

Top Union Electronics Corp. and Subsidiaries

Consolidated Financial Statements for the Three  
Months Ended March 31, 2024 and 2023 and  
Independent Auditors' Review Report

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders

Top Union Electronics Corp.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Top Union Electronics Corp. and its subsidiaries as of March 31, 2024 and 2023, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including material accounting policy information (collectively referred to as 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

Except as explained in the following paragraph, We conducted our reviews in accordance with the standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all

significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Basis for Qualified Conclusion**

As disclosed in Note 10 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2024 and 2023, combined total assets of these non-significant subsidiaries were NT\$642,080 thousand and NT\$667,021 thousand, respectively, representing 19% and 19%, respectively of the consolidated total assets, and combined total liabilities of these non-significant subsidiaries were NT\$66,038 thousand and NT\$51,427 thousand, respectively, representing 5% and 4% respectively, of the consolidated total liabilities. For the three months ended March 31, 2024 and 2023, the amounts of the combined comprehensive income of these non-significant subsidiaries were NT\$(9,966) thousand and NT\$1,194 thousand, respectively, representing (11)% and 1%, respectively, of the consolidated total comprehensive income.

#### **Qualified Conclusion**

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim

Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
April 25, 2024

**TOP UNION ELECTRONICS CORP. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2024		December 31, 2023		March 31, 2023		LIABILITIES AND EQUITY	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash and cash equivalents (Note 6 and 24)	\$ 1,110,517	32	\$ 999,529	30	\$ 805,530	23	Short-term borrowings (Note 15, 24 and 26)	\$ 55,000	2	\$ 100,000	3	\$ 50,000	2
Financial assets at amortized cost (Note 7, 24 and 26)	370,432	11	264,524	8	94,012	3	Contract liabilities (Note 19)	181,125	5	151,426	5	145,359	4
Notes receivable, net (Note 8 and 24)	10,215	-	14,857	-	24,709	1	Accounts payable (Note 24)	404,638	12	384,936	12	662,757	19
Trade receivables, net (Note 8, 19 and 24)	398,354	12	377,955	11	325,285	9	Accrued profit sharing bonus to employees and compensation to directors (Note 20)	44,689	1	35,378	1	47,329	1
Current income tax assets (Notes 4 and 21)	401	-	394	-	1,143	-	Cash dividends payable (Note 18)	203,203	6	-	-	148,107	4
Inventories (Note 9)	690,691	20	733,246	22	1,060,453	31	Income tax payable (Note 4 and 21)	63,964	2	44,924	1	72,293	2
Other current assets (Note 14)	112,743	3	88,578	3	103,701	3	Lease liabilities (Note 12 and 24)	23,698	1	15,399	-	22,134	1
Total current assets	<u>2,693,353</u>	<u>78</u>	<u>2,479,083</u>	<u>74</u>	<u>2,414,833</u>	<u>70</u>	Other payables and other current liabilities (Note 16 and 24)	154,661	4	163,207	5	98,485	3
							Total current liabilities	<u>1,130,978</u>	<u>33</u>	<u>895,270</u>	<u>27</u>	<u>1,246,464</u>	<u>36</u>
<b>NONCURRENT ASSETS</b>							<b>NONCURRENT LIABILITIES</b>						
Financial assets at amortized cost (Note 7 and 24)	84,854	3	187,143	6	350,049	10	Deferred income tax liabilities (Note 4 and 21)	17,050	-	17,050	1	17,172	-
Property, plant and equipment (Note 11 and 26)	587,503	17	607,919	18	612,639	18	Lease liabilities (Notes 12 and 24)	30,599	1	28,302	1	21,040	1
Right-of-use assets (Note 12)	53,331	2	43,030	2	42,983	1	Net defined benefit liability (Note 4 and 17)	8,977	-	8,808	-	13,273	-
Intangible assets (Note 13)	2,555	-	3,087	-	4,043	-	Guarantee deposits (Note 24)	53,283	2	81,422	2	55,902	2
Deferred income tax assets (Note 4 and 21)	8,068	-	7,844	-	7,908	-	Total noncurrent liabilities	<u>109,909</u>	<u>3</u>	<u>135,582</u>	<u>4</u>	<u>107,387</u>	<u>3</u>
prepayments for equipment	-	-	-	-	19,323	1	Total liabilities	<u>1,240,887</u>	<u>36</u>	<u>1,030,852</u>	<u>31</u>	<u>1,353,851</u>	<u>39</u>
Refundable deposits (Note 24)	5,504	-	5,530	-	5,651	-	<b>EQUITY (Note 18)</b>						
Total noncurrent assets	<u>741,815</u>	<u>22</u>	<u>854,553</u>	<u>26</u>	<u>1,042,596</u>	<u>30</u>	Capital stock						
							Common stock	<u>1,382,333</u>	<u>40</u>	<u>1,382,333</u>	<u>41</u>	<u>1,234,226</u>	<u>36</u>
<b>TOTAL</b>	<u>\$ 3,435,168</u>	<u>100</u>	<u>\$ 3,333,636</u>	<u>100</u>	<u>\$ 3,457,429</u>	<u>100</u>	Capital surplus	<u>257,983</u>	<u>8</u>	<u>257,983</u>	<u>8</u>	<u>257,983</u>	<u>7</u>
							Retained earnings						
							Appropriated as legal capital reserve	231,475	7	231,475	7	198,419	6
							Unappropriated earnings	<u>285,165</u>	<u>8</u>	<u>404,635</u>	<u>12</u>	<u>372,075</u>	<u>11</u>
							Total retained earnings	<u>516,640</u>	<u>15</u>	<u>636,110</u>	<u>19</u>	<u>570,494</u>	<u>17</u>
							Others	<u>37,325</u>	<u>1</u>	<u>26,358</u>	<u>1</u>	<u>40,875</u>	<u>1</u>
							Total equity	<u>2,194,281</u>	<u>64</u>	<u>2,302,784</u>	<u>69</u>	<u>2,103,578</u>	<u>61</u>
							<b>TOTAL</b>	<u>\$ 3,435,168</u>	<u>100</u>	<u>\$ 3,333,636</u>	<u>100</u>	<u>\$ 3,457,429</u>	<u>100</u>

