capacity by changes in the downstream industry

PCB assembly services have always been focused on mass production orders. In addition to the investment in equipment, the demand for a large number of technologies and labor personnel is also very considerable. Although with the increase of product density, the dependence on automation is increasing, the stability and cost of human resources also play an important role. Shall we just hold on to the old mindset or forge ahead toward own land? The Company is committed to its profession. Breaking away from the shackles of price, we conser becoming a provider of higher values as the core and basis for our survival and development, With the goal of meeting the needs of regional markets, we aim to achieve efficient operational research results with the ability to allocate flexible production plans,

Contingency measures:

We take reasonable and effective market segmentation as a business strategy, adhere to profession and do not bid at low prices, so as to avoid being trapped in unprofitable vicious competition. The Company has built up a comprehensive range of PCB assembly services and excellent production quality over the years, which is definitely the best basis for long-term cooperation with customers.

C. Increasingly aggressive westward industrial development

With the rapid economic growth of the Mainland, it has already developed into an important link in the global supply chain of electronic products, and with its unique development conditions, it has attracted many electronic product manufacturers to invest and set up factories. The PCB assembly service industry must therefore respond to the distribution and flow of orders, and actively establish a presence and production capacity in line with the globalization of its product manufacturers.

Contingency measures:

The establishment of a business venture in China will not only meet the production needs of the original customer's globalization, but also serve potential customers in the vicinity of the location; when planning the production location of the customer's products, the parent company in Taiwan should not take price as the main consideration, but still, take into account the overall operational efficiency of the customer. In recent years, the general rise in wages and prices in Mainland China has gradually eliminated the absolute advantages of the Mainland. The planned production base in Taiwan can also be utilized more fully.

(2) Major product applications and production processes

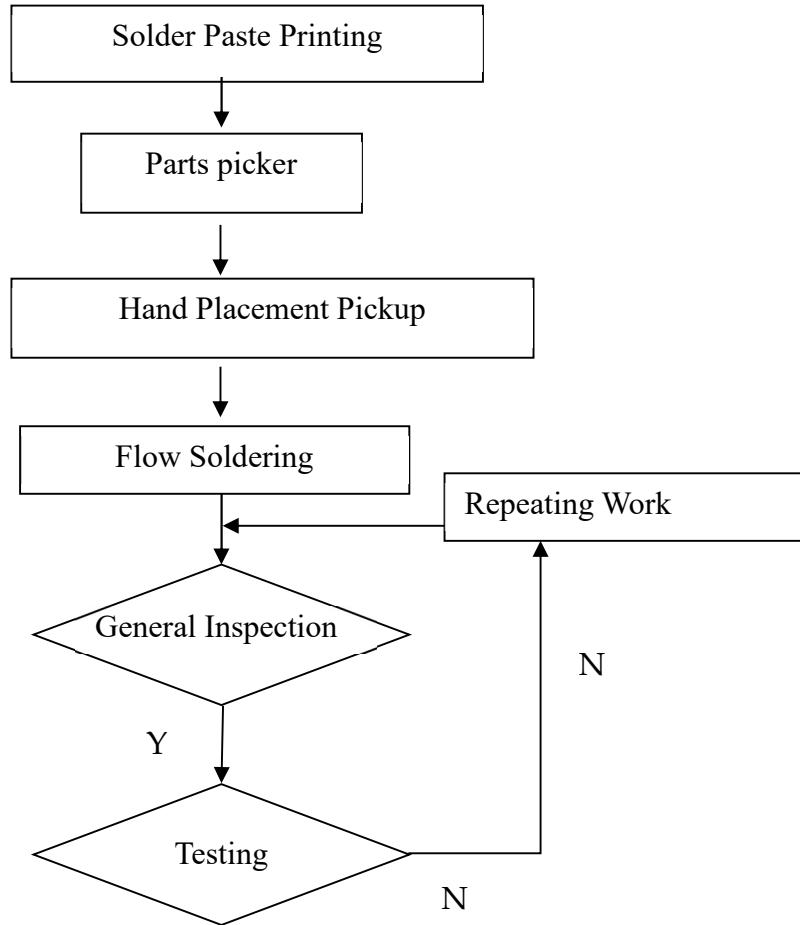
1. Important applications of products.

Main Product Name	Important Uses or Functions
Processed Products	Wireless Network Card / Network Communication Products
	Thin film LCD monitors, computer products
	GPS products/clocks
	Others

Main Product Name	Important Uses or Functions
Contracted Products	Microphone, Audio/Visual, etc.
	Video Processors, Communication Products, Automotive Electronics
	Others
Others	Mainly sales of raw materials
	Revenue from research and development of fixtures

2. Production process

The Company is a professional circuit board OEM service company, and our technical ability and service quality are unanimously praised by domestic and foreign manufacturers. The technical capability and service quality are unanimously approved by domestic and foreign manufacturers.



(3) The supply of major raw materials

Main raw materials	Source of Suppliers	Supply Status
Capacitor	LISOME, Arrow Electronics, GRANSTAR, etc.	Sufficient supply
Resistor	RALEC, etc.	Sufficient supply
Pins, connectors	NKK, Arrow Electronics, etc.	Order to produce
Integrated Circuits (ICs)	LISOME,Litz, etc.	Order to produce
TRANSISTOR transistors	LISOME, Arrow Electronics, etc.	Order to produce
INDUCTOR	Coilcraft, LISOME, SUMIDA, etc.	Order to produce
PCB	UNITECH, First Hi-tech, APCB, etc.	Order to produce

(4) List of major purchasing and sales customers

1. List of major sales customers

Unit: NT\$ thousand

2022				2023				2024 Q1			
Name	Consolidation Amount	Percentage of net sales for the year(%)	The Relationship with Issuer	Name	Consolidation Amount	Percentage of net sales for the year(%)	The Relationship with Issuer	Name	Consolidation Amount	Percentage of net sales for the year(%)	The Relationship with Issuer
Customer A	1,747,030	53.02	None	Customer A	2,461,210	67.24	None	Customer A	403,558	53.00	None
Customer B	444,410	13.49	None	Customer B	383,149	10.47	None	Customer B	87,082	11.44	None
Other	1,103,249	33.49	None	Other	815,956	22.29	None	Other	270,894	35.56	None
Net goods sales	3,294,689	100.00		Net goods sales	3,660,315	100.00		Net goods sales	761,534	100.00	

Note 1: If the name of the customer is not disclosed in the contract or if the counterparty is an individual and not a related party, the name of the customer may be used as a code.

2. List of product suppliers

Unit: NT\$ thousand

2022				2023				2024 Q1			
Name	Consolidation Amount	Percentage of net sales for the year(%)	The Relationship with Issuer	Name	Consolidation Amount	Percentage of net sales for the year(%)	The Relationship with Issuer	Name	Consolidation Amount	Percentage of net sales for the year(%)	The Relationship with Issuer
Customer A	337,840	15.61	None	Customer A	440,331	18.37	None	Customer A	57,776	11.18	None
Customer B	314,016	14.51	None	Customer B	239,292	9.99	None	Customer D	54,347	10.52	None
Customer C	201,806	9.32	None	Customer C	180,366	7.53	None	Customer B	37,664	7.29	None
Other	1,310,752	60.56	None	Other	1,536,477	64.11	None	Other	366,955	71.01	None
Net goods sales	2,164,413	100.00		Net goods sales	2,396,466	100.00		Net goods sales	516,742	100.00	

Note 1: The name of the customer is not disclosed in the contract, or the customer is an individual and not a related party.

Analysis of changes: The types, quantities and specifications of the electronic components required by the Company vary according to the needs of our customers due to the wide variety of products with different models and specifications of our OEM products. The Company's importers are mostly electronic component agents the quality and timeliness of supply or make adjustments based on factors such a purchase price. For the purchase of major raw materials, we purchase from designated raw material suppliers. All other purchases are made from two or more suppliers, taking into account the quotation, terms of trade and mode of cooperation. The supply situation is stable and there are no shortages or outages.

(5) The last two years of production volume and value

Unit: NT\$ thousand; thousand sets

Production Value Main products	Year	2022			2023		
		Capacity Utilization Ratio	Production volume	Production Value	Capacity Utilization Ratio	Production volume	Production Value
Processed Products	59.04%		7,050	713,968	51.52%	8,454	360,767
Contracted Products			5,597	1,991,433			5,236
Total	—		12,647	2,705,401	—	13,690	3,110,327

Note: There are many kinds of other products with different unit specifications, so the quantity is not meaningful for comparison.

(6) the last two years of sales volume and value.

Unit: NT\$ thousand; thousand sets

Sales Value Main products	Year	2022				2023			
		Domestic Sales		Export		Domestic Sales		Export	
		Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value
Processed Products		1,604	161,270	5,446	580,496	945	99,498	7,509	481,148
Contracted Products		1,432	462,192	4,166	2,090,731	1,553	384,005	3,683	2,695,664
Total		3,036	623,462	9,612	2,671,227	2,498	483,503	11,192	3,176,812

Note: There are many kinds of other products with different unit specifications, so the quantity is not meaningful for comparison.

3. Employee information

Unit: person

Year		2022 Consolidated	2023 Consolidated	As of March 31, 2024
No. of Employee	Direct labor	481	461	465
	Indirect Labor	231	219	209
	Management	97	85	85
	Total	809	765	759
Average Age		37.19	37.48	36.21
Average length of service		5.05	5.82	6.10
Distribution of educational level ratio	Master's degree (or above)	2.45	2.07	1.97
	College	35.22	36.59	38.77
	High School (including the lower)	62.33	61.34	59.26

4. Information on environmental protection expenses

(a) For the most recent year and up to the date of printing, the total amount of losses (including compensation and environmental protection audit results for violations of environmental protection laws and regulations, please specify the date of the penalty, the penalty number, the provision of the violation, the content of the violation, and the content of the penalty) and the total amount of the penalty for environmental pollution: None.

(b) Future countermeasures (including improvement measures) and the estimated amount that may be incurred (including the estimated amount of losses, penalties and compensation that may be incurred if countermeasures are not taken, and if it cannot be reasonably estimated, the fact that it cannot be reasonably estimated).

1. Environmental management objectives.

Set clear environmental objectives for energy conservation. To establish an environmental management system for the use of energy resources and the emission of pollution, and to continuously improve it and set management targets. We aim to achieve low pollution and low emissions in the development, production, use and disposal of our products. To achieve environmental protection objectives such as low pollution, low energy consumption and easy recycling.

2. Energy Conservation Management

- (1) In 2023, the Company continued to perform enhanced maintenance of lighting, power, air conditioning, air pressure, and water supply system infrastructure to improve the operation and functional efficiency of the equipment to achieve energy-saving benefits.
 - (2) In 2023, the Company continued to monitor the temperature and humidity of the environment and to adjust the operation mode and time of air conditioning and chilled water equipment in a timely manner to achieve energy-saving benefits.
 - (3) In 2023, the operational efficiency of on-site facilities and equipment was confirmed, and old equipment was replaced to improve operational efficiency using more energy-efficient equipment to achieve energy-saving benefits.
 - (4) Carbon Reduction and Energy Saving Targets:
 - A. According to the scope of the greenhouse gas inventory categories one and two, carbon dioxide emissions related to electricity usage remain the main source of greenhouse gas emissions for our company. Actual data is based on the usage from Taiwan Power Company and carbon dioxide conversion.
 Annual CO2 consumption in 2017: 2,364,149kg/year
 Annual CO2 consumption in 2018: 2,147,335kg/year
 Annual CO2 consumption in 2019: 2,568,718kg/year
 Annual CO2 consumption in 2020: 2,685,262kg/year
 Annual CO2 consumption in 2021: 2,956,945kg/year
 Annual CO2 consumption in 2022: 3,169,950 kg/year
 Annual CO2 consumption in 2023: 3,284,920 kg/year
 - (1) According to the Bureau of Energy, MOEA, the average electricity saving rate will be 1.2% from 2015 to 2023. It was estimated that the average electricity saving rate will be more than 1.3% from 2015 to 2024.
 - (2) The average annual energy saving rate for the whole period (2017~2024) should still reach 1.3% or more.
 - B. We continue to encourage our colleagues to respond to energy conservation and carbon reduction efforts, such as reducing photocopying, electronically archiving and systematizing document files, minimizing paper waste, shutting down computers after work, utilizing sensor lighting in unused spaces, using electronic invoices, and environmentally friendly utensils. In 2024, we will continue to implement the 6R policy within the factory to promote waste reduction and ensure environmental sustainability.
 - C. Electricity storage system equipment has been built to achieve the energy autonomy of continuous production without interruption.
3. Waste Reduction Management
- (1) In 2023, we cooperated with manufacturers to send chemical drums to processing plants for recycling and reuse.
 - (2) In 2023, we joined qualified recyclers to increase the range of recyclable items and implemented resource classification and recovery. We also added a paper recycling vendor and installed a paper box compressor in the factory to reduce paper accumulation, preventing environmental clutter and the accumulation of excessive combustible materials.
 - (3) In 2023, we replaced the tin slag recycling and reuse vendor for cleanup. From January to December, a total of 2.3718KG of tin slag was cleaned up.
 - (4) In 2023, we continued to use environmentally friendly tableware and encouraged colleagues to bring their own utensils to reduce the use of disposable tableware, achieving waste reduction.
 - (5) In 2023, we implemented a policy where waste wood pallets were returned by customers for reuse, reducing waste output.
 - (6) In 2024, we will continue to promote waste reduction policies within the factory, reinforce the concept of waste reduction among colleagues, and ensure environmental sustainability.
- (c) In response to the EU Restriction of Hazardous Substances Directive (RoHS): The Company's management measures in response to RoHS.

1. Set up a special department to plan the response strategy and implementation structure, and passed QC080000 certification in March, 2007.
2. Complete the establishment of the Company's material hazardous substances control specifications and compliance document management requirements.

V. Labor Relations

- (1) The Company's various employee welfare measures, training, training, retirement system and its implementation, as well as the agreement between labor and management and various measures to protect the rights and interests of employees.

1. Employee welfare measures.

(1) Insurance.

The Company not only takes out labor insurance and universal health insurance in accordance with the relevant government laws and regulations but also takes out group insurance for our employees, so that our employees can get more protection in medical treatment.

(2) Health and safety.

A. Employees are entitled to free health checkups every year, and the checkup items are adjusted according to their job attributes, and senior supervisors also arrange more in-depth supervisory health checkups to ensure the health of employees. In this way, we can help our employees discover health problems early, diagnose and treat them, and prevent the occurrence of diseases.

B. We have a dedicated plant care manager who is responsible for providing health knowledge (e.g., new influenza prevention and control measures, workplace trauma prevention, earthquake prevention, international measles epidemic and preventive measures, etc.), health check management, nursing care services, and continuous improvement consultation and follow-up review arrangements and reminders for employees with health check abnormalities.

C. Hire occupational medicine specialists to provide clinical services and health consultation.

D. Implement health promotion programs, such as: factory-wide CPR, AED basic operation ability training seminars, free cancer screening activities and occupational trauma hazard prevention promotion.

E. In order to strengthen the awareness of fire and disaster prevention among employees and to avoid accidents due to panic when fires or other disasters occur, the Company has established a self-defense firefighting team, and conducts fire drills and awareness-raising from time to time.

(3) Travel and employee welfare.

A. The Company's Employee Welfare Committee organizes departmental dinners, afternoon tea, birthday coupons, restaurant coupons and festive events from time to time, as well as domestic and overseas trips every year to encourage work-life balance and excitement. The Company will pay additional travel subsidies according to performance.

B. Each year, according to the income of the Welfare Committee, we will pay out holiday coupons or gifts; provide subsidies such as wedding and funeral allowances, childbirth allowance, hospitalization, major disasters and scholarships for children's education.

(4) Salary and bonuses

A. Shareholding: The Company reserves 10~15% of the shares for employees when the Company is applying for cash capital increase.

B. Bonus: 6% of the Company's annual profit will be allocated as employee's compensation, which will be distributed according to employee's performance.

C. Salary Adjustment: Salary review and adjustment will be conducted from time to time, and we will continue to promote the professional organization structure.

D. Bonuses: Three bonuses are given according to individual performance and quarterly bonuses are given according to the Company's profit.

2. Employees' education and training.

In order to encourage employees to learn and grow, there is no limit to the Company's education and training expenses, and the training items are as follows.

(1) New Employee Training

New employees will be trained by the management department on the day they report to work. The training content includes - company introduction, personnel management rules and regulations, basic awareness of work safety, awareness of quality environment, department introduction, ESD awareness and protection, HSF awareness, salary and benefits, etc., so that new employees can have a general understanding of the Company and accept the Company's culture. The new recruits are assigned to their respective departments. After the new employees are assigned to their respective departments, the department head will arrange for relevant training within the department, which includes major environmental considerations and departmental quality and environmental objectives; for those who are in contact with chemicals and pharmaceuticals and purchasing HSF products, they will need to receive additional training.

(2) On-the-job Training

A. Annual Training Plan

The management department will prepare an "Annual Training Plan" by the end of December of each year, and submit it to the top manager of the factory for approval and implementation of the training. The management department shall regularly monitor the actual implementation status of the "Annual Training Plan". If there is any change in the training course, the department/unit in need of training shall fill out the "Annual Training Plan Change Request Form" and submit a request for change in the training plan, and the change shall be approved by the top manager of the factory. The management department shall directly annotate and explain it on the "Annual Education and Training Plan Form".

B. Internal Training

Each department will organize training according to the demand and sign in the "Training Sign-in Sheet" as the training record, and ask the management department to assist in related matters when necessary.

C. External Training

Each department accepts external training. For those who participate in external training, the supervisor may request the trainees to arrange internal training according to their needs, so that the learning effect can be maximized.

Employee Training and Development in 2023

Training Programs	Total participants	Total hours	Total fees
Supervisory Training	160	451	150,751
Professional Function Training	903	462	107,949
Total	1,063	913	258,700

3. Employee conduct and ethical rules.

(1) The corporate culture of the Company is based on human nature, the goodness of nature and the need for self-esteem and self-respect of individuals, and the adoption of trust, open authorization and responsible interaction. We value new talent in the community/industry and value the challenge of work and reward for achievement. The Company thrives on the addition of capable people, and individuals are tempered by the growth of the Company.

Expectations for supervisors at all levels

Task- orientation – link the superior and subordinate levels: cohesive consensus, good use of resources

Business orientation - Innovation and change: not willing to be ordinary, looking to the future

Education orientation - Live and let live: Accelerate development with a learning culture

Expectations for employees

Life Orientation - Willingness to learn: To change day by day, to enjoy learning, to be democratic and respectful, to value ourselves and others

Work Orientation - Proactive: Strive for performance, do not give up lightly, help others, and enjoy service

(2) The Company's "Employee Code of Conduct" is as follows.

- A. Employees shall comply with all relevant governmental laws and regulations of the Company, and shall obey the work assignments, instructions, management and scheduling of supervisors at all levels.
- B. Employees shall not publish papers, speeches, news or advertisements related to the Company without the consent or authorization of the General Manager or his or her agent.
- C. Employees shall not release company secrets to the outside world if they learn about them in the course of their duties.
- D. Employees shall not use the Company's name externally except for conducting the Company's business in accordance with their authority and responsibility.
- E. Employees shall not delay working hours, be absent without leave, or fail to report to work on time when their leave expires without reason.
- F. Employees shall not handle personal affairs during working hours without permission.
- G. Employees shall take good care of public property and shall not waste, damage, change or use it for personal use.
- H. Employees shall not distribute leaflets, books and magazines, sell goods, post slogans and notices in the Company except with the consent of the Company.
- I. Employees shall not use their position or information in their duties or responsibilities for personal gain.
- J. Employees should get along with each other and help each other.

4. Employee Retirement System:

The Company established the Labor Retirement Reserve Fund Supervisory Committee on July 6, 1993. The Company contributes 3.5% of the total monthly salary to the Labor Retirement Reserve Fund (handled by the Bank of Taiwan Trust Department). Since July 1, 2005, when the Labor Retirement Law came into effect, the retirement plan for employees who continue to opt for the Labor Standards Law pension system or who retain their service prior to the application of the pension system under the Law is determined in accordance with the relevant provisions of the Labor Standards Law. In addition, starting from July 1, 2005, employees who choose the Labor Pension Act and new employees will contribute 6% of their monthly wages to the Labor Pension Fund. The employee pension information for 2023 is as follows:

Project	Amount
Labor Retirement Fund Supervisory Committee Bank of Taiwan Pension Account	NT\$48,510 thousand

5. The agreement between employers and employees.

The Company has an employee welfare committee, a suggestion box and a grievance procedure, and employers and employees can communicate their opinions via e-mail to maintain good labor relations.

6. Work environment and employee safety protection measures.

In order to meet the service needs of our customers, to continuously improve the quality of our processes, to reduce material consumption and waste, and to control and continuously improve the impact of our operations on the environment, we have trained and organized emergency response teams and personnel in accordance with emergency preparedness and response procedures and fire protection plans, and have established a safety code of conduct for our factory. The main regulations are as follows.

- (1) In case of dangerous situations, we must use the safety facilities provided for the protection of our employees at all times.
- (2) When handling explosive and flammable materials, we should comply with the principles of fire prevention in each area.
- (3) The doors to the factory aisles should be closed at any time, and it is forbidden to block the access and exit of materials and equipment.
- (4) The warehouse and machine room must be accessed by the relevant personnel.

- (5) Only authorized personnel are allowed to operate or repair various machinery and equipment.
- (2) The Company's losses due to labor disputes in the last two years and up to the printing date of the annual report (including the results of labor inspections in violation of the Labor Standards Law, including the date of the penalty, the number of the penalty, the provisions of the law violated, the content of the law violated, and the content of the penalty), and disclose the estimated amount of current and potential future losses and measures to address them:
- (1) Disposition Date: August 7, 2023
 - (2) Disposition Number: 府勞動字第 1120102023 號
 - (3) Violation of Legal Provisions: Article 32, Paragraph 2 and Article 36, Paragraph 1 of the Labor Standards Act
 - (4) Penalty Content: A total penalty of 160,000 NT dollars
- Response Measure: HR and production unit supervisors will confirm the hours and days of scheduling to ensure that colleagues have sufficient rest time.

6. Information Security Management

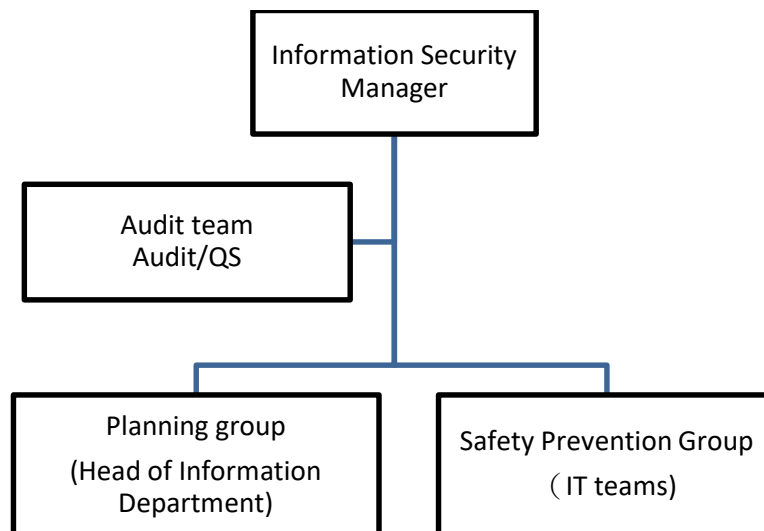
- (1) To describe the information security risk management framework, information security policies, specific management plans and resources for information security management, etc.
1. Information security risk management framework.

The company's information security authority is the "Information Security Committee", which is divided into the following three groups for overall planning and execution. The Information Department reports the company's information security governance overview to senior managers at each management review meeting.

Planning Group: The head of the Information Department is responsible for formulating internal information security policies, planning and executing information security operations, and promoting and implementing information security policies.

Security Prevention Group: Responsible for the information security personnel of the third factory, it conducts early warning, defense, and monitoring of information security management status, and promotes information security concepts and information security prevention.

Audit team: Audit and QS are the inspection units for information security supervision. They are responsible for supervising the implementation of internal information security. If any deficiencies are found during the inspection, the inspected unit will be immediately required to propose relevant improvement plans and specific actions.



2. Information security policy.

Enhancing cybersecurity, providing peace of mind services, intelligent protection, and ensuring smooth operations.

We are actively planning the establishment and maintenance of information system hardware and software to effectively improve information processing and sharing efficiency. We also ensure the normal operation of information system hardware and software, as well as the effective and secure classification, management, and storage of information. This allows us to provide timely and accurate information, thereby enhancing operational efficiency and quality.

3. Specific management plan and resources invested in information security management.

(1) We entrust a professional computer information vendor to carry out maintenance and management. We will have a fixed monthly information security report, track and confirm the Company's information security issues, strictly implement firewall policy audit, host endpoint protection, network intrusion detection, anti-virus system update, host and network equipment vulnerability repair, phishing mail detection, abnormal behavior determination, computer room management, etc.

(2) Execute appropriate access authorization and protection according to the confidentiality level of information assets.

(3) Unregularly conduct disaster preparedness drills for important systems so that in the event of a disaster, operations can be quickly resumed to ensure the Company's operational sustainability.

(4) We arrange information security courses every six months and conduct phishing letter tests from time to time to confirm and strengthen employees' awareness of information security.

(2) The Company shall state the possible impact of the losses suffered due to the major information security incidents in the most recent year and as of the date of printing of the annual report, and the measures to deal with them, and if it cannot be reasonably estimated, the fact that it cannot be reasonably estimated: None.