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

(With Deloitte & Touche review report dated April 25, 2024)

TOP UNION ELECTRONICS CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
NET REVENUE (Notes 19)	\$ 761,534	100	\$ 1,044,860	100
COST OF REVENUE (Notes 9 and 20)	<u>639,220</u>	<u>84</u>	<u>880,110</u>	<u>84</u>
GROSS PROFIT	<u>122,314</u>	<u>16</u>	<u>164,750</u>	<u>16</u>
OPERATING EXPENSES (Notes 20)				
Selling and marketing	12,215	1	12,635	1
General and administrative	32,478	4	34,410	3
Research and development	<u>6,248</u>	<u>1</u>	<u>5,561</u>	<u>1</u>
Total operating expenses	<u>50,941</u>	<u>6</u>	<u>52,606</u>	<u>5</u>
INCOME FROM OPERATIONS	<u>71,373</u>	<u>10</u>	<u>112,144</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES (Note 20)				
Interest income	7,180	1	5,148	-
Other income	289	-	285	-
Other gains and losses, net	24,983	3	1,027	-
Finance costs	<u>( 670)</u>	<u>-</u>	<u>( 645)</u>	<u>-</u>
Total non-operating income and expenses	<u>31,782</u>	<u>4</u>	<u>5,815</u>	<u>-</u>
INCOME BEFORE INCOME TAX	103,155	14	117,959	11
INCOME TAX EXPENSE (Notes 4 and 21)	<u>19,422</u>	<u>3</u>	<u>25,587</u>	<u>2</u>
NET INCOME	83,733	11	92,372	9

(Continued)

	Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 18)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	\$ 10,967	1	\$ 3,272	-
TOTAL COMPREHENSIVE INCOME	\$ 94,700	12	\$ 95,644	9
EARNINGS PER SHARE (NT\$, Note 22)				
Basic earnings per share	\$ 0.61		\$ 0.67	
Diluted earnings per share	\$ 0.60		\$ 0.66	

(Concluded)

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche review report dated April 25, 2024)

TOP UNION ELECTRONICS CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

	Capital Stock - Common Stock		Capital Surplus	Retained Earnings		Others	Total
	Shares (In Thousands)	Amount		Legal Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	
BALANCE, JANUARY 1, 2023	123,423	\$ 1,234,226	\$ 257,983	\$ 198,419	\$ 427,810	\$ 37,603	\$ 2,156,041
Appropriations of earnings							
Cash dividends to shareholders	-	-	-	-	( 148,107)	-	( 148,107)
Net profit for the three months ended March 31, 2023	-	-	-	-	92,372	-	92,372
Other comprehensive (loss) income for the three months ended March 31, 2023	-	-	-	-	-	3,272	3,272
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	92,372	3,272	95,644
BALANCE, MARCH 31, 2023	<u>123,423</u>	<u>\$ 1,234,226</u>	<u>\$ 257,983</u>	<u>\$ 198,419</u>	<u>\$ 372,075</u>	<u>\$ 40,875</u>	<u>\$ 2,103,578</u>
BALANCE, JANUARY 1, 2024	138,233	\$ 1,382,333	\$ 257,983	\$ 231,475	\$ 404,635	\$ 26,358	\$ 2,302,784
Appropriations of earnings							
Cash dividends to shareholders	-	-	-	-	( 203,203)	-	( 203,203)
Net profit for the three months ended March 31, 2024	-	-	-	-	83,733	-	83,733
Other comprehensive (loss) income for the three months ended March 31, 2024	-	-	-	-	-	10,967	10,967
Total comprehensive income (loss) for the three months ended March 31, 2024	-	-	-	-	83,733	10,967	94,700
BALANCE, MARCH 31, 2024	<u>138,233</u>	<u>\$ 1,382,333</u>	<u>\$ 257,983</u>	<u>\$ 231,475</u>	<u>\$ 285,165</u>	<u>\$ 37,325</u>	<u>\$ 2,194,281</u>

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

(With Deloitte & Touche review report dated April 25, 2024)



TOP UNION ELECTRONICS CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	Three Months Ended March 31	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 103,155	\$ 117,959
Adjustments for:		
Depreciation expense	31,963	29,792
Amortization expense	534	759
Finance costs	670	645
Interest income	( 7,180 )	( 5,148 )
Loss on disposal or retirement of property, plant and equipment, net	-	( 7,086 )
Property, plant and equipment transfer expenses	129	-
Loss for market price decline and obsolete and slow-moving inventories (reversal gain)	( 4,083 )	( 1,401 )
Loss (gain) on foreign exchange, net	( 2,549 )	( 13,053 )
Changes in operating assets and liabilities		
Notes receivable	4,642	( 9,690 )
Trade receivables	( 16,067 )	18,508
Inventories	46,632	84,444
Other current assets	( 22,728 )	( 57,308 )
Contract liabilities	29,699	( 21,984 )
Accounts payable	13,291	170,185
Accrued profit sharing bonus to employees and compensation to directors	9,311	10,541
Other payables and other current liabilities	( 8,698 )	( 30,547 )
Net defined benefit liability	169	( 248 )
Cash generated from operations	178,890	286,368
Interest paid	( 685 )	( 638 )
Interest received	5,743	2,581
Income taxes paid	( 613 )	( 4,187 )
Net cash generated by operating activities	<u>183,335</u>	<u>284,124</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at amortized cost	( 46,417 )	( 106,344 )
Disposal of financial assets at amortized cost	53,037	-
Property, plant and equipment	( 4,075 )	( 100,500 )
Proceeds from disposal of property, plant and equipment	-	7,331
Refundable deposits paid	( 288 )	( 182 )
Refundable deposits refunded	109	-
Acquisition of intangible assets	-	( 76 )
Net cash used in investing activities	<u>2,366</u>	<u>( 199,771 )</u>

(Continued)

	Three Months Ended March 31	
	2024	2023
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	\$ 80,000	\$ 100,000
Decrease in short-term loans	( 125,000 )	( 108,000 )
Proceeds from guarantee deposits received	-	24,448
Decrease in guarantee deposits received	( 28,139 )	-
Repayment of the principal portion of lease liabilities	( 5,557 )	( 5,326 )
Net cash used in financing activities	<u>( 78,696 )</u>	<u>11,122</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>3,983</u>	<u>16,807</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	110,988	112,282
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>999,529</u>	<u>693,248</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 1,110,517</u>	<u>\$ 805,530</u>

(Concluded)

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

(With Deloitte & Touche review report dated April 25, 2024)

TOP UNION ELECTRONICS CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023  
(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 approved and authorized for issue by the Board of Directors on April 25, 2024.

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC). The initial application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the accounting policies of TUEC and its subsidiaries.
- b. The IFRS Accounting Standards issued by International Accounting Standards Board (IASB), but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Issued by IASB(Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Issued by IASB(Note 1)</u>
IFRS 17 “Insurance Contracts”	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
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

As of the date the accompanying consolidated financial statements were issued, the Company continues in evaluating the impact on its financial position and financial performance from the initial adoption of the aforementioned standards or interpretations and related applicable period. The related impact will be disclosed when the Company completes its evaluation..