7. Major Contracts

March 31, 2024

Nature of Contract	Party	Contract Period	Main Content	Restrictions
Borrowing contract	Mega Commercial Bank	2023/11/01~2024/10/31	Guaranteed Loans	None

VI. Financial Overview

I. Condensed Balance Sheet and Consolidated Income Statement for the last five years

(1) Condensed Balance Sheets – IFRS

Unit: NT\$ thousand

Consolidated Condensed Balance Sheets – IFRS							Parent Company Only Condensed Balance Sheets–IFRS					
Item	Year	Financial information for the last five years (Note 1)					As of March 31, 2024 financial information (Note 1)	Financial information for the last five years (Note 1)				
		2019	2020	2021	2022	2023		2019	2020	2021	2022	2023
Current Assets		1,640,339	1,513,004	2,201,793	2,334,954	2,479,083	2,693,353	1,231,928	1,176,731	1,828,580	2,035,580	2,127,012
Property, plant and equipment		533,580	513,277	561,394	553,750	607,919	587,503	476,112	468,656	516,338	450,565	520,060
Investments accounted for under the equity method		0	0	0	0	0	0	598,604	557,095	588,250	649,034	613,942
Intangible assets		8,930	5,053	1,653	4,726	3,087	2,555	8,333	4,759	1,421	4,599	2,995
Other assets		205,000	224,765	206,134	294,433	243,547	151,757	42,399	10,322	14,250	35,806	32,409
Total assets		2,387,849	2,256,099	2,970,974	3,187,863	3,333,636	3,435,168	2,357,376	2,217,563	2,948,839	3,175,584	3,296,418
Current liabilities	Before Distribution	757,384	631,580	1,294,173	947,926	895,270	1,130,978	744,276	602,684	1,274,318	937,821	869,281
	After Distribution	913,719	768,125	1,435,429	1,244,140	(Note 2)	—	900,611	739,229	1,415,574	1,234,035	(Note 2)
Non-current liabilities		58,409	47,560	48,524	83,896	135,582	109,909	41,044	37,920	46,244	81,722	124,353
Total liabilities	Before Distribution	815,793	679,140	1,342,697	1,031,822	1,030,852	1,240,887	785,320	640,604	1,320,562	1,019,543	993,634
	After Distribution	972,128	815,685	1,483,953	1,328,036	(Note 2)	—	941,655	777,149	1,461,818	1,315,757	(Note 2)
Equity attributable to owners of the parent company		1,572,056	1,576,959	1,628,277	2,156,041	2,302,784	2,194,281	1,572,056	1,576,959	1,628,277	2,156,041	2,302,784
Share capital		989,462	989,462	1,023,598	1,234,226	1,382,333	1,382,333	989,462	989,462	1,023,598	1,234,226	1,382,333
Capital surplus		138,283	138,283	138,283	257,983	257,983	257,983	138,283	138,283	138,283	257,983	257,983
Retained earnings	Before Distribution	420,264	415,804	436,930	626,229	636,110	516,640	420,264	415,804	436,930	626,229	636,110
	After Distribution	263,929	279,259	295,674	330,015	(Note 2)	—	263,929	279,259	295,674	330,015	(Note 2)
Other Equity		24,047	33,410	29,466	37,603	26,358	37,325	24,047	33,410	29,466	37,603	26,358
Treasury shares		—	—	—	—	—	—	—	—	—	—	—
Non-controlling interests		—	—	—	—	—	—	—	—	—	—	—
Shareholders' Equity		1,572,056	1,576,959	1,628,277	2,156,041	2,302,784	2,194,281	1,572,056	1,576,959	1,628,277	2,156,041	2,302,784
Total		1,415,721	1,440,414	1,487,021	1,859,827	(Note 2)	—	1,415,721	1,440,414	1,487,021	1,859,827	(Note 2)

Note 1: The financial information listed above has been audited and reviewed by a certified public accountant.

Note 2: The appropriation of earnings for the year 2022 is subject to the resolution of the shareholders' meeting.

(2) Condensed Income Statement—IFRS

Unit: NT\$ thousand, EPS is NT\$

Item	Consolidated Condensed Income Statement—IFRS						Parent Company Only Condensed Income Statement—IFRS				
	Financial information for the last five years (Note 1)					As of March 31, 2024 financial information (Note 1)	Financial information for the last five years (Note 1)				
	2019	2020	2021	2022	2023		2019	2020	2021	2022	2023
Operating Income	3,061,456	2,212,106	2,549,100	3,294,689	3,660,315	761,534	2,854,827	1,999,459	2,316,548	3,059,992	3,461,767
Gross profit	417,153	356,822	364,930	589,288	549,988	122,314	327,037	252,384	278,141	488,852	518,920
Operating Profit and Loss	234,103	204,288	203,760	389,024	343,518	71,373	199,065	151,765	172,992	344,577	374,011
Non-operating income and expenses	10,205	(8,344)	1,638	38,626	44,055	31,782	31,866	26,104	27,808	61,867	5,374
Net Income Before Tax	244,308	195,944	205,398	427,650	387,573	103,155	230,931	177,869	200,800	406,444	379,385
Net profit for the period from continuing operations	173,799	146,240	162,538	329,426	296,739	83,733	173,799	146,240	162,538	329,426	296,739
Loss from discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Net income (loss) for the period	173,799	146,240	162,538	329,426	296,739	83,733	173,799	146,240	162,538	329,426	296,739
Other comprehensive income (after tax, net) for the period	(9,473)	14,998	(8,811)	9,266	(1,889)	10,967	(9,473)	14,998	(8,811)	9,266	(1,889)
Total comprehensive income for the period	164,326	161,238	153,727	338,692	294,850	94,700	164,326	161,238	153,727	338,692	294,850
Net income attributable to owners of parent company	173,799	146,240	162,538	329,426	296,739	83,733	173,799	146,240	162,538	329,426	296,739
Net income attributable to noncontrolling interests	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income attributable to owners of the parent company	164,326	161,238	153,727	338,692	294,850	94,700	164,326	161,238	153,727	338,692	294,850
Total comprehensive income attributable to noncontrolling interests	0	0	0	0	0	0	0	0	0	0	0
Earnings per share	1.76	1.43	1.49	2.38	2.15	0.61	1.76	1.43	1.49	2.38	2.15

Note 1: The above financial information has been audited and reviewed by a certified public accountant.

(3) Names of CPAs and audit opinions for the most recent five years

Year	CPA Firm	CPAs	Audit Opinion
2019	Deloitte Taiwan	Fang Suli, Tsai Meichen	Unqualified opinion
2020	Deloitte Taiwan	Fang Suli, Tsai Meichen	Unqualified opinion
2021	Deloitte Taiwan	Fang Suli, Tsai Meichen	Unqualified opinion
2022	Deloitte Taiwan	Fang Suli, Chen Minghuei	Unqualified opinion
2023	Deloitte Taiwan	Lin Shin Tong, Chen Minghuei	Unqualified opinion

II. Financial analysis for the last five years
1. Adoption of International Financial Reporting Standards

Item		Consolidated Financial Analysis						Parent Company Only Financial Analysis					
		Year	Latest Annual Financial Analysis					As of March 31, 2024 financial information	Latest Annual Financial Analysis				
			2019	2020	2021	2022	2023		2019	2020	2021	2022	2023
Financial Structure (%)	Debt to Assets Ratio	34.16	30.10	45.19	32.37	30.92	36.12	33.31	28.89	44.78	32.11	30.14	
	Long-term capital to property, plant and equipment	305.57	316.50	298.69	404.50	401.10	392.20	338.81	344.58	324.31	496.66	466.70	
Solvency (%)	Current Ratio	216.58	239.56	170.13	246.32	276.91	238.14	165.52	195.25	143.49	217.05	244.69	
	Quick Ratio	119.13	146.28	77.50	125.56	194.65	176.83	164.18	194.36	142.47	215.39	244.16	
	Interest coverage multiple	51.53	75.11	68.12	74.75	150.82	154.96	77.70	115.09	84.95	80.21	247.35	
Operating Capacity	Receivables turnover rate (times)	8.17	6.34	5.57	7.21	9.73	7.60	9.95	7.19	6.47	8.31	11.10	
	Average collection days	44.68	57.57	65.53	50.62	37.51	48.03	36.68	50.76	56.41	43.92	32.88	
	Inventory turnover rate (times)	3.11	2.81	2.45	2.32	3.31	3.59	3.09	2.75	2.33	2.24	3.21	
	Payables turnover rate (times)	4.74	5.53	4.87	4.92	7.10	6.48	4.34	4.95	4.42	4.51	6.48	
	Average sales days	117.36	129.89	148.98	157.33	110.27	101.67	118.12	132.73	156.65	162.95	113.71	
	Property, plant and equipment turnover rate (times)	5.97	4.23	4.74	5.91	6.30	5.10	6.28	4.23	4.70	6.33	7.13	
	Total assets turnover rate (times)	1.23	0.95	0.98	1.07	1.12	0.90	1.15	0.87	0.90	1.00	1.07	
Profitability	Return on Assets (%)	7.08	6.37	6.31	10.83	9.16	9.96	7.12	6.45	6.37	10.89	9.21	
	Return on equity (%)	11.08	9.29	10.14	17.41	13.31	14.90	11.08	9.29	10.14	17.41	13.31	
	Net income before income tax to paid-in capital (%) (Note 7)	24.69	19.80	20.07	34.65	28.04	29.85	23.34	17.98	19.62	32.93	27.45	
	Net Income Ratio (%)	5.68	6.61	6.38	10.00	8.11	11.00	6.09	7.31	7.02	10.77	8.57	
	Earnings per share (NT\$)	1.76	1.43	1.49	2.38	2.15	0.61	1.76	1.43	1.49	2.38	2.15	
Cash Flows	Cash flow ratio (%)	36.38	36.06	(11.75)	76.93	75.97	16.21	20.20	24.92	(13.65)	63.05	74.20	
	Cash Flow Allowance Ratio (%)	62.84	50.52	25.40	55.21	92.68	105.21	39.32	30.77	11.12	37.97	78.42	
	Cash reinvestment ratio (%)	5.32	5.12	(17.32)	33.94	21.76	(0.62)	(0.37)	(0.31)	(12.95)	18.95	16.68	
Leverage	Operating leverage	2.48	2.65	2.87	1.74	1.99	2.35	3.51	4.04	3.84	2.74	2.72	
	Financial leverage	1.02	1.01	1.02	1.02	1.01	1.01	1.02	1.01	1.01	1.02	1.00	

Explain the reasons for the changes in financial ratios for the last two years:

(1) Solvency

The increase in liquidity and quick ratios is primarily due to profitability, leading to an increase in cash.

(2) Operating Capacity

The average days of inventory turnover decreased in 2023 compared to 2022 due to a decrease in main inventory, leading to an increase in inventory turnover ratio, resulting in an increase in the average days of sales. Conversely, the average days of receivables decreased in 2023 compared to 2022 because the payment terms of major customers shortened, resulting in a decrease in the average days of receivables.

(3) Profitability

Return on equity, net income before income tax to paid-in capital ratio and earnings per share decreased mainly due to the decrease in profit in 2023.

(4) Cash Flows

The increase in cash flow ratio and cash reinvestment ratio are mainly due to the increase in net cash inflow from operating activities as compared to 2022 due to the decrease in shipment of material together.

Note: The above financial information has been audited and reviewed by a certified public accountant.

1. Financial Structure

(1) Debt to assets = total liabilities/total assets.

(2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick Ratio = (Current Assets - Inventory - Prepaid Expenses) / Current Liabilities.
 - (3) Interest coverage = Net income before income tax and interest expense / Interest expense for the period.
3. Operating Capacity
 - (1) Turnover rate of accounts receivable (including accounts receivable and notes receivable arising from operations) = net sales / average balance of accounts receivable (including accounts receivable and notes receivable arising from operations) for each period.
 - (2) Average number of days to collect cash = 365/receivable turnover rate.
 - (3) Inventory turnover rate = cost of goods sold / average inventory amount.
 - (4) Accounts payable (including accounts payable and bills payable arising from operations) turnover rate = cost of goods sold / average balance of accounts payable (including accounts payable and bills payable arising from operations) for each period.
 - (5) Average number of sales days = 365 / Inventory turnover rate.
 - (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.
 - (7) Total asset turnover = net sales / average total assets.
4. Profitability
 - (1) Return on assets = [profit or loss after tax + interest expense x (1 - tax rate)] / average total assets.
 - (2) Return on equity = Profit or loss after tax / average total equity.
 - (3) Net profit margin = Profit or loss after tax / net sales.
 - (4) Earnings per share = (profit or loss attributable to owners of the parent company - preferred dividend) / weighted average number of shares outstanding. (Note 4)
5. Cash flows
 - (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
 - (2) Net cash flow equivalency ratio = net cash flow from operating activities for the last five years / (capital expenditures + increase in inventories + cash dividends) for the last five years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Leverage.
 - (1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating income (Note 6).
 - (2) Financial leverage = Operating income / (Operating income - interest expense).

Note 4: The above formula for calculating earnings per share should be measured with particular attention to the following.

1. The weighted average number of common shares is used as the basis, not the number of shares outstanding at the end of the year.
2. Where there is a cash capital increase or a treasury stock trader, the weighted average number of shares should be calculated taking into account the period of its circulation.
3. Where there is a capital increase from surplus or capital reserve, the calculation of prior years' and half-year's earnings per share shall be adjusted retrospectively in proportion to the capital increase without regard to the period of issuance of the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividends for the year (whether or not paid) shall be reduced by the net profit after tax or increased by the net loss after tax. If the preferred shares are non-cumulative, the dividends should be reduced by the net profit after tax if there is a net profit after tax; if there is a loss, no adjustment is required.

Note 5: In measuring cash flow analysis, special attention should be paid to the following.

1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure represents the annual cash outflow from capital investments.
3. Increase in inventories is included only if the closing balance is greater than the opening balance, and is calculated as zero if inventories decrease at the end of the year.
4. Cash dividends include cash dividends on ordinary and preference shares.
5. Gross property, plant and equipment represents the total amount of property, plant and equipment before accumulated depreciation.

Note 6: Issuers should distinguish between fixed and variable operating costs and operating expenses according to their nature and, where estimates or subjective judgements are involved, take care to ensure that they are reasonable and consistent.

Note 7: If the Company's shares are of no-par value or have a par value other than NT\$10 per share, the previous calculation of the ratio of paid-in capital is based on the ratio of equity attributable to the owners of the parent company in the balance sheet.

III. Report of the Audit Committee on the Audit of the most recent annual financial statements

Top Union Electronics Corp.
Audit Committee Audit Report

The Board of Directors has prepared and submitted the business report, financial statements and proposal for the distribution of earnings of the Company for the year 2023, among which, the financial statements have been audited by Deloitte Taiwan, with an audit report issued accordingly. We have audited the above-mentioned business report, financial statements and proposal for the distribution of earnings and found that they are not inconsistent. I hereby report in accordance with the relevant provisions of the Securities and Exchange Act and the Company Act. We respectfully submit our report for your review.

Yours faithfully

Top Union Electronics Corp.

Convenor of the Audit Committee: Yan Wei-Qun

February 29, 2024

III. The Latest Annual Financial Statements, Including an Accountant's Audit Report, a Two-Year Comparative Balance Sheet, a Consolidated Income Statement, a Statement of Changes in Equity, a Cash Flow Statement and Notes or Schedules

REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of Top Union Electronics Corp. as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Top Union Electronics Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TOP UNION ELECTRONICS CORP.

Vincent Tsuei

Chairman

February 29, 2024

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Top Union Electronics Corp.

Opinion

We have audited the accompanying consolidated financial statements of Top Union Electronics Corp. and its subsidiaries (hereinafter referred to as the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's consolidated financial statements for the year ended December 31, 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.

Key audit matter for the Company's consolidated financial statements for the year ended December 31, 2023 is stated as follows:

Revenue Recognition

The net operating revenue of the Company for the year ended December 31, 2023 is in the amount of NT\$3,660,315 thousand, the revenue of which majorly depends on the business of PCB Assembly and Manufacturing, etc., bringing the significant effect on the consolidated financial statements. Please refer to Notes 4 and 19 to the consolidated financial statements for the relevant accounting policies and information on revenue recognition.

The Company's sales businesses are concentrated on the major customers. As there is risk in the authenticity of revenue recognition for the sales revenue from customers with specific growth compared with the revenue in 2022, revenue recognition has been listed as the key audit matter of the year.

We performed the following key audit procedures in respect of the above key audit matter:

1. Understand and examine the major internal control design on the process related to sales revenue and the execution effectiveness thereof.
2. Sample from the sales revenue list, check over the original orders, the signed delivery receipt or export declaration and Taiwan uniform invoice or commercial invoice, and verify the correspondence between the remittance proof slip reflecting to the actual amount received and the amount recognized on the revenue; for those whose accounts payable have not been received, check whether the relevant documents of the accounts are within the credit period.

Other Matter

We have also audited the parent company only financial statements of Top Union Electronics Corp. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unqualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year

ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Shin-Tong Lin and Ming-Hui Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China
February 29, 2024

Financial-Supervisory-Securities-Auditing-1110348898

Taiwan-Finance-Securities-VI-0930128050

TOP UNION ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

Code	ASSETS	December 31, 2023		December 31, 2022		Code	LIABILITIES AND EQUITY	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
	CURRENT ASSETS						CURRENT LIABILITIES				
1100	Cash and cash equivalents (Notes 4, 6 and 25)	\$ 999,529	30	\$ 693,248	22	2100	Short-term loans (Notes 4, 15, 25 and 27)	\$ 100,000	3	\$ 58,000	2
1136	Current financial assets at amortized cost (Notes 4, 7, 25 and 27)	264,524	8	94,677	3	2130	Current contract liabilities (Notes 4 and 19)	151,426	5	167,343	5
1150	Notes receivable (Notes 4, 8 and 25)	14,857	-	15,019	-	2170	Accounts payable (Note 25)	384,936	12	491,811	15
1170	Accounts receivable, net (Notes 4, 5, 8, 19 and 25)	377,955	11	344,682	11	2206	Accrued profit sharing bonus to employees and compensation to directors (Note 20)	35,378	1	36,788	1
1220	Current income tax assets (Notes 21)	394	-	-	-	2230	Current income tax liabilities (Notes 4 and 21)	44,924	1	50,678	2
130X	Inventories (Notes 4, 5 and 9)	733,246	22	1,143,502	36	2280	Current lease liabilities (Notes 4, 12 and 25)	15,399	-	14,769	1
1479	Other current assets (Note 14)	88,578	3	43,826	1	2399	Other payables and other current liabilities (Notes 16 and 25)	163,207	5	128,537	4
11XX	Total current assets	<u>2,479,083</u>	<u>74</u>	<u>2,334,954</u>	<u>73</u>	21XX	Total current liabilities	<u>895,270</u>	<u>27</u>	<u>947,926</u>	<u>30</u>
	NON-CURRENT ASSETS						NON-CURRENT LIABILITIES				
1535	Non-current financial assets at amortized cost (Notes 4, 7 and 25)	187,143	6	242,440	8	2570	Deferred income tax liabilities (Notes 4 and 21)	17,050	1	16,278	-
1600	Property, plant and equipment (Notes 4, 11 27 and 30)	607,919	18	553,750	18	2580	Non-current lease liabilities (Notes 4, 12 and 25)	28,302	1	22,643	1
1755	Right-of-use assets (Notes 4, 12 and 30)	43,030	2	37,551	1	2640	Net defined benefit liability (Notes 4 and 17)	8,808	-	13,521	-
1780	Intangible assets (Notes 4, 13 and 30)	3,087	-	4,726	-	2645	Guarantee deposits (Note 25)	81,422	2	31,454	1
1840	Deferred income tax assets (Notes 4 and 21)	7,844	-	7,942	-	25XX	Total non-current liabilities	<u>135,582</u>	<u>4</u>	<u>83,896</u>	<u>2</u>
1915	Prepayments for business facilities (Note 30)	-	-	1,055	-	2XXX	Total liabilities	<u>1,030,852</u>	<u>31</u>	<u>1,031,822</u>	<u>32</u>
1920	Refundable deposits (Notes 4 and 25)	5,530	-	5,445	-		EQUITY (Notes 4, 18 and 23)				
15XX	Total non-current assets	<u>854,553</u>	<u>26</u>	<u>852,909</u>	<u>27</u>		Share capital				
						3110	Common stock	<u>1,382,333</u>	<u>41</u>	<u>1,234,226</u>	<u>39</u>
						3200	Capital surplus	<u>257,983</u>	<u>8</u>	<u>257,983</u>	<u>8</u>
							Retained earnings				
						3310	Appropriated as legal capital reserve	231,475	7	198,419	6
						3350	Unappropriated earnings	<u>404,635</u>	<u>12</u>	<u>427,810</u>	<u>14</u>
						3300	Total retained earnings	<u>636,110</u>	<u>19</u>	<u>626,229</u>	<u>20</u>
						3400	Other equity interest	<u>26,358</u>	<u>1</u>	<u>37,603</u>	<u>1</u>
						3XXX	Total equity	<u>2,302,784</u>	<u>69</u>	<u>2,156,041</u>	<u>68</u>
1XXX	Total assets	<u>\$ 3,333,636</u>	<u>100</u>	<u>\$ 3,187,863</u>	<u>100</u>		Total liabilities and equity	<u>\$ 3,333,636</u>	<u>100</u>	<u>\$ 3,187,863</u>	<u>100</u>

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

Chairman : Vincent Tsuei

Managerial Officer : James Wang

Accounting Officer : Vicky Chou

TOP UNION ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Code		Years Ended December 31			
		2023		2022	
		Amount	%	Amount	%
4000	OPERATING REVENUE (Notes 4, 19 and 30)	\$ 3,660,315	100	\$ 3,294,689	100
5000	OPERATING COSTS (Notes 4, 9, 17 and 20)	<u>3,110,327</u>	<u>85</u>	<u>2,705,401</u>	<u>82</u>
5900	GROSS PROFIT	<u>549,988</u>	<u>15</u>	<u>589,288</u>	<u>18</u>
	OPERATING EXPENSES (Notes 4, 8, 17 and 20)				
6100	Sales and marketing	50,116	1	45,661	1
6200	General and administrative	138,166	4	132,919	4
6300	Research and development	22,770	-	21,684	1
6450	Gains on reversal of expected credit impairment losses	(<u>4,582</u>)	-	-	-
6000	Total operating expenses	<u>206,470</u>	<u>5</u>	<u>200,264</u>	<u>6</u>
6900	INCOME FROM OPERATIONS	<u>343,518</u>	<u>10</u>	<u>389,024</u>	<u>12</u>
	NON-OPERATING INCOME AND EXPENSES (Note 20)				
7100	Interest income	32,384	1	8,695	-
7010	Other income	1,142	-	1,140	-
7020	Other gains and losses	13,116	-	34,590	1
7050	Finance costs	(<u>2,587</u>)	-	(<u>5,799</u>)	-
7000	Total non-operating income and expenses	<u>44,055</u>	<u>1</u>	<u>38,626</u>	<u>1</u>
7900	INCOME BEFORE INCOME TAX	387,573	11	427,650	13
7950	INCOME TAX EXPENSE (Notes 4 and 21)	<u>90,834</u>	<u>3</u>	<u>98,224</u>	<u>3</u>
8200	NET INCOME	<u>296,739</u>	<u>8</u>	<u>329,426</u>	<u>10</u>

(Continued)

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Code		Years Ended December 31			
		2023		2022	
		Amount	%	Amount	%
	OTHER COMPREHENSIVE INCOME (Notes 4, 17 and 18)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit obligation	\$ 9,356	-	\$ 1,129	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences arising on translation of foreign operations	(11,245)	-	8,137	-
8300	Other comprehensive income, net of income tax	(1,889)	-	9,266	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 294,850</u>	<u>8</u>	<u>\$ 338,692</u>	<u>10</u>
	EARNINGS PER SHARE (NT\$, Note 22)				
9750	Basic earnings per share	<u>\$ 2.15</u>		<u>\$ 2.38</u>	
9850	Diluted earnings per share	<u>\$ 2.13</u>		<u>\$ 2.36</u>	

(Concluded)

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

Chairman: Vincent Tsuei Managerial Officer: James Wang Accounting Officer: Vicky Chou

TOP UNION ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

Code		Share Capital – Common Stock		Capital Surplus	Retained Earnings		Other Equity Interest	Total Equity
		Shares (In Thousands)	Amount		Legal Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	
A1	BALANCE, JANUARY 1, 2022	102,360	\$ 1,023,598	\$ 138,283	\$ 182,652	\$ 254,278	\$ 29,466	\$ 1,628,277
	Appropriations of 2021 retained earnings							
B1	Legal capital reserve	-	-	-	15,767	(15,767)	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	(70,628)	-	(70,628)
B9	Stock dividends to the Company's shareholders	7,063	70,628	-	-	(70,628)	-	-
D1	Net income in 2022	-	-	-	-	329,426	-	329,426
D3	Other comprehensive income in 2022, net of income tax	-	-	-	-	1,129	8,137	9,266
D5	Total comprehensive income in 2022	-	-	-	-	330,555	8,137	338,692
N1	Share-based compensation	-	-	7,700	-	-	-	7,700
E1	Seasoned equity offerings	14,000	140,000	112,000	-	-	-	252,000
Z1	BALANCE, DECEMBER 31, 2022	123,423	1,234,226	257,983	198,419	427,810	37,603	2,156,041
	Appropriations of 2022 retained earnings							
B1	Legal capital reserve	-	-	-	33,056	(33,056)	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	(148,107)	-	(148,107)
B9	Stock dividends to the Company's shareholders	14,810	148,107	-	-	(148,107)	-	-
D1	Net income in 2023	-	-	-	-	296,739	-	296,739
D3	Other comprehensive income in 2023, net of income tax	-	-	-	-	9,356	(11,245)	(1,889)
D5	Total comprehensive income in 2023	-	-	-	-	306,095	(11,245)	294,850
Z1	BALANCE, DECEMBER 31, 2023	138,233	\$ 1,382,333	\$ 257,983	\$ 231,475	\$ 404,635	\$ 26,358	\$ 2,302,784

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

Chairman : Vincent Tsuei

Managerial Officer : James Wang

Accounting Officer : Vicky Chou

TOP UNION ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Income before income tax	\$ 387,573	\$ 427,650
A20000	Adjustments to reconcile profit (loss) :		
A20100	Depreciation expense	127,555	116,359
A20200	Amortization expense	2,411	3,195
A20300	Gains on reversal of expected credit impairment losses	(4,582)	-
A20400	Gains on financial assets at fair value through profit or loss	-	(908)
A20900	Finance costs	2,587	5,799
A21200	Interest income	(32,384)	(8,695)
A21900	Share-based compensation	-	7,700
A22500	Loss (gain) on disposal of property, plant and equipment, net	(8,318)	(832)
A23700	Loss for market price decline and obsolete and slow-moving inventories (reversal gain)	(6,595)	7,331
A24100	Loss (gain) on foreign exchange, net	23,630	(4,579)
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	162	3,515
A31150	Accounts receivable	(35,238)	192,833
A31200	Inventories	416,858	41,851
A31240	Other current assets	(40,468)	25,809
A32125	Contract liabilities	(15,917)	64,888
A32150	Accounts payable	(103,368)	(111,371)
A32180	Accrued profit sharing bonus to employees and compensation to directors	(1,410)	18,613
A32230	Accrued expenses and other current liabilities	34,554	4,085
A32240	Net defined benefit liability	4,643	(14,706)
A33000	Cash generated from operations	751,693	778,537
A33100	Interest received	27,106	5,132
A33300	Interest paid	(2,561)	(5,899)
A33500	Income tax paid	(96,112)	(48,538)
AAAA	Net cash generated by operating activities	<u>680,126</u>	<u>729,232</u>

(Continued)

(Continued)

Code		2023	2022
	CASH FLOWS FROM INVESTING ACTIVITIES		
B00040	Acquisition of financial assets at amortized cost	(\$ 309,739)	(\$ 66,747)
B00050	Disposal of financial assets at amortized cost	167,794	-
B00100	Acquisition of financial assets at fair value through profit or loss	-	(10,000)
B00200	Sale of financial assets at fair value through profit or loss	-	10,908
B02700	Acquisition of property, plant and equipment	(157,937)	(98,586)
B02800	Proceeds from disposal of property, plant and equipment	8,732	989
B03700	Refundable deposits paid	(240)	(1,303)
B03800	Refundable deposits refunded	72	19
B04500	Acquisition of intangible assets	(774)	(6,264)
BBBB	Net cash used in investing activities	<u>(292,092)</u>	<u>(170,984)</u>
	CASH FLOWS FROM FINANCING ACTIVITIES		
C00100	Increase in short-term loans	255,000	1,048,000
C00200	Decrease in short-term loans	(213,000)	(1,390,000)
C03000	Increase in guarantee deposits received	49,968	22,186
C04020	Repayment of the principal portion of lease liabilities	(23,919)	(18,986)
C04500	Cash dividends paid	(148,107)	(70,628)
C04600	Seasoned equity offerings	-	<u>252,000</u>
CCCC	Net cash generated by (used in) financing activities	<u>(80,058)</u>	<u>(157,428)</u>
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(1,695)</u>	<u>(8,048)</u>
EEEE	NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	306,281	392,772
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>693,248</u>	<u>300,476</u>
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 999,529</u>	<u>\$ 693,248</u>

(Concluded)

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

Chairman: Vincent Tsuei Managerial Officer: James Wang Accounting Officer: Vicky Chou

Top Union Electronics Corp. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Top Union Electronics Corp. (hereinafter referred to as “TUEC”), a Taiwan-based company, was established on February 15, 1990, starting business operation in August of the same year. TUEC is principally engaged in the design, manufacture and technical support of electronic products and communication equipment, as well as providing surface mount technology (SMT) services, processing and international trade business. TUEC’s stocks have been traded on the over-the-counter (OTC) market on the Taipei Exchange since April 2004.