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

##### **a. 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 IAS 34, “Interim Financial Reporting,” endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRS Accounting Standards endorsed and issued into effect by the FSC (collectively, the “Taiwan-IFRS Accounting Standards”).

##### **b. Basis of preparation**

The 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 assets which are

measured at the present value of the defined benefit obligation less the fair value of plan assets.

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:

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. See Note 10 and 28(1)/(2) for detailed information on subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, for the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2023.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## **5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

The same material accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2023.

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand and Working capital	\$ 94	\$ 49	\$ 69
Checking accounts and Demand deposits	443,463	313,768	405,044
Time deposits	<u>666,960</u>	<u>685,712</u>	<u>400,417</u>
	<u>\$ 1,110,517</u>	<u>\$ 999,529</u>	<u>\$ 805,530</u>

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

	March 31, 2024	December 31, 2023	March 31, 2023
Bank Deposits	0.001%~5.000%	0.001%~5.000%	0.001%~4.200%

## 7. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Time deposits with original maturities less than 3 months	\$ 282,112	\$ 179,778	\$ -
Restricted Bank Deposits (Note)	88,320	84,746	84,042
Pledged Time Deposit (Note 26)	<u>-</u>	<u>-</u>	<u>9,970</u>
	<u>\$ 370,432</u>	<u>\$ 264,524</u>	<u>\$ 94,012</u>
<u>Non-current</u>			
Time deposits with original maturities of more than 1 year	<u>\$ 84,854</u>	<u>\$ 187,143</u>	<u>\$ 350,049</u>

Note: 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:

	March 31, 2024	December 31, 2023	March 31, 2023
Time deposits with original maturities less than 3 months	1.90%~3.25%	1.90%~4.00%	-
Restricted Bank Deposits	4.60%~5.00%	4.60%~5.00%	3.55%
Pledged Time Deposit	-	-	1.75%
Time deposits with original maturities of more than 1 year	2.30%~2.55%	2.30%~2.55%	2.40%~3.25%

## 8. NOTES AND ACCOUNTS RECEIVABLE, NET

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Notes receivable</u>			
Notes receivable - operating	\$ <u>10,215</u>	\$ <u>14,857</u>	\$ <u>24,709</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 400,354	\$ 379,955	\$ 331,867
Allowance for impairment loss	( <u>2,000</u> )	( <u>2,000</u> )	( <u>6,582</u> )
	\$ <u>398,354</u>	\$ <u>377,955</u>	\$ <u>325,285</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 trade receivables based on the Group's provision matrix:

March 31, 2024

	<u>Not Past Due</u>	<u>Past Due Within 60 Days</u>	<u>Past Due 61 to 90 Days</u>	<u>Past Due 91 to 120 Days</u>	<u>Past Due over 121 Days</u>	<u>Total</u>
Gross carrying amount	\$ 390,938	\$ 9,409	\$ 7	\$ -	\$ -	\$ 400,354
Loss allowance	( <u>864</u> )	( <u>1,129</u> )	( <u>7</u> )	-	-	( <u>2,000</u> )
Amortized cost	<u>\$ 390,074</u>	<u>\$ 8,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 398,354</u>

December 31, 2023

	<u>Not Past Due</u>	<u>Past Due Within 60 Days</u>	<u>Past Due 61 to 90 Days</u>	<u>Past Due 91 to 120 Days</u>	<u>Past Due over 121 Days</u>	<u>T o t a l</u>
Gross carrying amount	\$ 371,512	\$ 8,443	\$ -	\$ -	\$ -	\$ 379,955
Loss allowance	( <u>1,021</u> )	( <u>979</u> )	-	-	-	( <u>2,000</u> )
Amortized cost	<u>\$ 370,491</u>	<u>\$ 7,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377,955</u>

March 31, 2023

	<u>Not Past Due</u>	<u>Past Due Within 60 Days</u>	<u>Past Due 61 to 90 Days</u>	<u>Past Due 91 to 120 Days</u>	<u>Past Due over 121 Days</u>	<u>T o t a l</u>
Gross carrying amount	\$ 319,712	\$ 11,805	\$ 350	\$ -	\$ -	\$ 331,867
Loss allowance	( <u>2,565</u> )	( <u>3,667</u> )	( <u>350</u> )	-	-	( <u>6,582</u> )
Amortized cost	<u>\$ 317,147</u>	<u>\$ 8,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,285</u>