The accompanying consolidated financial statements are expressed in TUEC’s functional currency, New Taiwan Dollars.

TUEC and its subsidiaries are hereinafter referred to as the “Company” for the following contents.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were authorized for issuance by the Board of Directors on February 29, 2024.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the accounting policies of the Company.

(2) The IFRSs endorsed by the FSC with effective date starting 2024

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above new, amended, or revised IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: Part of the disclosure regulations is exempt at first-time adoption of the modification.

As of the date the accompanying parent company only financial statements were authorized for issuance, the above standards and interpretations have no significant impact on the Company's financial position and financial performance based on the Company's assessment.

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 17 "Insurance Contract"	January 1, 2023
Amendments to IFRS 17	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 (Note 2)

Note 1: Unless stated otherwise, the above new, amended or revised IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendments apply to annual reporting periods beginning on or after 1 January 2025. The Company shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings. When the consolidated company uses a presentation currency other than its functional currency, the Company shall recognize any effect of initially applying the amendments as an adjustment to the exchange differences in the conversion of the financial statements of foreign operations under equity at the first-adoption date.

As of the date the accompanying parent company only financial statements were authorized for issuance, the Company continues evaluating the impact on its financial position and financial performance from the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes its evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC with the effective dates.

(2) Basis of Preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair value, and net defined benefit liabilities, which are measured from present value of a defined benefit obligation less plan assets recognized at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable for the asset or liability.

(3) Standard in determining whether the assets or liabilities are current or non-current

Current assets include:

- a. Assets held mainly for transaction purposes;
- b. Assets to be realized within 12 months after the balance sheet date; and
- c. Cash and cash equivalents (unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the balance sheet date).

Current liabilities include:

- a. Liabilities held mainly for transaction purposes;
- b. Liabilities to be settled when due within 12 months after the balance sheet date; and
- c. Liabilities for which the settlement date cannot be extended unconditionally to at least 12 months after the balance sheet date.

Assets or liabilities not meeting the above criteria are classified as non-current assets or non-current liabilities.

(4) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of TUEC and entities controlled by TUEC (i.e. its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

See Notes 10 and 29(2)&(3) for the detailed information of subsidiaries, the percentages of ownership and business operation items.

(5) Foreign Currencies

When preparing financial statements, the Company prepares records in a currency other than the functional currency of the Company (i.e. foreign currencies) and converts them to the functional currency based on the exchange rate on the transaction date.

Monetary items denominated in foreign currencies are translated at the closing rate on each balance sheet date. Exchange differences arising from the settlement of monetary

items or the translation of monetary items are recognized in profit or loss in the year in which they occur.

Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate on the date the fair value was determined. The resulting exchange differences are recognized in profit or loss, except for those recognized in other comprehensive income (loss) when fair value changes are recognized in other comprehensive income (loss).

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rate prevailing on the transaction date and are not retranslated.

In preparing the consolidated financial statements, the assets and liabilities of TUEC's foreign operations (including those of its subsidiaries operating in countries or currencies different from those of TUEC) are translated into New Taiwan Dollars at the exchange rates prevailing on each balance sheet date. Income and expense items are translated at the average exchange rate in the period, with the resulting exchange differences recognized in other comprehensive income.

(6) Inventories

Inventories consist of raw materials, finished goods and work in process. Inventories are measured at the lower of cost or net realizable value. Comparisons between cost and net realizable value are made on an item-by-item basis, except for inventories of the same type. Net realizable value is the selling price estimated under normal circumstances less estimated costs to complete the process and estimated costs to complete the sale. The cost of inventories is calculated by using the weighted-average method.

(7) Property, Plant and Equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Land for self-use is not depreciated. Other property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component. The Company reviews the estimated useful lives, residual values and depreciation methods at least at the end of each fiscal year, and applies the effects on changes in accounting estimates prospectively.

When property, plant and equipment are derecognized, the difference between the net disposal price and the carrying amount of the asset is recognized in profit or loss.

(8) Intangible Assets

a. Separately Acquired

Intangible assets acquired separately with finite useful lives are measured initially at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their useful lives, and the Company reviews the estimated useful lives,

residual values and amortization methods at least at the end of each fiscal year, , and applies the effects on changes in accounting estimates prospectively.

b. Derecognition

When an intangible asset is derecognized, the difference between the net disposal price and the carrying amount of the asset is recognized in profit or loss in the year in which it occurs.

(9) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may have been impaired. If any indication of impairment exists, the recoverable amount of the asset is estimated. Where the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less costs to sell and its value in use. If the recoverable amount of an asset or cash -generating unit is less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount (net of amortization or depreciation) that had been determined but had no impairment loss be recognized for the asset or cash-generating unit in prior years. Reversals of impairment losses are recognized in profit or loss.

(10) Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the Company becomes a party to the contractual provisions of the instrument.

When the financial assets and financial liabilities are recognized initially, financial assets or financial liabilities, which are not measured at fair value through profit or loss, are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial Assets

Regular transactions of financial assets are recognized and derecognized by using trade date accounting.

a-1. Type of Measurement

The type of financial assets held by the Company is financial assets measured at amortized cost.

The Company's investments in financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

a-1-1.They are held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

a-1-2.The contractual terms give rise to cash flows on a specific date that are solely payments of principal and interest on the principal amount circulated outside.

Financial assets measured at amortized cost (including cash and cash equivalents, restricted deposit, pledged time deposit, notes receivable and accounts receivable measured at amortized cost and guarantee deposits paid) are measured at their total carrying amount determined by using the effective interest method less amortized cost of any impairment loss, and any foreign currency exchange gain or loss is recognized in profit or loss after initial recognition.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial asset.

Cash equivalents include time deposits that are highly liquid, readily convertible into fixed amounts of cash and subject to a low risk of change in value within 3 months from the date of acquisition, and are used to meet short-term cash commitments.

a-2. Impairment of Financial Assets

The Company assesses impairment losses on financial assets at amortized cost (including accounts receivable) at each balance sheet date based on expected credit losses.

Accounts receivables are recognized as an allowance for expected credit losses over the period of continuation.

Expected credit losses are the weighted-average credit losses weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from possible defaults of the financial instrument within 12 months after the reporting date, and the lifetime expected credit loss represents the expected credit loss arising from all possible defaults of the financial instrument during the expected life of the financial instrument.

All impairment losses on financial assets are reversed by reducing the carrying amount through an allowance account.

a-3. Derecognition of Financial Assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets have lapsed, or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

b. Equity Instruments

Debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Company are recognized at the acquisition price less direct issuance costs.

If the Company reacquires its own equity instruments, those instruments are recognized and deducted from equity. Purchase, sale, issuance or cancellation of the Company's own equity instruments is not recognized in profit or loss.

c. Financial Liabilities

c-1. Subsequent Measurement

Financial liabilities of the Company are measured at amortized cost by using the effective interest method.

c-2. Derecognition of Financial Liabilities

On derecognition of a financial liability, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(11) Provisions

The amount recognized as a provision is the best estimate of the consideration required to settle the obligation on the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. A provision is the carrying amount measured at the present value of the cash flows estimated to settle the obligation.

(12) Revenue Recognition

After the Company has identified performance obligations in customer contracts, the transaction price is apportioned to each performance obligation, and revenue is recognized when each performance obligation is satisfied.

a. Merchandise Sales Revenue

Merchandise sales revenue is generated from the sales of electronic products. The Company recognizes the revenue and accounts receivable based on the point of time, at which merchandise arrives at/departs from the designated places bound from the different conditions and terms shown on the customer contracts; at the same point of time, customers have rights to determine the prices and rights of use of the merchandise, as well as bearing the main responsibility for reselling the merchandise and the risk of the merchandise turning into obsolescence. Advance receipts for merchandise are recognized as contract liabilities prior to arrival time of the shipped merchandise.

During the machining process to remove the materials from the parts, the control of the ownership of such work in process is not transferred yet, which is not recognized in the revenue.

b. Service Revenue

Service revenue is recognized when the performance obligation is satisfied.

(13) Leases

The Company assesses whether a contract is (or contains) a lease at the contract inception date.

When the Company is as lessee, leases are recognized as right-of-use assets and lease liabilities at the lease commencement date, except for leases of low-value subject assets and short-term leases to which recognition exemptions apply, for which lease payments are recognized as expenses on a straight-line basis over the lease term.

The right-of-use assets are measured initially at cost (including the original measurement of the lease liabilities) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, adjusted for the remeasurement of the lease liabilities. The right-of-use assets are presented separately in the consolidated balance sheet.

The right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life or the end of the lease term.

The lease liabilities are measured initially at the present value of the lease payments (including fixed payment). If the interest rate implied by the lease is readily determinable, the lease payments are discounted by using that rate. If the interest rate is not readily determinable, the lessee's incremental borrowing rate is used.

Subsequently, the lease liabilities are measured on an amortized cost basis using the effective interest method and the interest expense is allocated over the lease term. The Company remeasures the lease liabilities and adjusts the right-of-use assets accordingly, except that if the carrying amount of the right-of-use assets is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. The lease liabilities are presented separately in the consolidated balance sheet.

(14) Borrowing Costs

All borrowing costs are recognized in profit and loss in the year in which they occur.

(15) Employee Benefits

a. Short-term Employee Benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

b. Retirement Benefits

Payments to the defined contribution retirement benefit plans are recognized as an expense when the employees have rendered service entitling them to the contribution.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined retirement benefit plans are determined by using the Projected Unit Credit Method. Current service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement (comprising actuarial gains and losses and the return on plan assets excluding interest) is recognized in other comprehensive income in the period in which they occur, as well as being reflected immediately in retained earnings, which afterwards will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company's defined retirement benefit plans.

(16) Share-based Payment Arrangements - Employee Share Options

Employee share options are recognized in the expense on a straight-line basis over the vesting period, based on the fair value at the grant date of equity instrument and the Company's best estimate of the number expected to ultimately vest, with a corresponding increase in capital surplus - employee share options, among which if those are immediately vested on the grant date, they are recognized in the expense on the date. The Company conducts seasoned equity offerings reserved for employees to subscribe, and the date of approval by the board of directors is the grant date.

On each balance sheet date, the Company revises its estimate of the number of employee share options that are expected to vest. The impact from such revision is recognized in profit or loss so that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

(17) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current Tax

The Company determines current income (loss) in accordance with the regulations of each jurisdiction in which it files income tax returns and calculates the amount of income tax payable (recoverable).

Income tax on unappropriated earnings, which is calculated in accordance with the Income Tax Act of Taiwan, is recognized in the year in which the shareholders' meeting resolves.

Adjustments to the prior years' income tax payable are included in the current tax.

b. Deferred Tax

Deferred tax is from calculating temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences associated with such investments are only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future, which can be recognized as the deferred tax assets.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets originally not recognized is also reviewed on each balance sheet date and their carrying amounts are increased to the extent that it is probable that taxable profits will be generated to allow all or part of the deferred tax asset to be recovered.

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

c. Current and Deferred Tax for the Year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In adopting accounting policies, the Company's management is required to make judgments, estimation and assumptions that are based on historical experience and other relevant factors where relevant information is not readily available from other sources. Actual results may differ from those estimates.

The Company's management will continue to review the estimates and underlying assumptions. Revisions will be made to the recognition listed in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and also future years if the revision affects both current and future years.

Key Sources of Estimation and Uncertainty

a. Estimated Impairment of Financial Assets

The provision for estimated impairment of accounts receivables is based on the Company's assumptions about risk of default and loss rates of default. The Company uses judgement in making these assumptions and in selecting the inputs to the estimated impairment calculation, based on the Company's historical experience. Please refer to Note 8 for the adoption of the important assumptions and the inputs. Where the actual future cash flows are less than the Company's expectation, a significant impairment loss may arise.

b. Impairment of Inventories

Net realizable value of inventories is, under the normal operation process, the estimated selling price of inventories less all estimated costs of completion and estimated costs necessary to make the sale, the estimation of which is based on the current market status and the historical sales experience judged for the similar products. Changes of market status may significantly affect the result from that estimation.

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on Hand and Working Capital	\$ 49	\$ 60
Bank Checks and Demand Deposits	313,768	688,581
Cash Equivalents		
Bank Time Deposits	<u>685,712</u>	<u>4,607</u>
	<u>\$999,529</u>	<u>\$693,248</u>

Interest rate ranges for bank deposits on the balance sheet date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank Deposits	0.001%~5.000%	0.001%~3.100%

7. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Time Deposits with Original		
Maturity Less than 3 months	\$179,778	\$ -
Restricted Bank Deposits (Note)	84,746	84,760
Pledged Time Deposit (Note 27)	<u>-</u>	<u>9,917</u>
	<u>\$264,524</u>	<u>\$ 94,677</u>
<u>Non-current</u>		
Time Deposits with Original		
Maturity over One Year	<u>\$187,143</u>	<u>\$242,440</u>

Note a. TUEC followed the regulations named "Regulations on Industries Investment from Repatriated Offshore Funds" and obtained approval from National Taxation Bureau, Ministry of Finance, which allowed TUEC to repatriate funds 3,000,000 U.S. Dollars from overseas; and also, an investment plan is required to be submitted to the Ministry of Economic Affairs, R.O.C. Based on the regulations, the repatriated funds shall only be used to invest according to the approved plan without withdrawing the funds for other purposes outside the approved plan.

As of the balance sheet date, the interest rate intervals of financial assets at amortized cost are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time Deposits with Original		
Maturity Less than 3 months	1.90%~4.00%	-
Restricted Bank Deposits	4.60%~5.00%	2.65%
Pledged Time Deposit	-	1.75%
Time Deposits with Original		
Maturity over One Year	2.30%~2.55%	2.50%~3.25%

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes Receivable</u>		
Occurs from Operation	<u>\$ 14,857</u>	<u>\$ 15,019</u>
 <u>Accounts Receivable</u>		
At Amortized Cost		
Gross Carrying Amount	\$379,955	\$351,264
Less: Loss Allowance	(<u>2,000</u>)	(<u>6,582</u>)
	<u>\$377,955</u>	<u>\$344,682</u>

The average credit period for the Company's merchandise sales ranges from 30 to 60 days, and accounts receivables are not interest-bearing. The policy of conducting transactions adopted by the Company is to trade with the counterparties who have certain good level ratings. Credit rating information is to use publicly available financial information and trading history records to rate major customers. The credit exposure and the credit ratings of the counterparties are continuously monitored by the Company, and the aggregate value of transactions disperses to different customers with the qualified credit ratings. Moreover, credit exposure is controlled by the counterparties' credit ratings that are periodically reviewed and approved by the Company.

The Company recognizes loss allowance of accounts receivables at an amount equal to lifetime expected credit losses (ECLs). The lifetime ECLs uses the provision matrix computation with reference to past default records and current financial position of customers, general economic conditions of the industry, as well as consideration to industrial prospects. Because the Company's historical credit losses experience indicates that the loss pattern amongst different customer segments does not show outstanding differences, the customer segments are not to be further differentiated by the provision matrix, but only the ratio of ECLs are determined by overdue days of accounts receivables.

The following table details the loss allowance of accounts receivables based on the provision matrix:

December 31, 2023

	Not Past Due	Due in 1~60 Days	Due in 61~90 Days	Due in 91~120 Days	Due in More than 121 Days	Total
Gross Carrying Amount	\$ 371,512	\$ 8,443	\$ -	\$ -	\$ -	\$ 379,955
Loss Allowance (Lifetime ECLs)	(1,021)	(979)	-	-	-	(2,000)
Amortized Cost	<u>\$ 370,491</u>	<u>\$ 7,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377,955</u>

December 31, 2022

	Not Past Due	Due in 1~60 Days	Due in 61~90 Days	Due in 91~120 Days	Due in More than 121 Days	Total
Gross Carrying Amount	\$ 341,058	\$ 10,206	\$ -	\$ -	\$ -	\$ 351,264
Loss Allowance (Lifetime ECLs)	(1,727)	(4,855)	-	-	-	(6,582)
Amortized Cost	<u>\$ 339,331</u>	<u>\$ 5,351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 344,682</u>

Information on the changes in loss allowance for accounts receivables is as follows:

	Years Ended December 31	
	2023	2022
Balance at the Beginning of Year	\$ 6,582	\$ 6,582
Less: Reversal of Impairment Losses for the Year	(4,582)	-
Balance at the End of Year	<u>\$ 2,000</u>	<u>\$ 6,582</u>

9. INVENTORIES

	December 31, 2023	December 31, 2022
Finished Goods	\$ 26,938	\$ 28,137
Work in Process	71,959	131,932
Raw Materials	634,349	983,433
	<u>\$ 733,246</u>	<u>\$ 1,143,502</u>

Cost of sales related to inventories for 2023 and 2022 is \$3,110,327 thousand and \$2,705,401 thousand, respectively. Cost of sales included gains on inventory valuation of \$(6,595) thousand and inventory valuation and obsolescence losses of \$7,331 thousand.

10. SUBSIDIARIES

The subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			December 31, 2023	December 31, 2022
TUEC	ALLIED ORIENTAL INTERNATIONAL LTD. (ORIENTAL)	Investment	100%	100%
ORIENTAL Company	TOP UNION ELECTRONICS (SHANGHAI) CORP. (TOP UNION SHANGHAI)	Manufacture of Electronic Products and Communication Equipment, Technical Support and SMT Processing, etc.	100%	100%
	TOP UNION ELECTRONICS (SUZHOU) CORP. (TOP UNION SUZHOU)	Manufacture of Electronic Products and Communication Equipment, Technical Support and SMT Processing, etc.	100%	100%

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Structures	Machinery and Equipment	Transport Equipment	Wealth Generating Equipment	Lease Improvement	Other Equipment	Total
Cost								
January1,2023- Balance	\$ 80,113	\$ 399,056	\$ 982,367	\$ 30,192	\$ 31,928	\$ 30,627	\$ 52,691	\$1,606,974
Additions	-	55,466	95,267	2,685	2,032	1,564	1,979	158,993
Disposals	-	-	(87,978)	(5,958)	(1,533)	(7,508)	(1,336)	(104,313)
Effect of foreign currency exchange differences	-	-	(8,883)	(213)	(217)	(469)	(545)	(10,327)
December31,2023- Balance	\$ 80,113	\$ 454,522	\$ 980,773	\$ 26,706	\$ 32,210	\$ 24,214	\$ 52,789	\$1,651,327
Accumulated Depreciation								
January1,2023- Balance	\$ -	\$ 182,342	\$ 757,244	\$ 21,984	\$ 26,326	\$ 25,186	\$ 40,142	\$1,053,224
Depreciation expenses	-	13,887	76,907	2,711	2,265	2,250	4,710	102,730
Disposals	-	-	(87,897)	(5,957)	(1,486)	(7,490)	(1,069)	(103,899)
Effect of foreign currency exchange differences	-	-	(7,449)	(183)	(182)	(381)	(452)	(8,647)
December31,2023- Balance	\$ -	\$ 196,229	\$ 738,805	\$ 18,555	\$ 26,923	\$ 19,565	\$ 43,331	\$1,043,408
December31,2023- Net	\$ 80,113	\$ 258,293	\$ 241,968	\$ 8,151	\$ 5,287	\$ 4,649	\$ 9,458	\$ 607,919
Cost								
January1,2022- Balance	\$ 80,113	\$ 399,056	\$ 906,457	\$ 24,850	\$ 30,617	\$ 29,892	\$ 51,070	\$1,522,055
Additions	-	-	78,863	5,429	1,467	1,114	1,872	88,745
Disposals	-	-	(9,366)	(248)	(332)	(818)	(646)	(11,410)
Effect of foreign currency exchange differences	-	-	6,413	161	176	439	395	7,584
December31,2022- Balance	\$ 80,113	\$ 399,056	\$ 982,367	\$ 30,192	\$ 31,928	\$ 30,627	\$ 52,691	\$1,606,974
Accumulated Depreciation								
January1,2022- Balance	\$ -	\$ 166,678	\$ 693,040	\$ 19,419	\$ 23,097	\$ 23,146	\$ 35,281	\$ 960,661
Depreciation expenses	-	15,664	67,347	2,660	3,419	2,508	5,114	96,712
Disposals	-	-	(9,341)	(233)	(329)	(805)	(545)	(11,253)
Effect of foreign currency exchange differences	-	-	6,198	138	139	337	292	7,104
December31,2022- Balance	\$ -	\$ 182,342	\$ 757,244	\$ 21,984	\$ 26,326	\$ 25,186	\$ 40,142	\$1,053,224
December31,2022- Net	\$ 80,113	\$ 216,714	\$ 225,123	\$ 8,208	\$ 5,602	\$ 5,441	\$ 12,549	\$ 553,750

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	10 – 35 Years
Machinery and Equipment	5 – 6 Years
Transport Equipment	5 – 6 Years
Wealth Generating Equipment	4 – 7 Years
Other Equipment	5 – 6 Years
Lease Improvement	5 – 6 Years

The Company's property, plant and equipment are all for self-use.

For the amount of property, plant and equipment pledged by the Company for loan facilities, please refer to Note 27.

12. LEASE ARRANGEMENTS

(1) Right-of-use Assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying Amounts		
Buildings	\$ 41,410	\$ 35,164
Wealth Generating Equipment	<u>1,620</u>	<u>2,387</u>
	<u>\$ 43,030</u>	<u>\$ 37,551</u>
	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Additions to Right-of-use Assets	<u>\$ 30,717</u>	<u>\$ 44,322</u>
Depreciation of Right-of-use Assets		
Buildings	\$ 24,058	\$ 18,873
Wealth Generating Equipment	<u>767</u>	<u>774</u>
	<u>\$ 24,825</u>	<u>\$ 19,647</u>

Except for the above expenses recognized to the items of additions and depreciation, there were no significant sublease and impairment happening to the Company's right-of-use assets for the years ended December 31, 2023 and 2022.

(2) Lease Liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying Amounts		
Current Portion	<u>\$ 15,399</u>	<u>\$ 14,769</u>
Non-current Portion	<u>\$ 28,302</u>	<u>\$ 22,643</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.43%~4.30%	1.43%~4.30%
Wealth Generating Equipment	0.99%~1.16%	0.99%~1.16%

(3) Significant Leasing Activities and Terms

Top Union Shanghai leased the factory building from Shanghai Interunited Co., Ltd. in the form of operating lease, and the lease period is 3 years. Top Union Suzhou leased the factory building from Suzhou Xiangcheng Economic Development company in the form of operating lease, and the lease period is 3 years; Top Union Suzhou also leased houses and dormitories, and the lease period is 2 – 3 years. TUEC leased houses and dormitories from individuals in the form of operating lease, and the lease period is 4 – 5 years. When the contractual lease period is terminated, the Company has no preferential purchase rights for the factory buildings, houses and dormitories previously leased.

(4) Other Lease Information

	Years Ended December 31	
	2023	2022
Expenses Relating to Short-term Leases	<u>\$ 5,935</u>	<u>\$ 5,549</u>
Total Cash Outflow for Leases	<u>\$ 31,307</u>	<u>\$ 25,357</u>

The Company leases the wealth generating equipment that is classified as a short-term lease, applicable for using recognition exemption, the lease of which is not to be recognized as the relevant right-of-use assets and lease liabilities.

13. INTANGIBLE ASSETS

	Years Ended December 31	
	2023	2022
<u>Cost</u>		
Balance at the beginning of year	\$ 29,177	\$ 22,861
Acquisition	774	6,264
Effect of foreign currency exchange differences	(67)	52
Balance at the end of year	<u>29,884</u>	<u>29,177</u>
<u>Accumulated amortization</u>		
Balance at the beginning of year	24,451	21,208
Amortization expenses	2,411	3,195
Effect of foreign currency exchange differences	(65)	48
Balance at the end of year	<u>26,797</u>	<u>24,451</u>
Net amount	<u>\$ 3,087</u>	<u>\$ 4,726</u>

Amortization expenses are calculated on a straight-line basis over the item with its estimated useful life as follows:

Software	3 Years
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14. OTHER CURRENT ASSETS

	December 31, 2023	December 31, 2022
Offset Against Business Tax Payable	\$ 28,371	\$ -
Business Tax Receivable Refund	19,959	7,913
Interest Receivable	13,172	7,894
Temporary Debits	5,983	9,700
Others	<u>21,093</u>	<u>18,319</u>
	<u>\$ 88,578</u>	<u>\$ 43,826</u>

15. SHORT-TERM BORROWINGS

	December 31, 2023	December 31, 2022
<u>Unsecured Borrowings</u>		
Bank Loans	<u>\$100,000</u>	<u>\$ 58,000</u>

The interest rates on revolving bank loans were 1.65%~2.11% and 1.835%~1.950% as of December 31, 2023 and 2022, respectively.

16. OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payable for salaries or bonuses	\$ 71,657	\$ 70,896
Temporary credits and Receipts under custody	42,710	5,860
Others	<u>48,840</u>	<u>51,781</u>
	<u>\$163,207</u>	<u>\$128,537</u>

17. RETIREMENT BENEFIT PLANS

(1) Defined Contribution Plans

TUEC adopted the pension plan under the “Labor Pension Act (LPA)”, which is a government-managing defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension account at 6% of monthly salaries and wages.

(2) Defined Benefit Plans

TUEC handles the pension plan based on the R.O.C. “Labor Standards Law”, which is a government-managing defined retirement benefit plan. Pension amounts paid to retired employees is calculated based on years of service and average monthly salary for the 6 months prior to the approved retirement date. TUEC contributes a pension for an employee by 3.5% of his/her total monthly salary as the labor pension reserve funds, which shall be deposited in the pension fund account of Bank of Taiwan, set up in the name of the labor pension reserve supervision committee of the business entity. When the balance in the pension fund account, checked prior to the year end, is insufficient to pay the pensions to the labors who will be expected to reach their retirement requirements before the next year end, the difference contributed to the account shall be fully made up at a time before the end of next March. The aforesaid pension fund account is entrusted to the Bureau of Labor Funds, Ministry of Labor with management, in which TUEC has no rights to influence the investment policies and strategies.

The amounts of the defined benefit plans are recognized in the consolidated balance sheets as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of the defined benefit obligations	\$ 57,869	\$ 61,883
Fair value of plan assets	<u>(49,061)</u>	<u>(48,362)</u>
Net defined benefit liabilities	<u>\$ 8,808</u>	<u>\$ 13,521</u>

Movements in net defined benefit liability are as follows :

	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2023	\$ 61,883	(\$ 48,362)	\$ 13,521
Service cost			
Current service cost	281	-	281
Past service cost	5,778	-	5,778
Interest expense (income)	851	(672)	179
Recognized in profit or loss	<u>6,910</u>	<u>(672)</u>	<u>6,238</u>
Remeasurements			
Actuarial loss arising from changes in financial assumptions	200	-	200
Actuarial gain arising from experience adjustments	(9,228)	(328)	(9,556)
Recognized in other comprehensive income	<u>(9,028)</u>	<u>(328)</u>	<u>(9,356)</u>
Contributions from employer	<u>-</u>	<u>(1,595)</u>	<u>(1,595)</u>
Benefits paid	<u>(1,896)</u>	<u>1,896</u>	<u>-</u>
December 31, 2023	<u>\$ 57,869</u>	<u>(\$ 49,061)</u>	<u>\$ 8,808</u>
January 1, 2022	\$ 64,176	(\$ 34,820)	\$ 29,356
Service cost			
Current service cost	368	-	368
Interest expense (income)	401	(251)	150
Recognized in profit or loss	<u>769</u>	<u>(251)</u>	<u>518</u>
Remeasurements			
Actuarial loss arising from changes in financial assumptions	(114)	-	(114)
Actuarial loss (gain) arising from experience adjustments	2,323	(3,338)	(1,015)
Recognized in other comprehensive income	<u>2,209</u>	<u>(3,338)</u>	<u>(1,129)</u>
Contributions from employer	<u>-</u>	<u>(15,224)</u>	<u>(15,224)</u>
Benefits paid	<u>(5,271)</u>	<u>5,271</u>	<u>-</u>
December 31, 2022	<u>\$ 61,883</u>	<u>(\$ 48,362)</u>	<u>\$ 13,521</u>

The amounts of the defined benefit plans recognized in profit or loss are classified according to their function by the following categories:

	Years Ended December 31	
	2023	2022
Operating cost	\$ 353	\$ 395
Marketing expenses	27	28
General and administrative expenses	5,834	65
Research and development expenses	24	30
	<u>\$ 6,238</u>	<u>\$ 518</u>

Through the defined benefit plans under the R.O.C. "Labor Standards Law", TUEC is exposed to the following risks:

- a. Investment risk: The pension funds are invested in domestic/foreign equity and debt securities, bank deposits, etc. by the methods of its own discretion and commissioned operations of the Bureau of Labor Funds, Ministry of Labor. However, the earnings appropriated from the plan assets of the Company shall not be less than the average interest rate on a two-year time deposit published by the local banks.
- b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation, but the return on the debt investments of the plan assets will also increase accordingly, which brings the effect of partially offsetting the net defined benefit liabilities.
- c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the TUEC's present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the measurement date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.34%	1.38%
Forecasted salary increase rate	2.75%	2.75%

When the possible changes in the principal assumptions of the actuarial valuations reasonably happen respectively, based on the circumstances of all other assumptions kept the same, the increased (decreased) amounts in the present value of the defined benefit obligation will be as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase 0.50%	(<u>\$ 2,746</u>)	(<u>\$ 2,658</u>)
Decrease 0.50%	<u>\$ 2,983</u>	<u>\$ 2,847</u>
Forecasted salary increase rate		
Increase 0.50%	<u>\$ 2,889</u>	<u>\$ 2,754</u>
Decrease 0.50%	(<u>\$ 2,688</u>)	(<u>\$ 2,599</u>)

Since assumptions of actuarial valuations are possibly correlated with one another, the possibility of changes in only one assumption is small. Therefore, the above sensitivity analyses are possibly unable to reflect the actual status of the changes in the present value of the defined benefit obligation.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Forecasted amount contributed within one year	<u>\$ 1,808</u>	<u>\$ 1,031</u>
Average due-period of defined benefit obligation	16.5 Years	8.9 Years

18. EQUITY

(1) Capital Stock

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized shares (in thousands)	<u>180,000</u>	<u>180,000</u>
Authorized capital	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Issued shares which are fully paid (in thousands)	<u>138,233</u>	<u>123,423</u>
Issued capital	<u>\$ 1,382,333</u>	<u>\$ 1,234,226</u>

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

The authorized shares include 3,800 thousand shares allocated for the exercise of employee stock options.

On May 19, 2023 and May 20, 2022, the stock dividends were distributed by TUEC in a total of NT\$148,107 thousand and NT\$70,628 thousand respectively according to the resolution of the shareholders' meeting, and took effect through the corresponding registration approved by Financial Supervision Commission Securities and Futures Bureau; then the dates of June 26, 2023 and June 26, 2022 were determined respectively to be the reference date of ex-rights in accordance with the resolution of the board of directors.

On August 4, 2022, TUEC issued the stocks in a total of 14,000 thousand shares, with a par value of NT\$10 per share at premium by NT\$18 per share issuance, as the seasoned equity offerings resolved by the board of directors. After the capital increased, the actual paid-in share capital was NT\$1,234,226 thousand. The project of the aforementioned seasoned equity offerings took effect through the registration approved by Financial Supervision Commission Securities and Futures Bureau on October 17, 2022 and the date of November 11, 2022 was determined to be the reference date of increased-capital by the authorized chairman in accordance with the resolution of the board of directors.

(2) Capital Surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to compensate a deficit, distributed as cash dividends, or transferred to share capital (Note a.)</u>		
Additional paid-in capital	\$235,826	\$235,826
Employee share options	7,700	7,700
Treasury shares transaction	<u>14,457</u>	<u>14,457</u>
	<u>\$257,983</u>	<u>\$257,983</u>

Note a. Such capital surplus may be used to compensate a deficit; in addition, when the business entity has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital; in terms of transfer to share capital, it is limited to a certain percentage of the actual paid-in share capital each year.

(3) Retained Earnings and Dividend Policy

TUEC's earnings distribution policy in the Articles of Incorporation provides that, when a profit is made in a fiscal year, TUEC shall first compensate its losses (including the amount of adjustment in undistributed retained earnings) and set aside a legal capital reserve at 10% of the remaining earnings until the accumulated legal capital reserve equals TUEC's total paid-in capital, and then set aside or reverse a special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. Any balance of earnings still left over, together with the undistributed retained earnings from the beginning of period (including the amount of adjustment in undistributed retained earnings), shall be used by the board of directors as the basis for their proposing a surplus distribution proposal to obtain the resolution in the shareholders' meeting for distribution of dividends and bonuses to shareholders; when distribution of earnings is by the way in cash, it shall be handled according to the resolution of the board of directors and reported in the shareholders' meeting. See Note 20(7) Profit Sharing Bonus to Employees and Compensation to Directors for TUEC's distribution policy of profit sharing bonus to employees and compensation to directors in the Articles of Incorporation.

In addition, according to TUEC's dividend policy in the Articles of Incorporation, based on the principle of profit sharing, 50% or more of the distributable surplus for the year shall be used for distribution of dividends and bonuses to shareholders, among which the dividends distributed by the way in stocks shall be less than 50%, and the rest dividends shall be in cash.

Appropriation of earnings to the legal capital reserve shall be made until the accumulated legal capital reserve equals the company's total paid-in capital. The legal capital reserve may be used to compensate deficit. If the company has no deficit, the legal capital reserve exceeds 25% of the company's total paid-in capital may be appropriated for capital stocks but also distributed in cash.

The appropriations of TUEC's earnings for the years ended December 31, 2022 and 2021 are as follows:

	<u>Appropriations of Earnings</u>		<u>Dividends per share (NT\$)</u>	
	<u>Years Ended December 31</u>		<u>Years Ended December 31</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Legal Capital Reserve	\$ 33,056	\$ 15,767		
Cash Dividends	148,107	70,628	\$ 1.2	\$ 0.69
Stock Dividends	148,107	70,628	1.2	0.69

The appropriations of the above cash dividends were resolved by the board of directors on February 22, 2023 and February 24, 2022, respectively; the appropriations of the remainder were also resolved in the shareholders' general meetings held on May 19, 2023 and May 20, 2022, respectively.

The appropriations of TUEC's earnings for the year ended December 31, 2023 were resolved by the board of directors on February 29, 2024 are as follows:

	Appropriations of Earnings	Dividends per share(NT\$)
Legal Capital Reserve	\$ 30,609	
Cash Dividends	203,203	\$ 1.47
Stock Dividends	67,734	0.49

The appropriations of the above cash dividends have been resolved by the board of directors, and the remainder is subject to resolution in the shareholders meeting expected to be held on May 24, 2024.

(4) Others

Foreign Currency Translation Reserve

	Years Ended December 31	
	2023	2022
Balance, beginning of year	\$ 37,603	\$ 29,466
Occur in the current year		
Exchange differences arising on translation of foreign operations	(11,245)	8,137
Balance, end of year	<u>\$ 26,358</u>	<u>\$ 37,603</u>

19. REVENUE

	Years Ended December 31	
	2023	2022
Revenue from contracts with customers		
Sales	\$ 2,680,606	\$ 2,171,093
Processing	<u>979,709</u>	<u>1,123,596</u>
	<u>\$ 3,660,315</u>	<u>\$ 3,294,689</u>

(1) Contract Balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable (Note 8)	<u>\$ 377,955</u>	<u>\$ 344,682</u>	<u>\$ 536,293</u>
Current contract liabilities			
Merchandise sales	<u>\$ 151,426</u>	<u>\$ 167,343</u>	<u>\$ 102,455</u>

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

(2) Disaggregation of revenue from contracts with customers

	Years Ended December 31	
	2023	2022
<u>Main geographic markets</u>		
America	\$ 1,871,185	\$ 1,494,719
China	1,246,455	1,047,172
Taiwan	542,675	752,798
	<u>\$ 3,660,315</u>	<u>\$ 3,294,689</u>

20. PROFIT BEFORE TAX

(1) Interest Income

	Years Ended December 31	
	2023	2022
Bank deposits	<u>\$ 32,384</u>	<u>\$ 8,695</u>

(2) Other Income

	Years Ended December 31	
	2023	2022
Rent income	<u>\$ 1,142</u>	<u>\$ 1,140</u>

(3) Other benefits and losses

	Years Ended December 31	
	2023	2022
Gain on disposal of property, plant and equipment	\$ 8,318	\$ 832
Net foreign currency exchange gain	2,726	26,127
Others	2,072	7,631
	<u>\$ 13,116</u>	<u>\$ 34,590</u>

(4) Finance Costs

	Years Ended December 31	
	2023	2022
Interest of bank loans	\$ 1,134	\$ 4,977
Interest of lease liabilities	1,453	822
	<u>\$ 2,587</u>	<u>\$ 5,799</u>

(5) Depreciation and Amortization

	Years Ended December 31	
	2023	2022
An analysis of depreciation by function		
Operating costs	\$112,285	\$101,176
Operating expenses	15,270	15,183
	<u>\$127,555</u>	<u>\$116,359</u>
An analysis of amortization by function		
Operating costs	\$ 447	\$ 1,286
Operating expenses	1,964	1,909
	<u>\$ 2,411</u>	<u>\$ 3,195</u>

(6) Employee benefits expense

	Years Ended December 31	
	2023	2022
Short-term employee benefits	\$537,465	\$540,565
Post-employment benefits (Note 17)		
Defined contribution plans	10,322	10,264
Defined benefit plans	6,238	518
Share-based payment		
Equity-settled	-	7,700
Employee benefits expense- total	<u>\$554,025</u>	<u>\$559,047</u>
An analysis of employee benefits expense by function		
Operating costs	\$408,236	\$422,890
Operating expenses	<u>145,789</u>	<u>136,157</u>
	<u>\$554,025</u>	<u>\$559,047</u>

(7) Profit Sharing Bonus to Employees and Compensation to Directors

In accordance with TUEC's Articles of Incorporation, the appropriations of 6% and no more than 2.3% of the pre-tax benefit in the current year shall be made for profit sharing bonus and compensation distributed to employees and directors, respectively. The Profit Sharing Bonus to Employees and Compensation to Directors for the years ended December 31, 2023 and 2022 were resolved by the board of directors on February 29, 2024 and February 22, 2023 respectively as follows:

Accrual Rate

	Years Ended December 31	
	2023	2022
Profit sharing bonus to employees	6%	6%
Compensation to directors	2.3%	2.3%

Amount

	Years Ended December 31			
	2023		2022	
	Cash	Stock	Cash	Stock
Profit sharing bonus to employees	<u>\$ 24,823</u>	<u>\$ -</u>	<u>\$ 26,594</u>	<u>\$ -</u>
Compensation to directors	<u>\$ 9,516</u>	<u>\$ -</u>	<u>\$ 10,194</u>	<u>\$ -</u>

If there is a change in the amount after the annually consolidated financial statements is authorized for issuance, the difference shall be handled as the changes in accounting estimates to adjust its recognition in the next year.

There was no difference between the actual distribution amount of the profit sharing bonus to employees and compensation to directors and the amount recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

For information on TUEC's profit sharing bonus to employees and compensation to directors resolved by the board of directors for the years ended 2023 and 2022, please visit the website of Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

(8) Foreign Exchange Gains and Losses

	Years Ended December 31	
	2023	2022
Total amount of gains on foreign exchange	\$ 81,185	\$186,399
Total amount of losses on foreign exchange	(78,459)	(160,272)
Net gains	<u>\$ 2,726</u>	<u>\$ 26,127</u>

21. INCOME TAX

(1) Income Tax Expense Recognized in Profit or Loss

Income tax expense consisted of the following:

	Years Ended December 31	
	2023	2022
Current income tax expense		
Current tax expense recognized in the current year	\$ 83,774	\$ 88,410
Income tax adjustments on prior years	6,190	(2,828)
Deferred income tax		
Deferred income tax recognized in the current year	870	12,642
Income tax expense recognized in profit or loss	<u>\$ 90,834</u>	<u>\$ 98,224</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	Years Ended December 31	
	2023	2022
Profit from continuing operations before tax	<u>\$387,573</u>	<u>\$427,650</u>
Income tax expense at the statutory rate	\$ 71,590	\$ 99,553
Nondeductible items in determining taxable income	1,504	1,167
The deductible temporary differences not recognized	11,550	332
Adjustments to current income tax expense in respect of prior years	<u>6,190</u>	<u>(2,828)</u>
Income tax expense recognized in profit or loss	<u>\$ 90,834</u>	<u>\$ 98,224</u>

The tax rate applicable to the subsidiary in the PRC is 25%; for other jurisdictions, taxes are calculated by using the applicable tax rate for each individual jurisdiction.

(2) Income Tax Assets and Liabilities in the Current Year

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Income tax assets		
Income tax refund receivable	\$ <u>394</u>	\$ <u>-</u>
Income tax liabilities		
Income taxes payable	\$ <u>44,924</u>	\$ <u>50,678</u>

(3) Deferred Income Tax Assets and Liabilities

The changes in deferred income tax assets and liabilities were as follows:

Year ended December 31, 2023

<u>Deferred Income Tax Assets</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
Temporary differences			
Inventory valuation loss	\$ 9,800	(\$ 1,314)	\$ 8,486
Property, plant and equipment	3	(3)	-
Unrealized exchange gains and losses	(2,437)	1,078	(1,359)
Others	576	141	717
	<u>\$ 7,942</u>	<u>(\$ 98)</u>	<u>\$ 7,844</u>

<u>Deferred Income Tax Liabilities</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
Temporary differences			
Unappropriated earnings of subsidiaries	<u>\$ 16,278</u>	<u>\$ 772</u>	<u>\$ 17,050</u>

Year ended December 31, 2022

<u>Deferred Income Tax Assets</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
Temporary differences			
Inventory valuation loss	\$ 8,339	\$ 1,461	\$ 9,800
Property, plant and equipment	343	(340)	3
Unrealized exchange gains and losses	373	(2,810)	(2,437)
Others	455	121	576
	<u>\$ 9,510</u>	<u>(\$ 1,568)</u>	<u>\$ 7,942</u>

<u>Deferred Income Tax Liabilities</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
Temporary differences			
Unappropriated earnings of subsidiaries	<u>\$ 5,205</u>	<u>\$ 11,073</u>	<u>\$ 16,278</u>

(4) Income Tax Examination

The tax authorities have examined income tax returns of TUEC through to the year ended December 31, 2021.

22. EARNINGS PER SHARE (EPS)

Unit: NT\$ per share

	Years Ended December 31	
	2023	2022
Basic EPS	<u>\$ 2.15</u>	<u>\$ 2.38</u>
Diluted EPS	<u>\$ 2.13</u>	<u>\$ 2.36</u>

The earnings per share was calculated after the retrospective adjustment as a result of outstanding shares distribution; the reference date of the shares outstanding distribution was determined to be June 26, 2023. Due to making the retrospective adjustment, the changes in basic and diluted EPS for the year ended December 31, 2022 were as follows:

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic EPS	<u>\$ 3.00</u>	<u>\$ 2.38</u>
Diluted EPS	<u>\$ 2.97</u>	<u>\$ 2.36</u>

Net income for the year and weighted average number of common shares outstanding used in the computation of EPS are as follows:

Net Income

	Years Ended December 31	
	2023	2022
For computation of basic and diluted EPS	<u>\$296,739</u>	<u>\$329,426</u>

Number of Common Shares Outstanding

Unit: Thousand Shares

	Years Ended December 31	
	2023	2022
Weighted average number of common shares outstanding used in the computation of basic EPS	138,233	138,233
Effects of all dilutive potential common shares:		
Profit sharing bonus to employees	<u>881</u>	<u>1,189</u>
Weighted average number of common shares outstanding used in the computation of diluted EPS	<u>139,114</u>	<u>139,422</u>

If TUEC has the option to pay profit sharing bonus to employees in shares or cash, the calculation of diluted earnings per share assumes that compensation of employees will be paid in shares and is included in the weighted average number of shares when the potential common shares have a dilutive effect. The number of shares outstanding is included in the weighted average number of shares for the purpose of calculating dilutive earnings per share. The dilutive effect of these potential common shares will also continue to be taken into account when dilutive earnings per share calculated prior to the number of shares resolved in shareholders' meetings for distribution of profit sharing bonus to employees in the following year.

23. SHARE-BASED PAYMENT ARRANGEMENTS

Seasoned Equity Offerings Reserved for Employee Share Options

On August 4, 2022, TUEC conducted seasoned equity offerings, resolved by the board of directors, and according to the regulations of Company Act reserved the number of shares, i.e. 1,400 thousand shares, which was 10% of the total number of the issued shares for employee share options. The grant date was October 27, 2022 with the fair value by using the Black-Scholes evaluation model, the parameters of which were adopted as follows:

	<u>October 27, 2022</u>
Stock price at grant date (NT\$/Share)	\$ 23.4
Exercise Price (NT\$/Share)	18
Share option at fair value (NT\$/Share)	5.5
Expected price volatility	43.12%
Risk-free interest rate	1.04%
Expected option life	0.14 Years

The compensation cost recognized for the year ended December 31, 2022 was NT\$7,700 thousand.

24. CAPITAL RISK MANAGEMENT

The Company manages its capital on the premise that it is ensured each entity in the group will be able to continue its business operations, from which the return to stakeholders can be maximized through the optimization in the debts and equity balances. The Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital expenditures, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months.

25. FINANCIAL INSTRUMENTS

(1) Fair Value Information - Financial instruments not measured at fair value.

The Company's management believed that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

(2) Categories of Financial Instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Measured at amortized cost		
Cash and cash equivalents	\$999,529	\$693,248
Financial assets measured at amortized cost	451,667	337,117
Notes receivable	14,857	15,019
Accounts receivable, net	377,955	344,682
Guarantee deposits paid	5,530	5,445

(Continued)

(Concluded)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Measured at amortized cost		
Short-term borrowings	\$100,000	\$ 58,000
Accounts payable	384,936	491,811
Other payables and other current liabilities	163,207	128,537
Guarantee deposits received	81,422	31,454

(3) Financial Risk Management Objectives and Policies

The Company's major financial instruments include receivables, payables and bank borrowings. The Company's financial management department provides services to each business unit, organizes and coordinates business operations for entering domestic and international financial markets, as well as supervising and managing financial risks related to the Company's operations through referring to degree of risks and internal risk reports made with wide analyses of risk exposure; those risks contain market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

a. Market Risk

The Company's operation activities expose the Company primarily to the financial risks of changes in foreign currency exchange rates (see (a-1) shown as below) and changes in interest rates (see (a-2) shown as below).

The Company's financial instruments are exposed in market risk, and the methods used by the Company to manage and measure that risk exposure have no change.

(a-1) Foreign Exchange Risk

The Company uses foreign currency to conduct transactions of sales and procurement, which expose the Company to be engaged in risk of changes in foreign currency exchange rates.

For the carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currency on the consolidated balance sheets date (including monetary items denominated in non-functional currency that have been offset in the consolidated financial statements), as well as the carrying amounts of derivative instruments with risk exposure to foreign exchange risk, see Note 28.

Sensitivity analysis

The Company is primarily affected by fluctuations in the exchange rates of the U.S. dollar.

Sensitivity analysis of foreign exchange risk mainly provides that, as of the end of the reporting period, foreign currency monetary items are calculated; when the exchange rate of New Taiwan Dollar comparing with foreign

currency has a hypothetically adverse fluctuation up to 10%, the Company would have increased the profit before tax by NT\$54,713 thousand and NT\$42,079 thousand, respectively for the years ended December 31, 2023 and 2022.

(a-2) Interest Rate Risk

Interest rate risk arises because individuals in the Company borrow funds at floating rates.

The carrying amounts of the Company's financial assets and financial liabilities with risk exposure to interest rates on the consolidated balance sheets date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
Financial assets	\$1,137,379	\$341,724
Financial liabilities	43,701	37,412
Cash flows interest rate risk		
Financial assets	313,746	688,544
Financial liabilities	100,000	58,000

b. Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Company. As of the consolidated balance sheets date, the Company's maximum credit risk (regardless of collateral or other credit enhancement tools, also the amount with maximum exposure unable to be withdrawn) exposure to a counterparty, who will possibly default on its obligations resulting in financial losses to the Company, comes from the carrying amounts of financial assets recognized in the consolidated balance sheets.