The movements of the loss allowance of trade receivables were as follows:

	<u>For the Three Months Ended March 31</u>	
	<u>2024</u>	<u>2023</u>
Balance at January 1 and March 31	<u>\$ 2,000</u>	<u>\$ 6,582</u>

**9. INVENTORIES**

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Raw materials	\$ 596,005	\$ 634,349	\$ 835,912
Work in process	68,066	71,959	201,409
Finished goods	<u>26,620</u>	<u>26,938</u>	<u>23,132</u>
	<u>\$ 690,691</u>	<u>\$ 733,246</u>	<u>\$ 1,060,453</u>

The costs of inventories recognized as cost of goods sold for the three months ended March 31, 2024 and 2023 were NT\$639,2207



thousand and NT\$ 880,110 thousand, respectively. Cost of goods sold includes NT\$4,083 thousand and NT\$1,401 in inventory depreciation and sluggish recovery profits respectively.

## 10. SUBSIDIARIES

### Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership			Remark
			March 31, 2024	December 31, 2023	March 31, 2023	
The Company	ALLIED ORIENTAL INTERNATIONAL LTD. (ORIENTAL)	Investment	100%	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%	100%	Note
	TOP UNION ELECTRONICS (SUZHOU) CORP. (TOP UNION SUZHOU)	Manufacture of Electronic Products and Communication Equipment, Technical Support and SMT Processing, etc.	100%	100%	100%	Note

Note: This is an immaterial subsidiary for which financial statements have not been reviewed by the Company's independent accountants.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Wealth Generating Equipment	Lease Improvement	Other Equipment	Total
<u>Cost</u>								
Balance at January 1, 2024	\$ 80,113	\$ 454,522	\$ 980,773	\$ 26,706	\$ 32,210	\$ 24,214	\$ 52,789	\$ 1,651,327
Additions	-	-	1,397	1,582	90	804	202	4,075
Disposals	-	-	-	-	( 3 )	-	( 108 )	( 111 )
Reclassifications	-	-	-	-	-	-	( 129 )	( 129 )
Effects of foreign currency exchange differences	-	-	8,762	213	215	461	546	10,197
Balance at March 31, 2024	<u>\$ 80,113</u>	<u>\$ 454,522</u>	<u>\$ 990,932</u>	<u>\$ 28,501</u>	<u>\$ 32,512</u>	<u>\$ 25,479</u>	<u>\$ 53,300</u>	<u>\$ 1,665,359</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2024	\$ -	\$ 196,229	\$ 738,805	\$ 18,555	\$ 26,923	\$ 19,565	\$ 43,331	\$ 1,043,408
Additions	-	3,980	19,448	552	345	522	1,111	25,958
Disposals	-	-	-	-	( 3 )	-	( 108 )	( 111 )
Effects of foreign currency exchange differences	-	-	7,404	182	181	371	463	8,601
Balance at March 31, 2024	<u>\$ -</u>	<u>\$ 200,209</u>	<u>\$ 765,657</u>	<u>\$ 19,289</u>	<u>\$ 27,446</u>	<u>\$ 20,458</u>	<u>\$ 44,797</u>	<u>\$ 1,077,856</u>
December 31 2023 and January 1, 2024, net	<u>\$ 80,113</u>	<u>\$ 258,293</u>	<u>\$ 241,968</u>	<u>\$ 8,151</u>	<u>\$ 5,287</u>	<u>\$ 4,649</u>	<u>\$ 9,458</u>	<u>\$ 607,919</u>
March 31, 2024, net	<u>\$ 80,113</u>	<u>\$ 254,313</u>	<u>\$ 225,275</u>	<u>\$ 9,212</u>	<u>\$ 5,066</u>	<u>\$ 5,021</u>	<u>\$ 8,503</u>	<u>\$ 587,503</u>
<u>Cost</u>								
Balance at January 1, 2023	\$ 80,113	\$ 399,056	\$ 982,367	\$ 30,192	\$ 31,928	\$ 30,627	\$ 52,691	\$ 1,606,974
Additions	-	-	80,134	-	751	504	844	82,233
Disposals	-	-	( 79,235 )	( 1,877 )	( 141 )	-	( 529 )	( 81,782 )
Effects of foreign currency exchange differences	-	-	2,830	59	66	159	150	3,264
Balance at March 31, 2023	<u>\$ 80,113</u>	<u>\$ 399,056</u>	<u>\$ 986,096</u>	<u>\$ 28,374</u>	<u>\$ 32,604</u>	<u>\$ 31,290</u>	<u>\$ 53,156</u>	<u>\$ 1,610,689</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2023	\$ -	\$ 182,342	\$ 757,244	\$ 21,984	\$ 26,326	\$ 25,186	\$ 40,142	\$ 1,053,224
Additions	-	3,394	16,879	785	784	605	1,197	23,644
Disposals	-	-	( 79,162 )	( 1,877 )	( 141 )	-	( 357 )	( 81,537 )
Effects of foreign currency exchange differences	-	-	2,362	55	54	130	118	2,719
Balance at March 31, 2023	<u>\$ -</u>	<u>\$ 185,736</u>	<u>\$ 697,323</u>	<u>\$ 20,947</u>	<u>\$ 27,023</u>	<u>\$ 25,921</u>	<u>\$ 41,100</u>	<u>\$ 998,050</u>
March 31, 2023, net	<u>\$ 80,113</u>	<u>\$ 213,320</u>	<u>\$ 288,773</u>	<u>\$ 7,427</u>	<u>\$ 5,581</u>	<u>\$ 5,369</u>	<u>\$ 12,056</u>	<u>\$ 612,639</u>