Except for A company, the Company's largest customer, the Company does not have any significant credit exposure to any single counterparty or any group of counterparties with similar characteristics. When the counterparty is an associated enterprise, the Company defines it as the counterparty with similar characteristics. In 2023 and 2022, the percentages of total accounts receivable from the aforementioned customers were 57% and 32%, respectively.

c. Liquidity Risk

The Company manages and maintains sufficient cash to support the group's operations and mitigate the impact of cash flows fluctuations. The Company's management monitors the use of the bank's financing facilities and ensures compliance with the terms of the loan agreements.

A bank loan is a significant source of liquidity for the Company. As of the years ended December 31, 2023 and 2022, the bank's short-term financing facilities unused by the Company were described in the following section "(c-2) Financing Facilities".

(c-1) Liquidity and Interest Rate Risk Tables of Non-derivative Financial Liabilities

The analysis of the remaining contractual maturities of non-derivative financial liabilities is prepared based on the undiscounted cash flows (including principal and estimated interest) of financial liabilities according to the earliest possible date on which the Company may be required to make repayment.

December 31, 2023

	On Demand or Within 1 Month	1-3 Month	3 Months to 1 Year	1-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Non-interest-bearing liabilities	\$ 159,047	\$ 277,657	\$ 39,782	\$ -	\$ -
Lease liabilities	2,776	1,268	12,325	28,927	-
Variable interest rate instruments	80,000	20,000	-	-	-
	<u>\$ 241,823</u>	<u>\$ 298,925</u>	<u>\$ 52,107</u>	<u>\$ 28,927</u>	<u>\$ -</u>

The further information on the aforementioned financial liabilities is as follows:

	Within 1 year	1~5 Years	5~10 Years	10~15 Years	15~20 Years	Over20 Years
Lease liabilities	\$ 16,369	\$ 28,927	\$ -	\$ -	\$ -	\$ -
Variable interest rate instruments	100,000	-	-	-	-	-
	<u>\$ 116,369</u>	<u>\$ 28,927</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	On Demand or Within 1 Month	1-3 Month	3 Months to 1 Year	1-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Non-interest-bearing liabilities	\$ 59,474	\$ 314,727	\$ 175,251	\$ -	\$ -
Lease liabilities	2,699	1,034	11,656	23,196	-
Variable interest rate instruments	28,000	30,000	-	-	-
	<u>\$ 90,173</u>	<u>\$ 345,761</u>	<u>\$ 186,907</u>	<u>\$ 23,196</u>	<u>\$ -</u>

The further information on the aforementioned financial liabilities is as follows:

	Within 1 year	1~5 Years	5~10 Years	10~15 Years	15~20 Years	Over20 Years
Lease liabilities	\$ 15,389	\$ 23,196	\$ -	\$ -	\$ -	\$ -
Variable interest rate instruments	58,000	-	-	-	-	-
	<u>\$ 73,389</u>	<u>\$ 23,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(c-2) Financing Facilities

	December 31, 2023	December 31, 2022
Unsecured bank loan amount		
Amount used	\$ 106,000	\$ 61,000
Amount unused	494,000	569,000
	<u>\$ 600,000</u>	<u>\$ 630,000</u>
Guaranteed bank loan amount		
Amount used	\$ -	\$ -
Amount unused	400,000	400,000
	<u>\$ 400,000</u>	<u>\$ 400,000</u>

26. RELATED PARTY TRANSACTIONS

Intercompany transactions, balances, income and expenses between TUEC and its subsidiaries, which are related parties of TUEC, have been eliminated upon consolidation; therefore, those items are not disclosed in this note. Please refer to Note 29(4).

The compensation to key management personnel was as follows:

	Years Ended December 31	
	2023	2022
Short-term employee benefits	\$ 28,185	\$ 28,714
Post-employment benefits	154	140
	<u>\$ 28,339</u>	<u>\$ 28,854</u>

The compensation to directors and other key management personnel is determined by the Compensation Committee of TUEC in accordance with the individual performance and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Company were provided as collateral security for short-term loan amount, tariff guarantee for imported raw materials, Performance Letter of Guarantee and Letter of Credit:

	December 31, 2023	December 31, 2022
Property, plant and equipment – net	\$338,406	\$296,827
Pledged time deposits (classified as FINANCIAL ASSETS AT AMORTIZED COSTssets measured at amortized cost - current)	-	9,917
	<u>\$338,406</u>	<u>\$306,744</u>

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was summarized according to the foreign currencies other than each individual's functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2023

	Foreign Currencies	Unit: Each Foreign Currency in Thousands	
		Exchange Rate	Carrying Amount
<u>Assets denominated in foreign currencies</u>			
<u>Monetary items</u>			
USD	\$ 31,789	30.705	<u>\$ 976,081</u>
<u>Liabilities denominated in foreign currencies</u>			
<u>Monetary items</u>			
USD	13,970	30.705	<u>\$ 428,949</u>

December 31, 2022

Unit: Each Foreign Currency in Thousands

Assets denominated in foreign currencies	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
USD	\$ 29,855	30.71	<u>\$ 916,847</u>
<u>Liabilities denominated in foreign currencies</u>			
<u>Monetary items</u>			
USD	16,153	30.71	<u>\$ 496,059</u>

The significant unrealized foreign exchange gains (losses) were as follows:

Foreign currencies	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.705(USD : NTD)	\$ 6,736	30.710(USD : NTD)	\$ 12,226
USD	7.083(USD : RMB)	(192)	6.965(USD : RMB)	(1,305)
		<u>\$ 6,544</u>		<u>\$ 10,921</u>

29. ADDITIONAL DISCLOSURES

Except for the items (1) – (5), there are no other significant transactions information, information on investees, information on investment in mainland China and the business relationship between the parent and the subsidiaries and significant transactions between them that should be disclosed. The significant transactions between the parent and the subsidiaries and balances thereof have been all eliminated upon consolidation.

- (1) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

Company of Purchase / Sales	Related Party	Nature of Relationships	Transactions				Conditions and Reasons for Special Business Terms		Notes, Accounts Receivable (Payable)		Remark
			Purchase / Sales	Amount	% of Total Purchase / Sales	Credit Period	Unit Price	Credit Period	Balance	% of Total Notes, Accounts Receivable (Payable)	
The Company	Top Union Suzhou	The subsidiary indirectly held by the company with 100% equity	Sales	\$296,561	8.10%	O/A 90 Days	\$ -	—	\$ 34,317	8.74%	—

- (2) Names, locations, and related information of investees over which TUEC exercises significant influence:

Unit: Amounts in Thousands of NT\$, Unless Specified Otherwise

Investor Company Name	Investee Company Name	Location	Business Items	Original Investment Amount		Holding, End of Period			Investee Profit or Loss at Current Period	Gains (Losses) on investment recognized in current period (Note)
				End of Current Period	Last Year End	Shares (in Thousands)	%	Carrying Amount		
The Company	ORIENTAL company	British Virgin Islands	Investment and Sales	\$ 401,974	\$ 401,974	12,200	100	\$ 613,942	(\$ 24,703)	(\$ 24,703)

Note : It was recognized by investee's financial statements audited by auditors for the same period.

(3) Information on investment in mainland China:

- a. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: (See the following table for the details.)

Unit: Amounts in Thousands of NTS, Unless Specified Otherwise

China Investee Company Name	Business Items	Paid-in Capital	Investment method	Beginning of Period, Remit Cumulated Investment Funds out from Taiwan	Current Period, Outward Remit / Repatriate Investment Funds		End of Period, Remit Cumulated Investment Funds out from Taiwan	Investee Profit or Loss at Current Period	The Company Holding % of Shares from Direct or Indirect Investment	Current Period, Investment Amount Recognized in Profit or Loss(Note 2)	Investment at End of Period, Carrying Amount	As of End of Current Period, Income of Repatriated Investment Funds
					Outward Remittance	Repatriation						
Top Union Shanghai	Manufacture of Electronic Products and Communication Equipment, Technical Support and SMT Processing, etc.	\$ 212,858 US\$ 6,659 (In Thousand)	(Note 1)	Cash \$ 83,720 Price of Machinery&Equipment 129,138	\$ -	\$ -	Cash \$ 83,720 Price of Machinery&Equipment 129,138	(\$ 26,934)	100%	(\$ 26,934)	\$ 164,612	\$ 105,908
Top Union Suzhou	Manufacture of Electronic Products and Communication Equipment, Technical Support and SMT Processing, etc.	278,844 US\$ 8,500 (In Thousand)	(Note1)	Cash \$230,262 Price of Machinery&Equipment 48,582	-	-	Cash \$230,262 Price of Machinery&Equipment 48,582	1,601	100%	1,601	426,378	88,440

End of Current Period, Remit Cumulated Investment Funds out from Taiwan for Investment in China	Investment Amount approved by MOEAIC	Investment Limits for Areas in China, Based on MOEAIC's Regulations
Cash \$313,982	\$491,702	
Price of Machinery&Equipment \$177,720	US\$15,159 (In Thousand)	\$1,381,670

Note 1 : Invest China companies after establishing ORIENTAL company located at British Virgin Islands.

Note 2 : It was recognized and disclosed by Top Union Shanghai and Top Union Suzhou's financial statements audited by auditors for the same period.

- b. Significant direct or indirect transactions listed as below with the investee at the third area, and its prices, terms of payment and unrealized gain or loss. (See the item (4) for the details.)

(4) The business relationship between the parent and the subsidiaries and significant transactions between them:

No.	Trader Name	Transaction Counterparties	Relation with Trader (Note 3)	Transaction Status			% of Total Consolidated Revenue or Assets
				Subject	Amount	Transaction Terms	
0	TUEC	Top Union Suzhou	1	Operating Costs	\$ 68,661	Note 1	2%
		Top Union Suzhou	1	Unrealized Sales Gross Profit	856	Note 1	-
		Top Union Suzhou	1	Accounts Payable	18,227	Note 2	1%
		Top Union Suzhou	1	Accounts Receivable	34,317	Note 2	1%
		Top Union Suzhou	1	Operating Revenue	296,561	Note 1	8%
1	Top Union Shanghai	Top Union Suzhou	2	Rent expense	43	Note 1	-

Note 1 : Process transactions based on terms and prices contracted by mutual parties.

Note 2 : Collect payment temporarily according to funds status of the transaction counterparty during credit period.

Note 3 : "1" means transactions by the parent to the subsidiaries; "2" means transactions between subsidiaries.

(5) Information of major shareholders: List of all shareholders with ownership of 5% or greater showing the names and percentage of ownership held by each shareholder: None.

30. SEGMENT INFORMATION

(1) Segment Revenue, Operating Results and Total Assets and Liabilities of Segments

TUEC's chief operating decision makers periodically review operating results, used for resource allocation and performance assessment; the Company belongs to one operating

segment. The basis for the measurement of income from operations, assets and liabilities is the same as that for the preparation of consolidated financial statements. Therefore, segment revenue and operating results reported for the years ended December 31, 2023 and 2022 can refer to the consolidated statements of comprehensive income of the same period, and assets of segments reported at the end of the years 2023 and 2022 can refer to the consolidated balance sheets dated on December 31, 2023 and 2022

(2) Major Products and Service Revenue:

The major products and service revenue of the Company's ongoing business units are analyzed as follows:

	Years Ended December 31	
	2023	2022
Sales revenue	\$ 2,680,606	\$ 2,171,093
Processing revenue	979,709	1,123,596
	<u>\$ 3,660,315</u>	<u>\$ 3,294,689</u>

(3) Geographic Information:

The following table was made through classifying the countries, located by the customers outside the group, who generated the revenue to the Company's ongoing business units; and also, the non-current assets were classified by the countries to which the assets were allocated.

	Revenue from customers outside the group		Non-current Assets	
	Years Ended December 31		December 31	
	2023	2022	2023	2022
USA	\$ 1,871,185	\$ 1,494,719	\$ -	\$ -
China	1,246,455	1,047,172	107,365	114,728
Taiwan	542,675	752,798	546,671	482,354
	<u>\$ 3,660,315</u>	<u>\$ 3,294,689</u>	<u>\$ 654,036</u>	<u>\$ 597,082</u>

Non-current assets excluded non-current financial assets measured at amortized costs, guarantee deposits paid and deferred tax assets.

(4) Major Customers Information

The list of the customers who occupied 10% or more of the Company's net operating revenue is as follows:

Customer Name	Years Ended December 31	
	2023	2022
Customer A	\$ 2,461,210	\$ 1,747,030
Customer B	383,149	444,410

V. The Latest Annual Audited Financial Statements of the Company

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Top Union Electronics Corp.

Opinion

We have audited the accompanying parent company only financial statements of Top Union Electronics Corp. (hereinafter referred to as the “Company”), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's parent company only financial statements for the year ended December 31, 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.

Key audit matter for the Company's parent company only financial statements for the year ended December 31, 2023 is stated as follows:

Revenue Recognition

The net operating revenue of the Company for the year ended December 31, 2023 is in the amount of NT\$3,461,767 thousand, the revenue of which majorly depends on the business of PCB Assembly and Manufacturing, etc., bringing the significant effect on the parent company only financial statements. Please refer to Notes 4 and 19 to the parent company only financial statements for the relevant accounting policies and information on revenue recognition.

The Company's sales businesses are concentrated on the major customers. As there is risk in the authenticity of revenue recognition for the sales revenue from customers with specific growth compared with the revenue in 2022, revenue recognition has been listed as the key audit matter of the year.

We performed the following key audit procedures in respect of the above key audit matter:

1. Understand and examine the major internal control design on the process related to sales revenue and the execution effectiveness thereof.
2. Sample from the sales revenue list, check over the original orders, the signed delivery receipt or export declaration and Taiwan uniform invoice or commercial invoice, and verify the correspondence between the remittance proof slip reflecting to the actual amount received and the amount recognized on the revenue; for those whose accounts payable have not been received, check whether the relevant documents of the accounts are within the credit period.

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

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Shin-Tong Lin and Ming-Hui Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China
February 29, 2024

Financial-Supervisory-Securities-Auditing-1110348898

Taiwan-Finance-Securities-VI-0930128050

TOP UNION ELECTRONICS CORP.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

Code	ASSETS	December 31, 2023		December 31, 2022		Code	LIABILITIES AND EQUITY	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
	CURRENT ASSETS						CURRENT LIABILITIES				
1100	Cash and cash equivalents (Notes 4, 6 and 25)	\$ 929,335	28	\$ 509,134	16	2100	Short-term loans (Notes 4, 15, 25 and 27)	100,000	3	\$ 58,000	2
1136	Current financial assets at amortized cost (Notes 4, 7 and 25)	84,746	3	84,760	3	2130	Current contract liabilities (Notes 4 and 19)	149,124	5	167,343	5
1170	Accounts receivable, net (Notes 4, 5, 8, 19 and 25)	288,813	9	293,788	9	2170	Accounts payable (Note 25)	372,208	11	473,507	15
1180	Receivables from related parties (Notes 4, 5, 25 and 26)	34,317	1	6,562	-	2180	Payables to related parties (Notes 25 and 26)	18,227	1	43,775	1
130X	Inventories (Notes 4, 5 and 9)	719,534	22	1,111,639	35	2206	Accrued profit sharing bonus to employees and compensation to directors (Note 20)	35,378	1	36,788	1
1470	Other current assets (Note 14)	70,267	2	29,697	1	2230	Current income tax liabilities (Notes 4 and 21)	44,924	1	49,538	2
11XX	Total current assets	<u>2,127,012</u>	<u>65</u>	<u>2,035,580</u>	<u>64</u>	2280	Current lease liabilities (Notes 4, 12 and 25)	6,774	-	5,850	-
	NON-CURRENT ASSETS					2399	Other payables and other current liabilities (Notes 16 and 25)	<u>142,646</u>	<u>4</u>	<u>103,020</u>	<u>3</u>
1550	Investments accounted for using equity method (Notes 4 and 10)	613,942	18	649,034	21	21XX	Total current liabilities	<u>869,281</u>	<u>26</u>	<u>937,821</u>	<u>29</u>
1600	Property, plant and equipment (Notes 4, 11 and 27)	520,060	16	450,565	14		NON-CURRENT LIABILITIES				
1755	Right-of-use assets (Notes 4 and 12)	23,616	1	26,234	1	2570	Deferred income tax liabilities (Notes 4 and 21)	17,050	1	16,278	1
1780	Intangible assets (Notes 4 and 13)	2,995	-	4,599	-	2580	Non-current lease liabilities (Notes 4, 12 and 25)	17,073	1	20,469	1
1840	Deferred income tax assets (Notes 4 and 21)	7,730	-	7,716	-	2640	Net defined benefit liability (Notes 4 and 17)	8,808	-	13,521	-
1915	Prepayments for business facilities	-	-	956	-	2645	Guarantee deposits (Note 25)	<u>81,422</u>	<u>2</u>	<u>31,454</u>	<u>1</u>
1920	Refundable deposits (Notes 4 and 25)	<u>1,063</u>	<u>-</u>	<u>900</u>	<u>-</u>	25XX	Total non-current liabilities	<u>124,353</u>	<u>4</u>	<u>81,722</u>	<u>3</u>
15XX	Total non-current assets	<u>1,169,406</u>	<u>35</u>	<u>1,140,004</u>	<u>36</u>	2XXX	Total liabilities	<u>993,634</u>	<u>30</u>	<u>1,019,543</u>	<u>32</u>
							EQUITY (Notes 4, 18 and 23)				
							Share capital				
						3110	Common stock	<u>1,382,333</u>	<u>42</u>	<u>1,234,226</u>	<u>39</u>
						3200	Capital surplus	<u>257,983</u>	<u>8</u>	<u>257,983</u>	<u>8</u>
							Retained earnings				
						3310	Appropriated as legal capital reserve	231,475	7	198,419	6
						3350	Unappropriated earnings	<u>404,635</u>	<u>12</u>	<u>427,810</u>	<u>14</u>
						3300	Total retained earnings	<u>636,110</u>	<u>19</u>	<u>626,229</u>	<u>20</u>
						3400	Other equity interest	<u>26,358</u>	<u>1</u>	<u>37,603</u>	<u>1</u>
						3XXX	Total equity	<u>2,302,784</u>	<u>70</u>	<u>2,156,041</u>	<u>68</u>
1XXX	Total assets	<u>\$ 3,296,418</u>	<u>100</u>	<u>\$ 3,175,584</u>	<u>100</u>		Total liabilities and equity	<u>\$ 3,296,418</u>	<u>100</u>	<u>\$ 3,175,584</u>	<u>100</u>

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

Chairman: Vincent Tsuei

Managerial Officer: James Wang

Accounting Officer: Vicky Chou

TOP UNION ELECTRONICS CORP.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Code		Years Ended December 31			
		2023		2022	
		Amount	%	Amount	%
4000	OPERATING REVENUE (Notes 4, 19 and 26)	\$ 3,461,767	100	\$ 3,059,992	100
5000	OPERATING COSTS (Notes 4, 9, 17, 20 and 26)	<u>2,942,847</u>	<u>85</u>	<u>2,571,140</u>	<u>84</u>
5900	GROSS PROFIT	518,920	15	488,852	16
5910	REALIZED (UNREALIZED) GAIN (LOSS) FROM AFFILIATE ACCOUNTS	<u>856</u>	<u>-</u>	<u>(1,548)</u>	<u>-</u>
5950	REALIZED GROSS PROFIT	<u>519,776</u>	<u>15</u>	<u>487,304</u>	<u>16</u>
	OPERATING EXPENSES (Notes 4, 8, 17 and 20)				
6100	Sales and marketing	31,232	1	27,791	1
6200	General and administrative	96,646	3	93,660	3
6300	Research and development	22,469	-	21,276	1
6450	Gains on reversal of expected credit impairment losses	<u>(4,582)</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses	<u>145,765</u>	<u>4</u>	<u>142,727</u>	<u>5</u>
6900	INCOME FROM OPERATIONS	<u>374,011</u>	<u>11</u>	<u>344,577</u>	<u>11</u>
	NON-OPERATING INCOME AND EXPENSES (Note 20)				
7100	Interest income	21,956	1	1,708	-
7010	Other income	1,142	-	1,140	-
7020	Other gains and losses	8,519	-	9,955	-
7050	Finance costs	<u>(1,540)</u>	<u>-</u>	<u>(5,131)</u>	<u>-</u>
7070	Share of profit (loss) of subsidiaries accounted for using equity method	<u>(24,703)</u>	<u>(1)</u>	<u>54,195</u>	<u>2</u>
7000	Total non-operating income and expenses	<u>5,374</u>	<u>-</u>	<u>61,867</u>	<u>2</u>

(Continued)

(Continued)

Code		Years Ended December 31			
		2023		2022	
		Amount	%	Amount	%
7900	INCOME BEFORE INCOME TAX	\$ 379,385	11	\$ 406,444	13
7950	INCOME TAX EXPENSE (Notes 4 and 21)	<u>82,646</u>	<u>2</u>	<u>77,018</u>	<u>2</u>
8200	NET INCOME	<u>296,739</u>	<u>9</u>	<u>329,426</u>	<u>11</u>
	OTHER COMPREHENSIVE INCOME (Notes 4, 17 and 18)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit obligation	9,356	-	1,129	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences arising on translation of foreign operations	(<u>11,245</u>)	-	<u>8,137</u>	-
8300	Other comprehensive income, net of income tax	(<u>1,889</u>)	-	<u>9,266</u>	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 294,850</u>	<u>9</u>	<u>\$ 338,692</u>	<u>11</u>
	EARNINGS PER SHARE (NT\$, Note 22)				
9750	Basic earnings per share	<u>\$ 2.15</u>		<u>\$ 2.38</u>	
9850	Diluted earnings per share	<u>\$ 2.13</u>		<u>\$ 2.36</u>	

(Concluded)

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

Chairman: Vincent Tsuei Managerial Officer: James Wang Accounting Officer: Vicky Chou

TOP UNION ELECTRONICS CORP.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

Code		Share Capital – Common Stock		Capital Surplus	Retained Earnings		Other Equity Interest	Total Equity
		Shares (In Thousands)	Amount		Legal Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	
A1	BALANCE, JANUARY 1, 2022	102,360	\$ 1,023,598	\$ 138,283	\$ 182,652	\$ 254,278	\$ 29,466	\$ 1,628,277
	Appropriations of 2021 retained earnings							
B1	Legal capital reserve	-	-	-	15,767	(15,767)	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	(70,628)	-	(70,628)
B9	Stock dividends to the Company's shareholders	7,063	70,628	-	-	(70,628)	-	-
D1	Net income in 2022	-	-	-	-	329,426	-	329,426
D3	Other comprehensive income in 2022, net of income tax	-	-	-	-	1,129	8,137	9,266
D5	Total comprehensive income in 2022	-	-	-	-	330,555	8,137	338,692
N1	Share-based compensation	-	-	7,700	-	-	-	7,700
E1	Seasoned equity offerings	14,000	140,000	112,000	-	-	-	252,000
Z1	BALANCE, DECEMBER 31, 2022	123,423	1,234,226	257,983	198,419	427,810	37,603	2,156,041
	Appropriations of 2022 retained earnings							
B1	Legal capital reserve	-	-	-	33,056	(33,056)	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	(148,107)	-	(148,107)
B9	Stock dividends to the Company's shareholders	14,810	148,107	-	-	(148,107)	-	-
D1	Net income in 2023	-	-	-	-	296,739	-	296,739
D3	Other comprehensive income in 2023, net of income tax	-	-	-	-	9,356	(11,245)	(1,889)
D5	Total comprehensive income in 2023	-	-	-	-	306,095	(11,245)	294,850
Z1	BALANCE, DECEMBER 31, 2023	138,233	\$ 1,382,333	\$ 257,983	\$ 231,475	\$ 404,635	\$ 26,358	\$ 2,302,784

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

Chairman: Vincent Tsuei

Managerial Officer: James Wang

Accounting Officer: Vicky Chou

TOP UNION ELECTRONICS CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Income before income tax	\$ 379,385	\$ 406,444
A20000	Adjustments to reconcile profit (loss):		
A20100	Depreciation expense	84,115	77,395
A20200	Amortization expense	2,303	3,086
A20300	Gains on reversal of expected credit impairment losses	(4,582)	-
A20900	Finance costs	1,540	5,131
A21200	Interest income	(21,956)	(1,708)
A21900	Share-based compensation	-	7,700
A22400	Share of loss (gain) of subsidiaries accounted for using equity method	24,703	(54,195)
A20400	Gains on financial assets at fair value through profit or loss	-	(908)
A22500	Loss (gain) on disposal of property, plant and equipment, net	(4,608)	103
A23700	Loss for market price decline and obsolete and slow-moving inventories (reversal gain)	(6,028)	8,218
A23900	Unrealized (realized) gain from inter-affiliate accounts	(856)	1,548
A24100	Loss (gain) on foreign exchange, net	24,469	(14,387)
A30000	Changes in operating assets and liabilities		
A31150	Accounts receivable	1,535	141,900
A31160	Receivables from related parties	(27,755)	(4,568)
A31200	Inventories	398,133	60,445
A31240	Other current assets	(39,683)	19,757
A32125	Contract liabilities	(18,219)	64,888
A32150	Accounts payable	(97,739)	(99,871)
A32160	Payables to related parties	(25,548)	(1,094)
A32180	Accrued profit sharing bonus to employees and compensation to directors	(1,410)	18,613
A32230	Accrued expenses and other current liabilities	39,509	6,960
A32240	Net defined benefit liability	<u>4,643</u>	<u>(14,706)</u>
A33000	Cash generated from operations	711,951	630,751
A33100	Interest received	\$ 21,069	\$ 1,152
A33300	Interest paid	(1,514)	(5,231)
A33500	Income tax paid	<u>(86,502)</u>	<u>(35,374)</u>
AAAA	Net cash generated by operating activities	<u>645,004</u>	<u>591,298</u>

(Continued)

(Continued)

Code		2023	2022
	CASH FLOWS FROM INVESTING		
	ACTIVITIES		
B00040	Acquisition of financial assets at amortized cost	(84,746)	-
B00050	Disposal of financial assets at amortized cost	80,013	-
B00100	Acquisition of financial assets at fair value through profit or loss	-	(10,000)
B00200	Sale of financial assets at fair value through profit or loss	-	10,908
B02700	Acquisition of property, plant and equipment	(146,243)	(22,573)
B02800	Proceeds from disposal of property, plant and equipment	4,969	-
B03800	Refundable deposits refunded	(163)	(884)
B04500	Acquisition of intangible assets	(699)	(6,264)
BBBB	Net cash used in investing activities	(<u>146,869</u>)	(<u>28,813</u>)
	CASH FLOWS FROM FINANCING		
	ACTIVITIES		
C00100	Increase in short-term loans	255,000	1,048,000
C00200	Decrease in short-term loans	(213,000)	(1,390,000)
C03000	Increase in guarantee deposits received	49,968	22,186
C04020	Repayment of the principal portion of lease liabilities	(6,535)	(2,093)
C04500	Cash dividends paid	(148,107)	(70,628)
C04600	Seasoned equity offerings	<u>-</u>	<u>252,000</u>
CCCC	Net cash generated by (used in) financing activities	(<u>62,674</u>)	(<u>140,535</u>)
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(<u>15,260</u>)	<u>333</u>
EEEE	NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	420,201	422,283
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>509,134</u>	<u>86,851</u>
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 929,335</u>	<u>\$ 509,134</u>

(Concluded)

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

Chairman: Vincent Tsuei Managerial Officer: James Wang Accounting Officer: Vicky Chou

Top Union Electronics Corp.
Notes to Parent Company Only Financial Statements
Years Ended December 31, 2023 and 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Top Union Electronics Corp. (hereinafter referred to as the “Company”), a Taiwan-based company, was established on February 15, 1990, starting business operation in August of the same year. TUEC is principally engaged in the design, manufacture and technical support of electronic products and communication equipment, as well as providing surface mount technology (SMT) services, processing and international trade business. TUEC’s stocks have been traded on the over-the-counter (OTC) market on the Taipei Exchange since April 2004.

The accompanying parent company only financial statements are expressed in the Company’s functional currency, New Taiwan Dollars.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were authorized for issuance by the Board of Directors on February 29, 2024.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the accounting policies of the Company.

(2) The IFRSs endorsed by the FSC with effective date starting 2024

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above new, amended, or revised IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16

Note 3: Part of the disclosure regulations is exempt at first-time adoption of the modification.

As of the date the accompanying parent company only financial statements were authorized for issuance, the above standards and interpretations have no significant impact on the Company's financial position and financial performance based on the Company's assessment.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 17 "Insurance Contract"	January 1, 2023
Amendments to IFRS 17	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 (Note 2)

Note 1: Unless stated otherwise, the above new, amended or revised IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendments apply to annual reporting periods beginning on or after 1 January 2025. The Company shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings. When the consolidated company uses a presentation currency other than its functional currency, the Company shall recognize any effect of initially applying the amendments as an adjustment to the exchange differences in the conversion of the financial statements of foreign operations under equity at the first-adoption date.

As of the date the accompanying parent company only financial statements were authorized for issuance, the Company continues evaluating the impact on its financial position and financial performance from the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes its evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of Preparation

The accompanying parent company only financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair value, and net defined benefit liabilities, which are measured from present value of a defined benefit obligation less plan assets recognized at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the

significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable for the asset or liability.

When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to agree with the amount of net income from the current year, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted from the items related to equity under the headings of “investments accounted for using equity method” and “share of subsidiaries accounted for using equity method” in the parent company only financial statements.

(3) Standard in determining whether the assets or liabilities are current or non-current

Current assets include:

- a. Assets held mainly for transaction purposes;
- b. Assets to be realized within 12 months after the balance sheet date; and
- c. Cash and cash equivalents (unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the balance sheet date).

Current liabilities include:

- a. Liabilities held mainly for transaction purposes;
- b. Liabilities to be settled when due within 12 months after the balance sheet date; and
- c. Liabilities for which the settlement date cannot be extended unconditionally to at least 12 months after the balance sheet date.

Assets or liabilities not meeting the above criteria are classified as non-current assets or non-current liabilities.

(4) Foreign Currencies

When preparing financial statements, the Company prepares records in a currency other than the functional currency of the Company (i.e. foreign currencies) and converts them to the functional currency based on the exchange rate on the transaction date.

Monetary items denominated in foreign currencies are translated at the closing rate on each balance sheet date. Exchange differences arising from the settlement of monetary items or the translation of monetary items are recognized in profit or loss in the year in which they occur.

Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate on the date the fair value was determined. The resulting exchange

differences are recognized in profit or loss, except for those recognized in other comprehensive income when fair value changes are recognized in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rate prevailing on the transaction date and are not retranslated.

(5) Inventories

Inventories consist of raw materials, finished goods and work in process. Inventories are measured at the lower of cost or net realizable value. Comparisons between cost and net realizable value are made on an item-by-item basis, except for inventories of the same type. Net realizable value is the selling price estimated under normal circumstances less estimated costs to complete the process and estimated costs to complete the sale. The cost of inventories is calculated by using the weighted-average method.

(6) Investment in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity over which the Company has control.

Under the equity method, the original investment is recognized at cost, and the carrying amount of the investment after acquisition is increased or decreased by the Company's share of the profit or loss of the subsidiary and other comprehensive income (loss) and profit distribution. In addition, changes in the Company's share of other equity in a subsidiary are recognized in proportion to the Company's ownership.

The Company assesses impairment by comparing the recoverable amount of a cash-generating unit with its carrying amount using the financial statements as a whole. If the recoverable amount of an asset subsequently increases, a reversal of the impairment loss is recognized as a gain, provided that the carrying amount of the asset, after the reversal of the impairment loss does not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset, net of amortization.

Unrealized gains or losses on downstream transactions with subsidiaries are eliminated in the parent company only financial statements. Gains or losses arising from counter-current and side-stream transactions with subsidiaries are recognized in the parent company only financial statements only to the extent that they are not related to the Company's interest in the subsidiary.

(7) Property, Plant and Equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component. The Company reviews the estimated useful lives, residual values and depreciation methods at least at the end of each fiscal year, and applies the effects on changes in accounting estimates prospectively.

When property, plant and equipment are derecognized, the difference between the net disposal price and the carrying amount of the asset is recognized in profit or loss.

(8) Intangible Assets

a. Separately Acquired

Intangible assets acquired separately with finite useful lives are measured initially at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their useful lives, and the Company reviews the estimated useful lives, residual values and amortization methods at least at the end of each fiscal year, and applies the effects on changes in accounting estimates prospectively.

b. Derecognition

When an intangible asset is derecognized, the difference between the net disposal price and the carrying amount of the asset is recognized in profit or loss in the year in which it occurs.

(9) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may have been impaired. If any indication of impairment exists, the recoverable amount of the asset is estimated. Where the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less costs to sell and its value in use. If the recoverable amount of an asset or cash -generating unit is less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount (net of amortization or depreciation) that had been determined but had no impairment loss be recognized for the asset or cash-generating unit in prior years. Reversals of impairment losses are recognized in profit or loss.

(10) Financial Instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheet when the Company becomes a party to the contractual provisions of the instrument.

When the financial assets and financial liabilities are recognized initially, financial assets or financial liabilities, which are not measured at fair value through profit or loss, are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial Assets

Regular transactions of financial assets are recognized and derecognized by using trade date accounting.

a-1. Type of Measurement

The type of financial assets held by the Company is financial assets measured at amortized cost.

The Company's investments in financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

a-1-1. They are held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

a-1-2. The contractual terms give rise to cash flows on a specific date that are solely payments of principal and interest on the principal amount circulated outside.

Financial assets measured at amortized cost (including cash and cash equivalents, restricted deposit, accounts receivable measured at amortized cost (including related parties) and guarantee deposits paid) are measured at their total carrying amount determined by using the effective interest rate method less amortized cost of any impairment loss, and any foreign currency exchange gain or loss is recognized in profit or loss after initial recognition.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial asset.

Cash equivalents include time deposits that are highly liquid, readily convertible into fixed amounts of cash and subject to a low risk of change in value within 3 months from the date of acquisition, and are used to meet short-term cash commitments.

a-2. Impairment of Financial Assets

The Company assesses impairment losses on financial assets at amortized cost (including accounts receivable) at each balance sheet date based on expected credit losses.

Accounts receivables are recognized as an allowance for expected credit losses over the period of continuation.

Expected credit losses are the weighted-average credit losses weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from possible defaults of the financial instrument within 12 months after the reporting date, and the lifetime expected credit loss represents the expected credit loss arising from all possible defaults of the financial instrument during the expected life of the financial instrument.

All impairment losses on financial assets are reversed by reducing the carrying amount through an allowance account.

a-3. Derecognition of Financial Assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets have lapsed, or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

b. Equity Instruments

Debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Company are recognized at the acquisition price less direct issuance costs.

If the Company reacquires its own equity instruments, those instruments are recognized and deducted from equity. Purchase, sale, issuance or cancellation of the Company's own equity instruments is not recognized in profit or loss.

c. Financial Liabilities

c-1. Subsequent Measurement

Financial liabilities of the Company are measured at amortized cost by using the effective interest rate method.

c-2. Derecognition of Financial Liabilities

On derecognition of a financial liability, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(11) Provisions

The amount recognized as a provision is the best estimate of the consideration required to settle the obligation on the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. A provision is the carrying amount measured at the present value of the cash flows estimated to settle the obligation.

(12) Revenue Recognition

After the Company has identified performance obligations in customer contracts, the transaction price is apportioned to each performance obligation, and revenue is recognized when each performance obligation is satisfied.

a. Merchandise Sales Revenue

Merchandise sales revenue is generated from the sales of electronic products. The Company recognizes the revenue and accounts receivable based on the point of time, at which merchandise arrives at/departs from the designated places bound from the different conditions and terms shown on the customer contracts; at the same point of time, customers have rights to determine the prices and rights of use of the merchandise, as well as bearing the main responsibility for reselling the merchandise and the risk of the merchandise turning into obsolescence. Advance receipts for merchandise are recognized as contract liabilities prior to arrival time of the shipped merchandise.

During the machining process to remove the materials from the parts, the control of the ownership of such work in process is not transferred yet, which is not recognized in the revenue.

b. Service Revenue

Service revenue is recognized when the performance obligation is satisfied.

(13) Leases

The Company assesses whether a contract is (or contains) a lease at the contract inception date.

When the Company is as lessee, leases are recognized as right-of-use assets and lease liabilities at the lease commencement date, except for leases of low-value subject assets and short-term leases to which recognition exemptions apply, for which lease payments are recognized as expenses on a straight-line basis over the lease term.

The right-of-use assets are measured initially at cost (including the original measurement of the lease liabilities) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, adjusted for the remeasurement of the lease liabilities. The right-of-use assets are presented separately in the parent company only balance sheet.

The right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life or the end of the lease term.

The lease liabilities are measured initially at the present value of the lease payments (including fixed payment). If the interest rate implied by the lease is readily determinable, the lease payments are discounted by using that rate. If the interest rate is not readily determinable, the lessee's incremental borrowing rate is used.

Subsequently, the lease liabilities are measured on an amortized cost basis using the effective interest rate method and the interest expense is allocated over the lease term. The Company remeasures the lease liabilities and adjusts the right-of-use assets accordingly, except that if the carrying amount of the right-of-use assets is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. The lease liabilities are presented separately in the parent company only balance sheet.

(14) Borrowing Costs

All borrowing costs are recognized in profit and loss in the year in which they occur.

(15) Employee Benefits

a. Short-term Employee Benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

b. Retirement Benefits

Payments to the defined contribution retirement benefit plans are recognized as an expense when the employees have rendered service entitling them to the contribution.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined retirement benefit plans are determined by using the Projected Unit Credit Method. Current service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement (comprising actuarial gains and losses and the return on plan assets excluding interest) is recognized in other comprehensive income in the period in which they occur, as well as being reflected immediately in retained earnings, which afterwards will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company's defined retirement benefit plans.

(16) Share-based Payment Arrangements - Employee Share Options

Employee share options are recognized in the expense on a straight-line basis over the vesting period, based on the fair value at the grant date of equity instrument and the Company's best estimate of the number expected to ultimately vest, with a corresponding increase in capital surplus - employee share options, among which if those are immediately vested on the grant date, they are recognized in the expense on the date. The Company conducts seasoned equity offerings reserved for employees to subscribe, and the date of approval by the board of directors is the grant date.

On each balance sheet date, the Company revises its estimate of the number of employee share options that are expected to vest. The impact from such revision is recognized in profit or loss so that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

(17) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current Tax

Income tax on unappropriated earnings, which is calculated in accordance with the Income Tax Act of Taiwan, is recognized in the year in which the shareholders' meeting resolves.

Adjustments to the prior years' income tax payable are included in the current tax.

b. Deferred Tax

Deferred tax is from calculating temporary differences between the carrying amounts of assets and liabilities in the parent company only financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences associated with such investments are only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future, which can be recognized as the deferred tax assets.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets originally not recognized is also reviewed on each balance sheet date and their carrying amounts are increased to the extent that it is probable that taxable profits will be generated to allow all or part of the deferred tax asset to be recovered.

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

c. Current and Deferred Tax for the Year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In adopting accounting policies, the Company's management is required to make judgments, estimation and assumptions that are based on historical experience and other relevant factors where relevant information is not readily available from other sources. Actual results may differ from those estimates.

The Company's management will continue to review the estimates and underlying assumptions. Revisions will be made to the recognition listed in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and also future years if the revision affects both current and future years.

Key Sources of Estimation and Uncertainty

a. Estimated Impairment of Financial Assets

The provision for estimated impairment of accounts receivables is based on the Company's assumptions about risk of default and loss rates of default. The Company uses judgement in making these assumptions and in selecting the inputs to the estimated impairment calculation, based on the Company's historical experience. Please refer to Note 8 for the adoption of the important assumptions and the inputs. Where the actual future cash flows are less than the Company's expectation, a significant impairment loss may arise.

b. Impairment of Inventories

Net realizable value of inventories is, under the normal operation process, the estimated selling price of inventories less all estimated costs of completion and estimated costs necessary to make the sale, the estimation of which is based on the current market status and the historical sales experience judged for the similar products. Changes of market status may significantly affect the result from that estimation.

6. CASH AND CASH EQUIUTVALENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on Hand and Working Capital	\$ 30	\$ 30
Bank Checks and Demand Deposits	260,845	509,104
Cash Equivalents	668,460	-
Bank Time Deposits	<u>\$929,335</u>	<u>\$509,134</u>

Interest rate ranges for bank deposits on the balance sheet date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank Deposits	0.001%~4.800%	0.001%~1.050%

7. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Restricted Bank Deposits (Note)	<u>\$ 84,746</u>	<u>\$ 84,760</u>

Note The Company followed the regulations named "Regulations on Industries Investment from Repatriated Offshore Funds" and obtained approval from National Taxation Bureau, Ministry of Finance, which allowed the Company to repatriate funds 3,000,000 U.S. Dollars from overseas; and also, an investment plan is required to be submitted to the Ministry of Economic Affairs, R.O.C. Based on the regulations, the repatriated funds shall only be used to invest according to the approved plan without withdrawing the funds for other purposes outside the approved plan. As of December 31, 2023 and 2022, the interest rate ranges from 4.60%~5.00% and 2.65%, respectively.

8. ACCOUNTS RECEIVABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts Receivable</u>		
At Amortized Cost		
Gross Carrying Amount	\$290,813	\$300,370
Less: Loss Allowance	(<u>2,000</u>)	(<u>6,582</u>)
	<u>\$288,813</u>	<u>\$293,788</u>

The average credit period for the Company's merchandise sales ranges from 30 to 60 days, and accounts receivables are not interest-bearing. The policy of conducting transactions adopted by the Company is to trade with the counterparties who have certain good level ratings. Credit rating information is to use publicly available financial information and trading history records to rate major customers. The credit exposure and the credit ratings of the counterparties are continuously monitored by the Company, and the aggregate value of transactions disperses to different customers with the qualified credit ratings. Moreover, credit exposure is controlled by the counterparties' credit ratings that are periodically reviewed and approved by the Company.

The Company recognizes loss allowance of accounts receivables at an amount equal to lifetime expected credit losses (ECLs). The lifetime ECLs uses the provision matrix computation with reference to past default records and current financial position of customers, general economic conditions of the industry, as well as consideration to industrial prospects. Because the Company's historical credit losses experience indicates that the loss pattern amongst different customer segments does not show outstanding differences, the customer segments are not to be further differentiated by the provision matrix, but only the ratio of ECLs are determined by overdue days of accounts receivables.

The following table details the loss allowance of accounts receivables based on the provision matrix:

December 31, 2023

	<u>Not Past Due</u>	<u>Due in 1~60 Days</u>	<u>Due in 61~90 Days</u>	<u>Due in 91~120 Days</u>	<u>Due in More than 121 Days</u>	<u>Total</u>
Gross Carrying						
Amount	\$ 284,976	\$ 5,837	\$ -	\$ -	\$ -	\$ 290,813
Loss Allowance						
(Lifetime ECLs)	(<u>1,021</u>)	(<u>979</u>)	-	-	-	(<u>2,000</u>)
Amortized Cost	<u>\$ 283,955</u>	<u>\$ 4,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 288,813</u>

December 31, 2022

	<u>Not Past Due</u>	<u>Due in 1~60 Days</u>	<u>Due in 61~90 Days</u>	<u>Due in 91~120 Days</u>	<u>Due in More than 121 Days</u>	<u>Total</u>
Gross Carrying						
Amount	\$ 295,515	\$ 4,855	\$ -	\$ -	\$ -	\$ 300,370
Loss Allowance						
(Lifetime ECLs)	(<u>1,727</u>)	(<u>4,855</u>)	-	-	-	(<u>6,582</u>)
Amortized Cost	<u>\$ 293,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,788</u>

Information on the changes in loss allowance for accounts receivables is as follows:

	Years Ended December 31	
	2023	2022
Balance at the Beginning of Year	\$ 6,582	\$ 6,582
Less: Reversal of Impairment		
Losses for the Year	(4,582)	-
Balance at the End of Year	<u>\$ 2,000</u>	<u>\$ 6,582</u>

9. INVENTORIES

	December 31, 2023	December 31, 2022
Finished Goods	\$ 26,743	\$ 27,651
Work in Process	71,855	131,551
Raw Materials	620,936	952,437
	<u>\$ 719,534</u>	<u>\$ 1,111,639</u>

Cost of sales related to inventories for 2023 and 2022 is \$2,942,847 thousand and \$2,571,140 thousand, respectively. Cost of sales included allowance for inventory valuation and obsolescence loss (reversal gain) of \$(6,028) thousand and \$8,218 thousand.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2023	December 31, 2022
Investment in subsidiaries		
ALLIED ORIENTAL		
INTERNATIONAL LTD.		
(ORIENTAL)	<u>\$613,942</u>	<u>\$649,034</u>
	<u>Percentage of Shareholding and Voting Right</u>	
Subsidiaries	December 31, 2023	December 31, 2022
ORIENTAL	100%	100%

The profit or loss and other comprehensive income for the years ended December 31, 2023 and 2022 of the subsidiaries using equity method were recognized according to their financial statements audited by auditors during the same period.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Structures	Machinery and Equipment	Transport Equipment	Wealth Generating Equipment	Other Equipment	Total
<u>Cost</u>							
January1,2023- Balance	\$ 80,113	\$ 399,056	\$ 459,819	\$ 18,700	\$ 19,353	\$ 23,657	\$ 1,000,698
Additions	-	55,466	87,874	1,481	1,674	704	147,199
Disposals	-	-	(34,759)	(4,848)	(273)	(771)	(40,651)
December31,2023- Balance	<u>\$ 80,113</u>	<u>\$ 454,522</u>	<u>\$ 512,934</u>	<u>\$ 15,333</u>	<u>\$ 20,754</u>	<u>\$ 23,590</u>	<u>\$ 1,107,246</u>
<u>Accumulated Depreciation</u>							
January1,2023- Balance	\$ -	\$ 182,342	\$ 323,118	\$ 11,530	\$ 15,970	\$ 17,173	\$ 550,133
Depreciation expenses	-	13,887	57,363	2,190	1,643	2,260	77,343
Disposals	-	-	(34,677)	(4,848)	(261)	(504)	(40,290)
December31,2023- Balance	<u>\$ -</u>	<u>\$ 196,229</u>	<u>\$ 345,804</u>	<u>\$ 8,872</u>	<u>\$ 17,352</u>	<u>\$ 18,929</u>	<u>\$ 587,186</u>
December31,2023- Net	<u>\$ 80,113</u>	<u>\$ 258,293</u>	<u>\$ 167,130</u>	<u>\$ 6,461</u>	<u>\$ 3,402</u>	<u>\$ 4,661</u>	<u>\$ 520,060</u>
<u>Cost</u>							
January1,2022- Balance	\$ 80,113	\$ 399,056	\$ 456,917	\$ 13,838	\$ 18,577	\$ 23,927	\$ 992,428
Additions	-	-	3,402	4,862	952	-	9,216
Disposals	-	-	(500)	-	(176)	(270)	(946)
December31,2022- Balance	<u>\$ 80,113</u>	<u>\$ 399,056</u>	<u>\$ 459,819</u>	<u>\$ 18,700</u>	<u>\$ 19,353</u>	<u>\$ 23,657</u>	<u>\$ 1,000,698</u>
<u>Accumulated Depreciation</u>							
January1,2022- Balance	\$ -	\$ 166,678	\$ 271,098	\$ 9,849	\$ 13,526	\$ 14,939	\$ 476,090
Depreciation expenses	-	15,664	52,520	1,681	2,618	2,403	74,886
Disposals	-	-	(500)	-	(174)	(169)	(843)
December31,2022- Balance	<u>\$ -</u>	<u>\$ 182,342</u>	<u>\$ 323,118</u>	<u>\$ 11,530</u>	<u>\$ 15,970</u>	<u>\$ 17,173</u>	<u>\$ 550,133</u>

December 31, 2022 - Net \$ 80,113 \$ 216,714 \$ 136,701 \$ 7,170 \$ 3,383 \$ 6,484 \$ 450,565

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	10 – 35 Years
Machinery and Equipment	6 Years
Transport Equipment	6 Years
Wealth Generating Equipment	4 – 6 Years
Other Equipment	6 Years

The Company's property, plant and equipment are all for self-use. For the amount of property, plant and equipment pledged by the Company for loan facilities, please refer to Note 27.

12. LEASE ARRANGEMENTS

(1) Right-of-use Assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying Amounts		
Buildings	\$ 21,996	\$ 23,847
Wealth Generating Equipment	<u>1,620</u>	<u>2,387</u>
	<u>\$ 23,616</u>	<u>\$ 26,234</u>
	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Additions to Right-of-use Assets	<u>\$ 4,154</u>	<u>\$ 25,582</u>
Depreciation of Right-of-use Assets		
Buildings	\$ 6,005	\$ 1,735
Wealth Generating Equipment	<u>767</u>	<u>774</u>
	<u>\$ 6,772</u>	<u>\$ 2,509</u>

Except for the above expenses recognized to the items of additions and depreciation, there were no significant sublease and impairment happening to the Company's right-of-use assets for the years ended December 31, 2023 and 2022.

(2) Lease Liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying Amounts		
Current Portion	<u>\$ 6,774</u>	<u>\$ 5,850</u>
Non-current Portion	<u>\$ 17,073</u>	<u>\$ 20,469</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.43%~1.90%	1.43%~1.65%
Wealth Generating Equipment	0.99%~1.16%	0.99%~1.16%

(3) Significant Leasing Activities and Terms

The Company leased houses and dormitories from individuals in the form of operating lease, and the lease period is 4~5 years. When the contractual lease period is terminated, the Company has no preferential purchase rights for the houses and dormitories previously leased.

(4) Other Lease Information

	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Expenses Relating to Short-term Leases	<u>\$ 21</u>	<u>\$ 39</u>
Total Cash Outflow for Leases	<u>\$ 6,962</u>	<u>\$ 2,286</u>

The Company leases the wealth generating equipment that is classified as a short-term lease, applicable for using recognition exemption, the lease of which is not to be recognized as the relevant right-of-use assets and lease liabilities.

13. INTANGIBLE ASSETS

	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Cost</u>		
Balance at the beginning of year	\$ 25,622	\$ 19,358
Acquisition	<u>699</u>	<u>6,264</u>
Balance at the end of year	<u>26,321</u>	<u>25,622</u>
<u>Accumulated amortization</u>		
Balance at the beginning of year	21,023	17,937
Amortization expenses	<u>2,303</u>	<u>3,086</u>
Balance at the end of year	<u>23,326</u>	<u>21,023</u>
Net amount	<u>\$ 2,995</u>	<u>\$ 4,599</u>

Amortization expenses are calculated on a straight-line basis over the item with its estimated useful life as follows:

Software	3 Years
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14. OTHER CURRENT ASSETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Offset Against Business Tax Payable	\$ 28,371	\$ -
Business Tax Receivable Refund	19,959	7,913
Temporary Debits	5,609	9,638
Prepayments to Suppliers	3,020	615
Others	<u>13,308</u>	<u>11,531</u>
	<u>\$ 70,267</u>	<u>\$ 29,697</u>

15. SHORT-TERM BORROWINGS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unsecured Borrowings</u>		
Bank Loans	<u>\$100,000</u>	<u>\$ 58,000</u>

The interest rates on revolving bank loans were 1.65%~2.11% and 1.835%~1.950% as of December 31, 2023 and 2022, respectively.

16. OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payable for salaries or bonuses	\$ 59,805	\$ 56,729
Temporary credits and Receipts under custody	42,599	5,860
Others	<u>40,242</u>	<u>40,431</u>
	<u>\$142,646</u>	<u>\$103,020</u>

17. RETIREMENT BENEFIT PLANS

(1) Defined Contribution Plans

The Company adopted the pension plan under the “Labor Pension Act (LPA)”, which is a government-managing defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension account at 6% of monthly salaries and wages.

(2) Defined Benefit Plans

The Company handles the pension plan based on the R.O.C. “Labor Standards Law”, which is a government-managing defined retirement benefit plan. Pension amounts paid to retired employees is calculated based on years of service and average monthly salary for the 6 months prior to the approved retirement date. The Company contributes a pension for an employee by 3.5% of his/her total monthly salary as the labor pension reserve funds, which shall be deposited in the pension fund account of Bank of Taiwan, set up in the name of the labor pension reserve supervision committee of the business entity. When the balance in the pension fund account, checked prior to the year end, is insufficient to pay the pensions to the labors who will be expected to reach their retirement requirements before the next year end, the difference contributed to the account shall be fully made up at a time before the end of next March. The aforesaid pension fund account is entrusted to the Bureau of Labor Funds, Ministry of Labor with management, in which the Company has no rights to influence the investment policies and strategies.

The amounts of the defined benefit plans are recognized in the parent company only balance sheets as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of the defined benefit obligations	\$ 57,869	\$ 61,883
Fair value of plan assets	(49,061)	(48,362)
Net defined benefit liabilities	<u>\$ 8,808</u>	<u>\$ 13,521</u>

Movements in net defined benefit liability are as follows:

	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2023	<u>\$ 61,883</u>	<u>(\$ 48,362)</u>	<u>\$ 13,521</u>
Service cost			
Current service cost	281	-	281
Past service cost	5,778	-	5,778
Interest expense (income)	<u>851</u>	<u>(672)</u>	<u>179</u>
Recognized in profit or loss	<u>6,910</u>	<u>(672)</u>	<u>6,238</u>
Remeasurements			
Actuarial gain arising from changes in financial assumptions	200	-	200
Actuarial gain arising from experience adjustments	<u>(9,228)</u>	<u>(328)</u>	<u>(9,556)</u>
Recognized in other comprehensive income	<u>(9,028)</u>	<u>(328)</u>	<u>(9,356)</u>
Contributions from employer	<u>-</u>	<u>(1,595)</u>	<u>(1,595)</u>
Benefits paid	<u>(1,896)</u>	<u>1,896</u>	<u>-</u>
December 31, 2023	<u>\$ 57,869</u>	<u>(\$ 49,061)</u>	<u>\$ 8,808</u>

	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2022	<u>\$ 64,176</u>	<u>(\$ 34,820)</u>	<u>\$ 29,356</u>
Service cost			
Current service cost	368	-	368
Interest expense (income)	<u>401</u>	<u>(251)</u>	<u>150</u>
Recognized in profit or loss	<u>769</u>	<u>(251)</u>	<u>518</u>
Remeasurements			
Actuarial gain arising from changes in financial assumptions	(114)	-	(114)
Actuarial loss (gain) arising from experience adjustments	<u>2,323</u>	<u>(3,338)</u>	<u>(1,015)</u>
Recognized in other comprehensive income	<u>2,209</u>	<u>(3,338)</u>	<u>(1,129)</u>
Contributions from employer	<u>-</u>	<u>(15,224)</u>	<u>(15,224)</u>
Benefits paid	<u>(5,271)</u>	<u>5,271</u>	<u>-</u>
December 31, 2022	<u>\$ 61,883</u>	<u>(\$ 48,362)</u>	<u>\$ 13,521</u>

The amounts of the defined benefit plans recognized in profit or loss are classified according to their function by the following categories:

	Years Ended December 31	
	2023	2022
Operating cost	\$ 353	\$ 395
Marketing expenses	27	28
General and administrative expenses	5,834	65
Research and development expenses	24	30
	<u>\$ 6,238</u>	<u>\$ 518</u>

Through the defined benefit plans under the R.O.C. “Labor Standards Law”, the Company is exposed to the following risks:

- a. Investment risk: The pension funds are invested in domestic/foreign equity and debt securities, bank deposits, etc. by the methods of its own discretion and commissioned operations of the Bureau of Labor Funds, Ministry of Labor. However, the earnings appropriated from the plan assets of the Company shall not be less than the average interest rate on a two-year time deposit published by the local banks.
- b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation, but the return on the debt investments of the plan assets will also increase accordingly, which brings the effect of partially offsetting the net defined benefit liabilities.
- c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the Company’s present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the measurement date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.34%	1.38%
Forecasted salary increase rate	2.75%	2.75%

When the possible changes in the principal assumptions of the actuarial valuations reasonably happen respectively, based on the circumstances of all other assumptions kept the same, the increased (decreased) amounts in the present value of the defined benefit obligation will be as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase 0.50%	(<u>\$ 2,746</u>)	(<u>\$ 2,658</u>)
Decrease 0.50%	<u>\$ 2,983</u>	<u>\$ 2,847</u>
Forecasted salary increase rate		
Increase 0.50%	<u>\$ 2,889</u>	<u>\$ 2,754</u>
Decrease 0.50%	(<u>\$ 2,688</u>)	(<u>\$ 2,599</u>)

Since assumptions of actuarial valuations are possibly correlated with one another, the possibility of changes in only one assumption is small. Therefore, the above sensitivity

analyses are possibly unable to reflect the actual status of the changes in the present value of the defined benefit obligation.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Forecasted amount contributed within one year	<u>\$ 1,808</u>	<u>\$ 1,031</u>
Average due-period of defined benefit obligation	16.5 Years	8.9 Years

18. EQUITY

(1) Capital Stock

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized shares (in thousands)	<u>180,000</u>	<u>180,000</u>
Authorized capital	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Issued shares which are fully paid (in thousands)	<u>138,233</u>	<u>123,423</u>
Issued capital	<u>\$ 1,382,333</u>	<u>\$ 1,234,226</u>

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

The authorized shares include 3,800 thousand shares allocated for the exercise of employee stock options.

On May 19, 2023 and May 20, 2022, the stock dividends were distributed by the Company in a total of NT\$148,107 thousand and NT\$70,628 thousand respectively according to the resolution of the shareholders' meeting, and took effect through the corresponding registration approved by Financial Supervision Commission Securities and Futures Bureau; then the dates of June 26, 2023 and June 26, 2022 were determined respectively to be the reference date of ex-rights in accordance with the resolution of the board of directors.

On August 4, 2022, the Company issued the stocks in a total of 14,000 thousand shares, with a par value of NT\$10 per share at premium by NT\$18 per share issuance, as the seasoned equity offerings resolved by the board of directors. After the capital increased, the actual paid-in share capital was NT\$1,234,226 thousand. The project of the aforementioned seasoned equity offerings took effect through the registration approved by Financial Supervision Commission Securities and Futures Bureau on October 17, 2022 and the date of November 11, 2022 was determined to be the reference date of increased-capital by the authorized chairman in accordance with the resolution of the board of directors.

(2) Capital Surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to compensate a deficit, distributed as cash dividends, or transferred to share capital (Note a.)</u>		
Additional paid-in capital	235,826	235,826
Employee share options	7,700	7,700
Treasury shares transaction	<u>14,457</u>	<u>14,457</u>
	<u>\$257,983</u>	<u>\$257,983</u>

Note a. Such capital surplus may be used to compensate a deficit; in addition, when the business entity has no deficit, such capital surplus may be distributed as cash

dividends or transferred to share capital; in terms of transfer to share capital, it is limited to a certain percentage of the actual paid-in share capital each year.

(3) Retained Earnings and Dividend Policy

The Company's earnings distribution policy in the Articles of Incorporation provides that, when a profit is made in a fiscal year, the Company shall first compensate its losses (including the amount of adjustment in undistributed retained earnings) and set aside a legal capital reserve at 10% of the remaining earnings until the accumulated legal capital reserve equals the Company's total paid-in capital, and then set aside or reverse a special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. Any balance of earnings still left over, together with the undistributed retained earnings from the beginning of period (including the amount of adjustment in undistributed retained earnings), shall be used by the board of directors as the basis for their proposing a surplus distribution proposal to obtain the resolution in the shareholders' meeting for distribution of dividends and bonuses to shareholders; when distribution of earnings is by the way in cash, it shall be handled according to the resolution of the board of directors and reported in the shareholders' meeting. See Note 20(7) Profit Sharing Bonus to Employees and Compensation to Directors for the Company's distribution policy of profit sharing bonus to employees and compensation to directors in the Articles of Incorporation.

In addition, according to the Company's dividend policy in the Articles of Incorporation, based on the principle of profit sharing, 50% or more of the distributable surplus for the year shall be used for distribution of dividends and bonuses to shareholders, among which the dividends distributed by the way in stocks shall be less than 50%, and the rest dividends shall be in cash.

Appropriation of earnings to the legal capital reserve shall be made until the accumulated legal capital reserve equals the company's total paid-in capital. The legal capital reserve may be used to compensate deficit. If the company has no deficit, the legal capital reserve exceeds 25% of the company's total paid-in capital may be appropriated for capital stocks but also distributed in cash.

The appropriations of the Company's earnings for the years ended December 31, 2022 and 2021 are as follows:

	<u>Appropriations of Earnings</u>		<u>Dividends per share(NT\$)</u>	
	<u>Years Ended December 31</u>		<u>Years Ended December 31</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Legal Capital Reserve	\$ 33,056	\$ 15,767		
Cash Dividends	148,107	70,628	\$ 1.2	\$ 0.69
Stock Dividends	148,107	70,628	1.2	0.69

The appropriations of the above cash dividends were resolved by the board of directors on February 22, 2023 and February 24, 2022, respectively; the appropriations of the remainder were also resolved in the shareholders' general meetings held on May 19, 2023 and May 20, 2022, respectively.

The appropriations of the Company's earnings for the year ended December 31, 2023 were resolved by the board of directors on February 29, 2024 are as follows:

	Appropriations of Earnings	Dividends per share(NT\$)
Legal Capital Reserve	\$ 30,609	
Cash Dividends	203,203	\$ 1.47
Stock Dividends	67,734	0.49

The appropriations of the above cash dividends have been resolved by the board of directors, and the remainder is subject to resolution in the shareholders meeting expected to be held on May 24, 2024.

(4) Others

Foreign Currency Translation Reserve

	Years Ended December 31	
	2023	2022
Balance, beginning of year	\$ 37,603	\$ 29,466
Occur in the current year		
Exchange differences arising on translation of foreign operations	(11,245)	8,137
Balance, end of year	<u>\$ 26,358</u>	<u>\$ 37,603</u>

19. REVENUE

	Years Ended December 31	
	2023	2022
Revenue from contracts with customers		
Sales	\$ 2,649,232	\$ 2,174,567
Processing	<u>812,535</u>	<u>885,425</u>
	<u>\$ 3,461,767</u>	<u>\$ 3,059,992</u>

(1) Contract Balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable (Note 8)	<u>\$ 288,813</u>	<u>\$ 293,788</u>	<u>\$ 434,138</u>
Current contract liabilities			
Merchandise sales	<u>\$ 149,124</u>	<u>\$ 167,343</u>	<u>\$ 102,455</u>

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

(2) Disaggregation of revenue from contracts with customers

	Years Ended December 31	
<u>Main geographic markets</u>	2023	2022
America	\$ 1,871,185	\$ 1,494,719
Taiwan	542,675	752,947
Others	<u>1,047,907</u>	<u>812,326</u>
	<u>\$ 3,461,767</u>	<u>\$ 3,059,992</u>

20. PROFIT BEFORE TAX

(1) Interest Income

	Years Ended December 31	
	2023	2022
Bank deposits	<u>\$ 21,956</u>	<u>\$ 1,708</u>

(2) Other Income

	Years Ended December 31	
	2023	2022
Rent income	<u>\$ 1,142</u>	<u>\$ 1,140</u>

(3) Other gains and losses

	Years Ended December 31	
	2023	2022
Net foreign currency exchange gain	\$ 3,822	\$ 9,205
Gain (loss) on disposal of property, plant and equipment	4,608	(103)
Gains on financial assets		

	Years Ended December 31	
	2023	2022
Financial assets at fair value through profit or loss	-	908
Others	<u>89</u>	<u>(55)</u>
	<u>\$ 8,519</u>	<u>\$ 9,955</u>

(4) Finance Costs

	Years Ended December 31	
	2023	2022
Interest of bank loans	\$ 1,134	\$ 4,977
Interest of lease liabilities	<u>406</u>	<u>154</u>
	<u>\$ 1,540</u>	<u>\$ 5,131</u>

(5) Depreciation and Amortization

	Years Ended December 31	
	2023	2022
An analysis of depreciation by function		
Operating costs	\$ 78,142	\$ 70,527
Operating expenses	<u>5,973</u>	<u>6,868</u>
	<u>\$ 84,115</u>	<u>\$ 77,395</u>

An analysis of amortization by function		
Operating costs	\$ 426	\$ 1,264
Operating expenses	<u>1,877</u>	<u>1,822</u>
	<u>\$ 2,303</u>	<u>\$ 3,086</u>

(6) Employee benefits expense

	Years Ended December 31	
	2023	2022
Short-term employee benefits	\$394,911	\$357,540
Post-employment benefits (Note 17)		
Defined contribution plans	10,322	10,264
Defined benefit plans	6,238	518
Share-based payment		
Equity-settled	-	7,700
Employee benefits		
expense-total	<u>\$411,471</u>	<u>\$376,022</u>
An analysis of employee benefits expense by function		
Operating costs	\$296,772	\$269,399
Operating expenses	<u>114,699</u>	<u>106,623</u>
	<u>\$411,471</u>	<u>\$376,022</u>

(7) Profit Sharing Bonus to Employees and Compensation to Directors

In accordance with the Company's Articles of Incorporation, the appropriations of 6% and no more than 2.3% of the pre-tax benefit in the current year shall be made for profit sharing bonus and compensation distributed to employees and directors, respectively. The Profit Sharing Bonus to Employees and Compensation to Directors for the years ended December 31, 2023 and 2022 were resolved by the board of directors on February 29, 2024 and February 22, 2023 respectively as follows:

Accrual Rate

	Years Ended December 31	
	2023	2022
Profit sharing bonus to employees	6%	6%
Compensation to directors	2.3%	2.3%

Amount

	Years Ended December 31			
	2023		2022	
	Cash	Stock	Cash	Stock
Profit sharing bonus to employees	<u>\$ 24,823</u>	<u>\$ -</u>	<u>\$ 26,594</u>	<u>\$ -</u>
Compensation to directors	<u>\$ 9,516</u>	<u>\$ -</u>	<u>\$ 10,194</u>	<u>\$ -</u>

If there is a change in the amount after the annually parent company only financial statements is authorized for issuance, the difference shall be handled as the changes in accounting estimates to adjust its recognition in the next year.

There was no difference between the actual distribution amount of the profit sharing bonus to employees and compensation to directors and the amount recognized in the parent company only financial statements for the years ended December 31, 2022 and 2021.

For information on the Company's profit sharing bonus to employees and compensation to directors resolved by the board of directors, please visit the website of Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

(8) Foreign Exchange Gains and Losses

	Years Ended December 31	
	2023	2022
Total amount of gains on foreign exchange	\$ 73,857	\$ 86,806
Total amount of losses on foreign exchange	(70,035)	(77,601)
Net gains	<u>\$ 3,822</u>	<u>\$ 9,205</u>

21. INCOME TAX

(1) Income Tax Expense Consisted of the Following Recognized in Profit or Loss

	Years Ended December 31	
	2023	2022
Current income tax expense		
Current tax expense recognized in the current year	\$ 81,751	\$ 67,825
Income tax adjustments on prior years	137	(2,828)
Deferred income tax		
Deferred income tax recognized in the current year	<u>758</u>	<u>12,021</u>
Income tax expense recognized in profit or loss	<u>\$ 82,646</u>	<u>\$ 77,018</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	Years Ended December 31	
	2023	2022
Profit from continuing operations before tax	<u>\$ 379,385</u>	<u>\$ 406,444</u>
Income tax expense at the statutory rate	\$ 75,877	\$ 81,289
Nondeductible items in determining taxable income	868	622
The deductible temporary differences not recognized	5,764	(2,065)
Adjustments to current income tax expense in respect of prior years	<u>137</u>	<u>(2,828)</u>
Income tax expense recognized in profit or loss	<u>\$ 82,646</u>	<u>\$ 77,018</u>

(2) Income Tax Liabilities in the Current Year

	December 31, 2023	December 31, 2022
Income tax liabilities		
Income taxes payable	<u>\$ 44,924</u>	<u>\$ 49,538</u>

(3) Deferred Income Tax Assets and Liabilities

The changes in deferred income tax assets and liabilities were as follows:

Year ended December 31, 2023

<u>Deferred Income Tax Assets</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
Temporary differences			
Inventory valuation loss	\$ 9,690	(\$ 1,205)	\$ 8,485
Unrealized exchange gains	(2,437)	1,078	(1,359)
Provisions	<u>463</u>	<u>141</u>	<u>604</u>
	<u>\$ 7,716</u>	<u>\$ 14</u>	<u>\$ 7,730</u>

<u>Deferred Income Tax Liabilities</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
Temporary differences			
Unappropriated earnings of subsidiaries	<u>\$ 16,278</u>	<u>\$ 772</u>	<u>\$ 17,050</u>

Year ended December 31, 2022

<u>Deferred Income Tax Assets</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
Temporary differences			
Inventory valuation loss	\$ 8,047	\$ 1,643	\$ 9,690
Unrealized exchange losses	374	(2,811)	(2,437)
Provisions	<u>243</u>	<u>220</u>	<u>463</u>
	<u>\$ 8,664</u>	<u>(\$ 948)</u>	<u>\$ 7,716</u>

<u>Deferred Income Tax Liabilities</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
Temporary differences			
Unappropriated earnings of subsidiaries	<u>\$ 5,205</u>	<u>\$ 11,073</u>	<u>\$ 16,278</u>

(4) Income Tax Examination

The tax authorities have examined income tax returns of the Company through to the year ended December 31, 2021.

22. EARNINGS PER SHARE (EPS)

	Unit: NT\$ per share	
	Years Ended December 31	
	<u>2023</u>	<u>2022</u>
Basic EPS	<u>\$ 2.15</u>	<u>\$ 2.38</u>
Diluted EPS	<u>\$ 2.13</u>	<u>\$ 2.36</u>

The earnings per share was calculated after the retrospective adjustment as a result of outstanding shares distribution; the reference date of the shares outstanding distribution was determined to be June 26, 2023. Due to making the retrospective adjustment, the changes in basic and diluted EPS for the year ended December 31, 2022 were as follows:

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic EPS	\$ 3.00	\$ 2.38
Diluted EPS	\$ 2.97	\$ 2.36

Net income for the year and weighted average number of common shares outstanding used in the computation of EPS are as follows:

Net Income

	Years Ended December 31	
	2023	2022
For computation of basic and diluted EPS	\$ 296,739	\$ 329,426

Number of Common Shares Outstanding

	Years Ended December 31	
	2023	2022
Weighted average number of common shares outstanding used in the computation of basic EPS	138,233	138,233
Effects of all dilutive potential common shares:		
Profit sharing bonus to employees	881	1,189
Weighted average number of common shares outstanding used in the computation of diluted EPS	139,114	139,422

If the Company has the option to pay profit sharing bonus to employees in shares or cash, the calculation of diluted earnings per share assumes that compensation of employees will be paid in shares and is included in the weighted average number of shares when the potential common shares have a dilutive effect. The number of shares outstanding is included in the weighted average number of shares for the purpose of calculating dilutive earnings per share. The dilutive effect of these potential common shares will also continue to be taken into account when dilutive earnings per share calculated prior to the number of shares resolved in shareholders' meetings for distribution of profit sharing bonus to employees in the following year.

23. SHARE-BASED PAYMENT ARRANGEMENTS

Seasoned Equity Offerings Reserved for Employee Share Options

On August 4, 2022, the Company conducted seasoned equity offerings, resolved by the board of directors, and according to the regulations of Company Act reserved the number of shares, i.e. 1,400 thousand shares, which was 10% of the total number of the issued shares for employee share options. The grant date was October 27, 2022 with the fair value by using the Black-Scholes evaluation model, the parameters of which were adopted as follows:

	<u>October 27, 2022</u>
Stock price at grant date (NT\$/Share)	\$ 23.4
Exercise Price (NT\$/Share)	18
Share option at fair value (NT\$/Share)	5.5
Expected price volatility	43.12%
Risk-free interest rate	1.04%
Expected option life	0.14 Years

The compensation cost recognized for the year ended December 31, 2022 was NT\$7,700 thousand.

24. CAPITAL RISK MANAGEMENT

The Company manages its capital on the premise that it is ensured each entity in the group will be able to continue its business operations, from which the return to stakeholders can be maximized through the optimization in the debts and equity balances. The Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital expenditures, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months.

25. FINANCIAL INSTRUMENTS

(1) Fair Value Information - Financial instruments not measured at fair value.

The Company's management believed that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

(2) Categories of Financial Instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Measured at amortized cost		
Cash and cash equivalents	\$929,335	\$509,134
Financial assets measured at amortized cost	84,746	84,760
Accounts receivable, net	288,813	293,788
Accounts receivable due from related parties	34,317	6,562
Guarantee deposits paid	1,063	900
<u>Financial liabilities</u>		
Measured at amortized cost		
Short-term borrowings	100,000	58,000
Accounts payable	372,208	473,507
Accounts payable to related parties	18,227	43,775
Other payables and other current liabilities	142,646	103,020
Guarantee deposits received	81,422	31,454

(3) Financial Risk Management Objectives and Policies

The Company's major financial instruments include receivables, payables and bank borrowings. The Company's financial management department provides services to each business unit, organizes and coordinates business operations for entering domestic and international financial markets, as well as supervising and managing financial risks related to the Company's operations through referring to degree of risks and internal risk reports made with wide analyses of risk exposure; those risks contain market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

a. Market Risk

The Company's operation activities expose the Company primarily to the financial risks of changes in foreign currency exchange rates (see (a-1) shown as below) and changes in interest rates (see (a-2) shown as below).

The Company's financial instruments are exposed in market risk, and the methods used by the Company to manage and measure that risk exposure have no change.

(a-1) Foreign Exchange Risk

The Company uses foreign currency to conduct transactions of sales and procurement, which expose the Company to be engaged in risk of changes in foreign currency exchange rates.

For the carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currency on the parent company only balance sheets date, the Company is primarily affected by fluctuations in the exchange rates of the U.S. dollar, see Note 28.

Sensitivity analysis

The Company is primarily affected by fluctuations in the exchange rates of the U.S. dollar.

Sensitivity analysis of foreign exchange risk mainly provides that, as of the end of the reporting period, foreign currency monetary items are calculated; when the exchange rate of New Taiwan Dollar comparing with foreign currency has a hypothetically adverse fluctuation up to 10%, the Company would have increased the profit by NT\$49,283 thousand and NT\$25,796 thousand, respectively for the years ended December 31, 2023 and 2022.

(a-2) Interest Rate Risk

Interest rate risk arises because individuals in the Company borrow funds at floating rates.

The carrying amounts of the Company’s financial assets and financial liabilities with risk exposure to interest rates on the parent company only balance sheets date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
With fair value interest rate risk		
Financial assets	\$753,206	\$ 84,760
Financial liabilities	23,847	26,319
With cash flows interest rate risk		
Financial assets	260,823	509,067
Financial liabilities	100,000	58,000

b. Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Company. As of the parent company only balance sheets date, the Company’s maximum credit risk (regardless of collateral or other credit enhancement tools, also the amount with maximum exposure unable to be withdrawn) exposure to a counterparty, who will possibly default on its obligations resulting in financial losses to the Company, comes from the carrying amounts of financial assets recognized in the parent company only balance sheets.

Except for A company, the Company's largest customer, the Company does not have any significant credit exposure to any single counterparty or any group of counterparties with similar characteristics. When the counterparty is an associated enterprise, the Company defines it as the counterparty with similar characteristics. In 2023 and 2022, the percentages of total accounts receivable from the aforementioned customers were 60% and 35%, respectively.

c. Liquidity Risk

The Company manages and maintains sufficient cash to support the operations and mitigate the impact of cash flows fluctuations. The Company's management monitors the use of the bank's financing facilities and ensures compliance with the terms of the loan agreements.

A bank loan is a significant source of liquidity for the Company. As of the years ended December 31, 2023 and 2022, the bank's short-term financing facilities unused by the Company were described in the following section “(c-2) Financing Facilities”.

(c-1) Liquidity and Interest Rate Risk Tables of Non-derivative Financial Liabilities

The analysis of the remaining contractual maturities of non-derivative financial liabilities is prepared based on the undiscounted cash flows (including principal and estimated interest) of financial liabilities according to the earliest possible date on which the Company may be required to make repayment.

December 31, 2023

	On Demand or Within 1 Month	1-3 Month	3 Months to 1 Year	1-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Non-interest-bearing liabilities					
liabilities	\$ 158,974	\$ 266,763	\$ 47,539	\$ -	\$ -
Lease liabilities	591	1,182	5,317	17,416	-
Variable interest rate instruments					
	<u>80,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 239,565</u>	<u>\$ 287,945</u>	<u>\$ 52,856</u>	<u>\$ 17,416</u>	<u>\$ -</u>

The further information on the aforementioned financial liabilities is as follows:

	Within 1 year	1~5 Years	5~10 Years	10~15 Years	15~20 Years	Over20 Years
Lease liabilities	\$ 7,090	\$ 17,416	\$ -	\$ -	\$ -	\$ -
Variable interest rate instruments						
	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 107,090</u>	<u>\$ 17,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	On Demand or Within 1 Month	1-3 Month	3 Months to 1 Year	1-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Non-interest-bearing liabilities					
liabilities	\$ 56,670	\$ 311,529	\$ 195,374	\$ -	\$ -
Lease liabilities	517	1,034	4,645	21,014	-
Variable interest rate instruments					
	<u>28,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 85,187</u>	<u>\$ 342,563</u>	<u>\$ 200,019</u>	<u>\$ 21,014</u>	<u>\$ -</u>

The further information on the aforementioned financial liabilities is as follows:

	Within 1 year	1~5 Years	5~10 Years	10~15 Years	15~20 Years	Over20 Years
Lease liabilities	\$ 6,196	\$ 21,014	\$ -	\$ -	\$ -	\$ -
Variable interest rate instruments						
	<u>58,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 64,196</u>	<u>\$ 21,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(c-2) Financing Facilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank loan amount		
Amount used	\$ 106,000	\$ 61,000
Amount unused	<u>494,000</u>	<u>569,000</u>
	<u>\$ 600,000</u>	<u>\$ 630,000</u>
Guaranteed bank loan amount		
Amount used	\$ -	\$ -
Amount unused	<u>400,000</u>	<u>400,000</u>
	<u>\$ 400,000</u>	<u>\$ 400,000</u>

26. RELATED PARTY TRANSACTIONS

Except for other notes disclosed, the transactions between the Company and the related parties are as follows:

(1) Name of Related Party and Its Relation with the Company

<u>Names of Related Parties</u>	<u>Relation with the Company</u>
ALLIED ORIENTAL INTERNATIONAL LTD.(ORIENTAL)	Subsidiary
TOP UNION ELECTRONICS (SHANGHAI) CORP. (TOP UNION SHANGHAI)	Subsidiary
TOP UNION ELECTRONICS (SUZHOU) CORP. (TOP UNION SUZHOU)	Subsidiary

(2) Operating Revenue

<u>Related Party Category</u>	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries	<u>\$296,561</u>	<u>\$342,945</u>

The Company's terms and conditions of sales and prices offered to the related parties are referred to the costs and market conditions; and the payment term offered to the related parties is Account Open 90 days based on agreement between mutual parties.

(3) Processing Expenses

<u>Related Party Category</u>	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries	<u>\$ 68,661</u>	<u>\$148,883</u>

There are no comparable transactions available to be made comparison with the prices of the related parties entrusted by the Company to do processing.

(4) Accounts receivable due from related parties

<u>Related Party Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	<u>\$ 34,317</u>	<u>\$ 6,562</u>

The accounts receivable due from the related parties did not be addressed doubtful debts for the years ended December 31, 2023 and 2022.

(5) Accounts payable to related parties

<u>Related Party Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	<u>\$ 18,227</u>	<u>\$ 43,775</u>

The outstanding balance of accounts payable to the related parties did not be guaranteed.

(6) Compensation to Key Management Personnel

The compensation to directors and other key management personnel was as follows:

	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 27,618</u>	<u>\$ 28,145</u>
Post-employment benefits	<u>154</u>	<u>140</u>
	<u>\$ 27,772</u>	<u>\$ 28,285</u>

The compensation to directors and other key management personnel is determined by the Compensation Committee of the Company in accordance with the individual performance and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Company were provided as collateral security for short-term loan amount, tariff guarantee for imported raw materials, Performance Letter of Guarantee and Letter of Credit:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment – net	<u>\$338,406</u>	<u>\$296,827</u>

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was summarized according to the foreign currency other than functional currency of the Company. The exchange rates disclosed were used to translate the currency into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

<u>December 31, 2023</u>	Unit: Each Foreign Currency in Thousands		
	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
Assets denominated in foreign currencies			
<u>Monetary items</u>			
USD	\$ 28,903	30.705	<u>\$ 887,467</u>
Liabilities denominated in foreign currencies			
<u>Monetary items</u>			
USD	12,853	30.705	<u>\$ 394,641</u>

<u>December 31, 2022</u>	Unit: Each Foreign Currency in Thousands		
	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
Assets denominated in foreign currencies			
<u>Monetary items</u>			
USD	\$ 24,339	30.710	<u>\$ 747,443</u>
Liabilities denominated in foreign currencies			
<u>Monetary items</u>			
USD	15,939	30.710	<u>\$ 489,486</u>

The significant unrealized foreign exchange gains (losses) were as follows:

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
	Net Foreign Exchange Gains (Losses)	Net Foreign Exchange Gains (Losses)
Foreign currencies	<u>Exchange Rate</u>	<u>Exchange Rate</u>
USD	30.705(USD:NTD) <u>\$ 6,795</u>	30.710(USD:NTD) <u>\$ 12,185</u>

29. ADDITIONAL DISCLOSURES

Except for the items (1) – (4), there are no other significant transactions information, information on investees, information on investment in mainland China and important transactions that should be disclosed.

- (1) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

Company of Purchase / Sales	Related Party	Nature of Relationships	Transactions				Conditions and Reasons for Special Business Terms		Notes, Accounts Receivable (Payable)		Remark
			Purchase / Sales	Amount	% of Total Purchase / Sales	Credit Period	Unit Price	Credit Period	Balance	% of Total Notes, Accounts Receivable (Payable)	
The Company	Top Union Suzhou	The subsidiary indirectly held by the company with 100% equity	Sales	\$296,561	8.10%	O/A 90 Days	\$ -	—	\$ 34,317	8.74%	—

- (2) Names, locations, and related information of investees over which the Company exercises significant influence:

Unit: Amounts in Thousands of NT\$, Unless Specified Otherwise

Investor Company Name	Investee Company Name	Location	Business Items	Original Investment Amount		Holding, End of Period			Investee Profit or Loss at Current Period	Gains (Losses) on investment recognized in current period (Note)
				End of Current Period	Last Year End	Shares (in Thousands)	%	Carrying Amount		
The Company	ORIENTAL company	British Virgin Islands	Investment and Sales	\$ 401,974	\$ 401,974	12,200	100	\$ 613,942	(\$ 24,703)	(\$ 24,703)

Note: It was recognized by investee's financial statements audited by auditors for the same period.

- (3) Information on investment in mainland China:

- a. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: (See the following table for the details.)

Unit: Amounts in Thousands of NT\$, Unless Specified Otherwise

China Investee Company Name	Business Items	Paid-in Capital	Investment method	Beginning of Period, Remit Cumulated Investment Funds out from Taiwan	Current Period, Outward Remit / Repatriate Investment Funds		End of Period, Remit Cumulated Investment Funds out from Taiwan	Investee Profit or Loss at Current Period	The Company Holding % of Shares from Direct or Indirect Investment	Current Period, Investment Amount Recognized in Profit or Loss (Note 2)	Investment at End of Period, Carrying Amount	As of End of Current Period, Income of Repatriated Investment Funds
					Outward Remittance	Repatriation						
Top Union Shanghai	Manufacture of Electronic Products and Communication Equipment, Technical Support and SMT Processing, etc.	\$ 212,858 US\$ 6,659 (In Thousand)	(Note 1)	Cash \$83,720 Price of Machinery&Equipment 129,138	\$ -	\$ -	Cash \$83,720 Price of Machinery&Equipment 129,138	(\$ 26,934)	100%	(\$ 26,934)	\$ 164,612	\$ 105,908
Top Union Suzhou	Manufacture of Electronic Products and Communication Equipment, Technical Support and SMT Processing, etc.	278,844 US\$ 8,500 (In Thousand)	(Note1)	Cash \$230,262 Price of Machinery&Equipment 48,582	-	-	Cash \$230,262 Price of Machinery&Equipment 48,582	1,601	100%	1,601	426,378	88,440

End of Current Period, Remit Cumulated Investment Funds out from Taiwan for Investment in China	Investment Amount approved by MOEAIC	Investment Limits for Areas in China, Based on MOEAIC's Regulations
Cash \$313,982 Price of Machinery&Equipment \$177,720	\$491,702 US\$15,159 (In Thousand)	\$1,381,670

Note 1: Invest China companies after establishing ORIENTAL company located at British Virgin Islands.

Note 2: It was recognized and disclosed by Top Union Shanghai and Top Union Suzhou's financial statements audited by auditors for the same period.

- b. Direct or indirect through the third area significant transactions and the prices, terms of payment and unrealized gain or loss with investees in the mainland China listed below:
See Note 26.
- (4) Information of major shareholders: List of all shareholders with ownership of 5% or greater showing the names and percentage of ownership held by each shareholder: None.

VI. If the Company and its affiliates have experienced financial difficulties in the most recent year and as at the date of printing of the annual report, the impact on the financial position of the Company should be stated: None.

VII, Review and Analysis of Financial Position and Financial Performance and Risk Analysis

1 Financial Status - International Financial Reporting Standards

Unit: NT\$ thousand

Item \ Year	2023	2022	Variance	
			Amount	%
Current Assets	2,479,083	2,334,954	144,129	6.17
Property, plant and equipment	607,919	553,750	54,169	9.78
Intangible Assets	3,087	4,726	(1,639)	(34.68)
Other Assets	243,547	294,433	(50,886)	(17.28)
Total Assets	3,333,636	3,187,863	145,773	4.57
Current liabilities	895,270	947,926	(52,656)	(5.55)
Other liabilities	135,582	83,896	51,686	61.61
Total liabilities	1,030,852	1,031,822	(970)	(0.09)
Share capital	1,382,333	1,234,226	148,107	12.00
Capital surplus	257,983	257,983	0	0.00
Retained earnings	636,110	626,229	9,881	1.58
Total equity	2,302,784	2,156,041	146,743	6.81

- The main reasons for the significant changes in assets, liabilities and shareholders' equity in the last two years and their effects, and if the effects are significant, the future plans:
 - The decrease in intangible assets is primarily due to the addition of automated system software in 2022, Decreased due to amortization in 2023.
 - The increase in other liabilities is primarily due to an increase in customer deposits for security purposes.

2. Financial Performance - International Financial Reporting Standards

Unit: NT\$ thousand

Item \ Year	2023	2022	Variance	
			Amount	%
Operating Income	3,660,315	3,294,689	365,626	11.10
Operating Costs	3,110,327	2,705,401	404,926	14.97
Gross Profit	549,988	589,288	(39,300)	(6.67)
Operating Expenses	206,470	200,264	6,206	3.10
Operating Profit and Loss	343,518	389,024	(45,506)	(11.70)
Non-operating income and expenses	44,055	38,626	5,429	14.06
Profit before tax	387,573	427,650	(40,077)	(9.37)
Income tax expense	90,834	98,224	(7,390)	(7.52)
Net income for the period	296,739	329,426	(32,687)	(9.92)
Other comprehensive income	(1,889)	9,266	(11,155)	(120.39)
Total comprehensive income for the period	294,850	338,692	(43,842)	(12.94)

- The main reasons for the significant changes in operating income, net operating income and net income before income tax in the last two years are as follows.
 - The decrease in other comprehensive income is primarily due to the depreciation of the US dollar and an increase in actuarial gains for defined benefits.
- The expected sales volume and its basis, the possible impact on the Company's future financial

operations, and the corresponding plans.

The operating unit prepares annual operating targets based on the annual processing demand from customers, the Company's existing production capacity and the estimated increase in production capacity. However, since the Company's business is a professional SMT foundry, the number of units of processed products is not meaningful because of the wide range of specifications.

3. Cash Flows —International Financial Reporting Standards

(1) Liquidity analysis for the last two years

Item \ Year	2023	2022	Increase(decrease) ratio(%)
Cash Flow Ratio	75.97%	76.93%	(1.25)
Cash Flow Fair Ratio	92.68%	55.21%	68.87
Cash reinvestment ratio	21.76%	33.94%	(35.89)
Analysis of the percentage changes: The increase in the adequacy ratio of cash flow is primarily due to a decrease in inventory resulting from increased shipments of complete sets of materials. The decrease in the cash reinvestment ratio is mainly due to a decrease in cash flow from operating activities this year and an increase in cash dividends.			

(2) Cash flow analysis for the coming year

Unit: NT\$ thousand

Opening Cash Balance	Estimated full-year net cash flows from operating activities	Estimated full-year net cash flows from investing and financing activities	Estimated remaining (shortfall) cash	Estimated Cash Shortfall Remedies	
				Investment Plan	Financial Plan
999,529	576,416	(296,616)	1,279,329	—	—

1. Analysis of changes in cash flows in the coming year:

- (1) Operating activities: Net cash inflow of \$576,416 thousand, mainly due to the expected profit in 2024.
- (2) Investing activities: Net cash outflow of \$80,070 thousand is due to the expected retirement and replacement of equipment.
- (3) Financing activities: Net cash outflow of \$216,546 thousand was due to the expected repayment of bank loans and distribution of cash dividends from earnings.

2. Estimated cash shortage remediation and liquidity analysis: None.

4. Significant capital expenditures on financial operations in the recent year: None.

5. The most recent year's investment policy, the main reasons for profit or loss, improvement plans and investment plans for the coming year

Unit: NT\$ thousand unless otherwise specified

Description Item	2023 Profit and loss amount	Policy	Main reasons for profit or loss	Improvement Plan	Future Other Investment Plans
ALLIED ORIENTAL	(24,703)	Investment in China	Profit from subsidiaries	None	None
Tai Young (Shanghai)	(26,934)	Practical management and market development	Insufficient orders	Improve management efficiency and actively expand business to obtain orders from customers	Replacement of old with new equipment
Tai Young (Soochow)	1,601	Practical management and market development	The decrease in order volume led to low profitability	Improve management efficiency and actively expand business to obtain orders from customers	Replacement of old with new equipment

6. Risk Analysis

The Company has evaluated the following items for the most recent year and as of the printing date of the annual report.

- (a) The impact of interest rate, exchange rate and inflation on the Company's profit or loss and future measures.

Unit: NT\$ thousand

Item	2022	%	2022	%	2024 Q1	%
Net operating income	3,294,689	100.00	3,660,315	100.00	761,534	100.00
Interest expense	5,799	0.18	2,587	0.07	670	0.09
Exchange gain (loss)	26,127	0.79	2,726	0.07	25,037	3.29

1. Interest rate changes

The Company's interest expense was NT\$2.6 million in 2023, mainly due to the tight supply of materials in the market, resulting in the Company's early preparation of materials and bank loan revolving needs. In the first quarter of 2024, the interest expense was NT\$0.67 million, among which the interest on bank loans was NT\$0.3 million and the interest on lease liabilities was NT\$0.36 million. The interest rates of the banks with which the Company currently cooperates are around 1.75%~2.11%. The company's capital needs are mainly short-term one-year capital needs, so the risk of future interest rate changes is relatively small.

2. Exchange rate changes

Looking forward to the exchange rate trend of the Taiwan dollar against the US dollar, the U.S. economy remains stable, and the timing and extent of the Federal Reserve's interest rate cut are still uncertain. As the financial market continues to revise its expectations for U.S. interest rate cuts, coupled with the continued war between Russia and Ukraine and the intensification of the Israeli-Iraqi conflict, Increasing demand for safe havens has pushed up the strength of the US dollar.

Our company's foreign sales ratio is about 70% to 80%, and our imports are about 85% in US dollars. Since our imports and exports are mainly in US dollars, we have agreed with our customers to adjust the quoted exchange rate when the exchange rate changes by 5%, and to adopt natural hedging methods. In order to avoid the impact of the unstable U.S. dollar in the future, the company closely monitors the changes in customer orders, integrates raw material procurement requirements, and effectively responds to the trend of foreign currency supply and demand, and reduces but maintains the appropriate foreign exchange position at any time to reduce the possible impact of exchange rate changes on the company. The finance department collects information from various financial institutions to fully grasp the trend of foreign exchange rates and to decide the appropriate

time to buy and sell foreign exchange in order to avoid the risk of large fluctuations in exchange rates.

3. Inflation

Inflation trends in 2024 will be affected by multiple factors, such as rising geopolitical risks, global raw material prices, and the emergence of various wars. However, as the economy improves, semiconductor downstream customers gradually reduce their shipments, and the serious supply shortage and even chain disconnection that have lasted for more than two years have gradually eased. The company's customer orders are expected to gradually pick up. The company will also actively develop customer sources and Continue to improve internal performance and reduce the company's impact on profitability.

(b) The Company's policy on engaging in high-risk, highly leveraged investments, loans to others, endorsement and guarantees, and derivative transactions, the main reasons for profit or loss, and future measures.

1. For the most recent year and as of the printing date of the annual report, the Company has not engaged in any high-risk, high-leverage investments, loans to others and derivative transactions, except for the financial endorsement guarantees for its subsidiaries that have been reinvested. In addition to prudent evaluation, regular returns, and control, the implementation of relevant policies, the Company has established "Procedures for the Acquisition and Disposal of Assets", "Procedures for the Lending of Funds to Others" and "Procedures for Endorsement and Guarantee" for compliance.

2. The endorsement guarantee shall be made in accordance with the procedures of the endorsement guarantee policy.

Risk Assessment:

(1) The Company has strict control over the seal. Each unit's application for the use of seal must be approved by the department head and submitted to General Manager together with the application for endorsement guarantee before the Finance Department can issue a promissory note for endorsement guarantee.

(2) The Company's endorsement and guarantee must be approved by the board of directors and submitted to the shareholders' meeting, and the approval authority of the endorsement and guarantee is stipulated. The amount of NT\$60 million or more is subject to the approval of the chairman of the board of directors before it can be made under controlled risk.

(c) Future R&D plans and estimated R&D expenses:

In 2023, the Company's R&D expenses are mainly related to the salaries of personnel in the R&D department and the equipment required for reliability experiments, depreciation of the apportioned plant, utilities and other related expenses. Future R&D plans and estimated R&D expenses in 2024 are not significantly different from those in 2023.

Unit: NT\$ thousand

Year	2022	2023	2024 projected input
R&D expense	21,684	22,770	23,059

(d) The impact of significant domestic and foreign policy and legal changes on the Company's financial operations and the measures to address them: None.

(e) Impact of technological changes (including information security risks) and industry changes on the Company's financial operations and measures to address them.

Technology changes have led to an increasing number of electronic products and a growing consumer population, making the overall demand more and more every day, the market and the Company's financial business will not fade or change drastically, there is only continuous response and acceptance of challenges to the European Union Restriction of Hazardous Substances Directive (RoHS), and continue to promote the ISO-14001 comprehensive management from the technical side, management side to achieve the goal of green.

In recent years, ransomware and various cyberattack incidents have become increasingly frequent. These attacks could lead to production disruptions or the leakage of confidential operational, employee, or customer information. The company has taken proactive measures to strengthen information security. In addition to implementing various cybersecurity defense equipment and mechanisms, the company conducts regular cybersecurity incident response drills to mitigate the impact of unexpected attack events.

The company's management team continuously monitors market changes and technological trends, leveraging these developments to benefit the company while assessing their associated risks and impacts on product positioning. As of the most recent annual report printing date, technological changes and industry shifts have not had a significant adverse impact on the company's financial or business operations.

- (f) The impact of corporate image change on the Company's crisis management and response measures: None.
- (g) Expected benefits and possible risks of mergers and acquisitions and measures to address them: None.
- (h) Expected benefits and possible risks of plant expansion and measures to address them: None.
- (i) Risks of concentration of imports or sales and measures to address them.
 - 1. There is no concentration of imports at present.
 - 2. The risks arising from the concentration of sales are listed below.

The Company's sales to a single customer, SHURE, account for approximately 60% of the total sales. The concentration of sales is mainly due to the fact that the Company has a long relationship with SHURE and has become SHURE's number one processor due to the Company's good cooperation with SHURE, excellent processing quality and prompt delivery. Therefore, the business relationship between The Company and SHURE is very stable. In addition to maintaining stable relationships with existing companies with good track records, the Company has been introducing new customers and will actively seek new customers with sound financial standing in the future, which will reduce the risk of concentration of the Company's sales.
- (j) The impact on the Company and the risk and measures to address the impact of a substantial shift or change in the shareholding of directors, supervisors or major shareholders holding more than 10% of the shares: None.
- (k) Effect of change in management rights on the Company and the risk and response measures: None.
- (l) For litigation or non-litigation events, the Company and its directors, supervisors, general managers, beneficial owners, majority shareholders holding more than 10% of the shares and subsidiaries should disclose the facts of the litigation, the amount of the litigation, the date of commencement of the litigation, the main parties involved in the litigation and the price of the securities if the outcome of the litigation may have a significant impact on the shareholders' equity or the price of the securities. The Company should disclose the facts of the dispute, the amount involved, the commencement date of the litigation, the main parties involved in the litigation and the status as of the printing date of the annual report: None.
- (m) Other significant risks and responses: None.

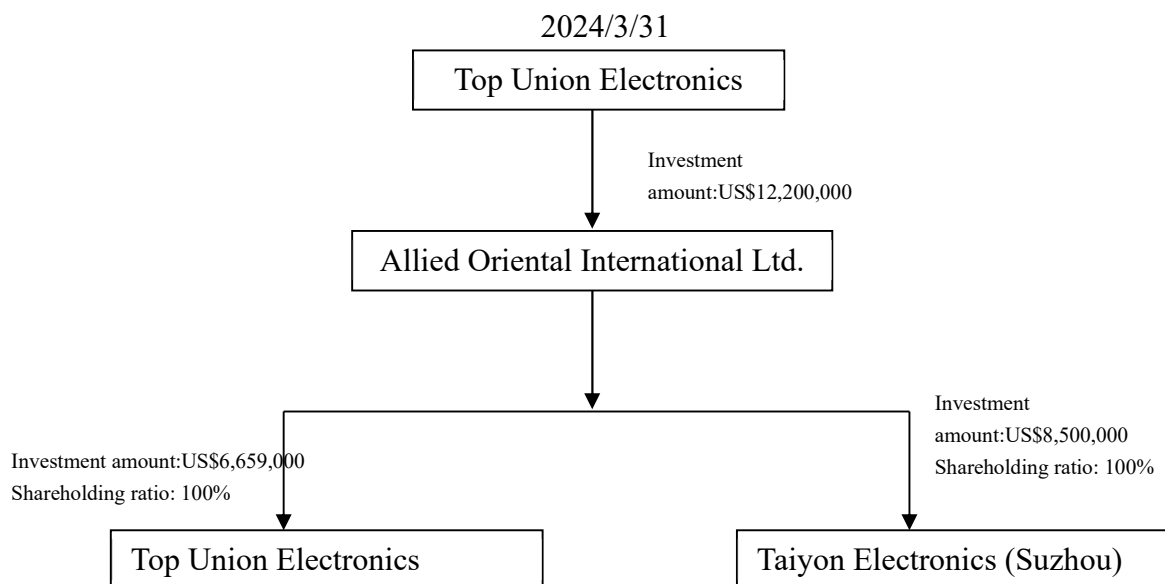
7. Other important items: None.

VIII. Special Notes

1. Information on affiliated companies.

(1) Consolidated business report of affiliated companies.

1. Organization chart of affiliated companies.



2. Basic information of each affiliated company.

Unit: NT\$ thousand ; 2024/3/31

Company Name	Date of establishment	Address	Paid In Capital	Main business or production items
Allied Oriental International Ltd. (BVI)	1998.05.01	THE LAKE BUILDING, 1 ST FLOOR, WICKHAMSCAY 1, ROAD TOWN, BRITISH VIRGIN ISLANDS	USD 12,200	Investment and sales business
Top Union Electronics (Shanghai) Co.	1998.06.21	4F, No. 168, Meisheng Road, Shanghai Pilot Free Trade Zone	USD 6,659	Manufacture of electronic products and telecommunications equipment, technical consulting and surface bonding, etc.
Top Union Electronics (Shanghai) Co.	2002.04.08	No. 5 Fuyang Industrial Building, Fuyuan Road, Xiangcheng Economic Development Zone, Suzhou	USD 8,500	Manufacture of electronic products and telecommunications equipment, technical consulting and surface bonding, etc.

3. Information on the same shareholders as the presumed controlling and subordinate relationship: None.

4. Industry covered by the overall business of the affiliates: See 2.

5. Information on directors, supervisors and general managers of affiliated companies

2024/3/31

Company name	Title	Name or Rep.	Shares Hold	
			Shares	Shareholding %
Allied Oriental International Ltd.(BVI)	Director	Vincent Tsuei	10	0
	Director	Peng Mingxian	10	0
	Director	Chuang Yong Shun	0	0
Top Union Electronics (Shanghai) Co.	Director	Vincent Tsuei	0	0
	Director	Peng Mingxian	0	0
Top Union Electronics (Suzhou) Co.	Director	Vincent Tsuei	0	0
	Director	Peng Mingxian	0	0
	Director	Chuang Yong Shun	0	0

6. Overview of the operations of each affiliated company

Unit: NT\$ thousand ; 2023/12/31

Company Name	Capital	Total assets	Total liabilities	Net value	Operating income	Operating Income	Profit or loss (after tax)	Earnings per share (after tax)
Allied Oriental International Ltd.(BVI)	401,974	615,432	50	615,382	0	(155)	(24,703)	0
Top Union Electronics (Shanghai) Co.	212,858	175,663	11,051	164,612	71,192	(32,771)	(26,934)	0
Top Union Electronics (Suzhou) Co.	278,844	504,972	78,594	426,378	492,578	2,389	1,601	0

(2) Consolidated financial statements of affiliated companies.

For the fiscal year 2023 (from January 1 to December 31, 2023), the companies that should be included in the preparation of the consolidated financial statements of affiliated companies in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and SFAS No. 7 are the same as the companies that should be included in the preparation of the consolidated financial statements of parent and subsidiary companies in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and SFAS No. 7. The information required to be disclosed in the consolidated financial statements of affiliated companies has been disclosed in the preceding consolidated financial statements of the parent and subsidiary companies, so I do not prepare separate consolidated financial statements of affiliated companies. (Please see pages 62-111).

(3) Relationship report: Not applicable.

2. For the most recent year and up to the date of the annual report, the private placement of securities should disclose the date and amount approved by the shareholders' meeting or the board of directors, the basis and reasonableness of the price, the method of selection by the specific person, the necessary reasons for the private placement, the target of the private placement, the eligibility criteria, the number of subscriptions, the relationship with the Company, the participation in the operation of the Company, the actual subscription (or conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the impact of the private placement on the shareholders' equity, the use of funds from the completion of the capital utilization plan after the payment or the price is received, and the impact of the private placement on the shareholders' equity. The Company's operations, the actual subscription (or conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the impact of the private placement on shareholders' equity, the use of funds from the private placement of marketable securities from the time the shares or the price were received until the completion of the capital utilization plan, the progress of the implementation of the plan and the demonstration of the benefits of the plan: None.

3. Information on the holding or disposal of the Company's shares by subsidiaries in the most recent year and as of the date of printing of the annual report: None.

4. Other necessary supplementary information: None.

IX. For the most recent year and up to the date of publication of the annual report, there were no events that had a significant impact on shareholders' equity or the price of securities as defined in Article 36.3.2 of the Securities and Exchange Act: None.

Top Union Electronics Corp.

Chairman: Vincent Tsuei

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