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	4-8 years
Transportation Equipment	5-6 years
Wealth Generating Equipment	5-6 years
Other Equipmen	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 26.

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

	March 31, 2024	December 31, 2023	March 31, 2023
Carrying amounts			
Buildings	\$ 51,885	\$ 41,410	\$ 40,789
Wealth Generating Equipment	<u>1,446</u>	<u>1,620</u>	<u>2,194</u>
	<u>\$ 53,331</u>	<u>\$ 43,030</u>	<u>\$ 42,983</u>

	Three Months Ended March 31	
	2024	2023
Additions to right-of-use assets	<u>\$ 15,832</u>	<u>\$ 11,531</u>
Depreciation of right-of-use assets		
Buildings	\$ 5,831	\$ 5,955
Wealth Generating Equipment	<u>174</u>	<u>193</u>
	<u>\$ 6,005</u>	<u>\$ 6,148</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant impairment of right-of-use assets during the three months ended March 31, 2024 and 2023.

### b. Lease liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
Carrying amounts			
Current portion	<u>\$ 23,698</u>	<u>\$ 15,399</u>	<u>\$ 22,134</u>
Noncurrent portion	<u>\$ 30,599</u>	<u>\$ 28,302</u>	<u>\$ 21,040</u>

Ranges of discount rates for lease liabilities are as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Buildings	1.43%~4.30%	1.43%~4.30%	1.43%~4.30%
Wealth Generating Equipment	0.99%~1.16%	0.99%~1.16%	0.99%~1.16%

c. Material terms of right-of-use assets

Top Union Shanghai leased the factory building from Shanghai Interunited Co., Ltd. in the form of operating lease, and the lease period is 2 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.

d. Other lease information

	Three Months Ended March 31	
	2024	2023
Expenses relating to short-term leases	<u>\$ 1,517</u>	<u>\$ 1,549</u>
Total cash outflow for leases	<u>\$ 7,438</u>	<u>\$ 7,169</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

	Three Months Ended March 31	
	2024	2023
<u>Cost</u>		
Balance at the beginning of year	\$ 29,884	\$ 29,177
Additions	-	76
Effects of foreign currency exchange differences	<u>67</u>	<u>18</u>
Balance at the end of year	<u>29,951</u>	<u>29,271</u>
<u>Accumulated amortization</u>		
Balance at the beginning of year	26,797	24,451

	Three Months Ended March 31	
	2024	2023
Additions	534	759
Effects of foreign currency exchange differences	<u>65</u>	<u>18</u>
Balance at the end of year	<u>27,396</u>	<u>25,228</u>
Net	<u>\$ 2,555</u>	<u>\$ 4,043</u>

The above items of amortization expenses are depreciated on a straight-line basis over their estimated useful lives as follows:

Software 3 Years

#### 14. OTHER CURRENT ASSETS

	March 31, 2024	December 31, 2023	March 31, 2023
Offsets against business tax payable	\$ 43,839	\$ 28,371	\$ 16,515
Business Tax Receivable Refund	18,574	19,959	17,138
Interest Receivable	14,609	13,172	10,461
Temporary Debits	4,991	5,983	10,963
Prepayment for purchases	2,809	3,204	3,868
Others	<u>27,921</u>	<u>17,889</u>	<u>44,756</u>
	<u>\$ 112,743</u>	<u>\$ 88,578</u>	<u>\$ 103,701</u>

#### 15. SHORT-TERM BORROWING

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Unsecured borrowings</u>			
Bank Loans	<u>\$ 55,000</u>	<u>\$ 100,000</u>	<u>\$ 50,000</u>

The interest rates on revolving bank loans were 1.75% ~ 2.11%, 1.65% ~ 2.11% and 1.835% ~ 1.985% as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively.

#### 16. OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	March 31, 2024	December 31, 2023	March 31, 2023
Payable for salaries or bonuses	\$ 59,542	\$ 71,657	\$ 34,228

	March 31, 2024	December 31, 2023	March 31, 2023
Temporary credits and Receipts under custody	33,706	42,710	-
Others	<u>61,413</u>	<u>48,840</u>	<u>64,257</u>
	<u>\$ 154,661</u>	<u>\$ 163,207</u>	<u>\$ 98,485</u>

## 17. RETIREMENT BENEFIT PLANS

### a. 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.

### b. Defined Benefit Plans

Employee benefit expenses in respect of the Group's defined benefit retirement plans were NT\$574 thousand and NT\$115 thousand for the three months ended March 31, 2024 and 2023, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2023 and 2022.

## 18. EQUITY

### a. Capital stock

	March 31, 2024	December 31, 2023	March 31, 2023
Authorized shares (in thousands)	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>
Authorized capital	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Issued and paid shares (in thousands)	<u>138,233</u>	<u>138,233</u>	<u>123,423</u>
Issued capital	<u>\$ 1,382,333</u>	<u>\$ 1,382,333</u>	<u>\$ 1,234,226</u>

The par value of issued common shares is NT\$10 per share. A holder of common shares has one vote for each common share and is entitled 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.

b. Capital surplus

	March 31, 2024	December 31, 2023	March 31, 2023
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>			
Additional paid-in capital	\$ 235,826	\$ 235,826	\$ 235,826
Employee share options	7,700	7,700	7,700
Treasury share transactions	<u>14,457</u>	<u>14,457</u>	<u>14,457</u>
	<u>\$ 257,983</u>	<u>\$ 257,983</u>	<u>\$ 257,983</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's paid-in capital and once a year).

c. 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 and cash dividends per share were as follows:

	<u>Appropriations of Earnings</u>		<u>Dividends per share (NT\$)</u>	
	<u>For the Year Ended December 31</u>			
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Legal reserve	<u>\$ 30,609</u>	<u>\$ 33,056</u>		
Cash dividends	<u>\$ 203,203</u>	<u>\$ 148,107</u>	\$ 1.47	\$ 1.20
Stock Dividends	<u>\$ 67,734</u>	<u>\$ 148,107</u>	\$ 0.49	\$ 1.20

The appropriations of the above cash dividends were resolved by the board of directors on February 29, 2024 and February 22, 2023, respectively. The appropriation of earnings for the year 2022 were resolved at the shareholders' meeting on May 19, 2023. The appropriation of earnings for 2023 is subject to the resolution of the shareholders in the shareholders' meeting to be held on May 24, 2024.

d. Others equity items

Foreign Currency Translation Reserve

	<u>Three Months Ended March 31</u>	
	<u>2024</u>	<u>2023</u>
Balance, beginning of period	\$ 26,358	\$ 37,603
Occur in the current year		
Exchange differences on translation of the financial statements of foreign operations	<u>10,967</u>	<u>3,272</u>
Balance, end of period	<u>\$ 37,325</u>	<u>\$ 40,875</u>

## 19. NET REVENUE

	Three Months Ended March 31	
	2024	2023
Revenue from contracts with customers		
Sales	\$ 540,271	\$ 776,974
Processing	<u>221,263</u>	<u>267,886</u>
	<u>\$ 761,534</u>	<u>\$ 1,044,860</u>

### a. Contract balances

	March 31, 2024	December 31, 2023	March 31, 2024	January 1, 2023
Trade receivables (Note 8)	<u>\$ 398,354</u>	<u>\$ 377,955</u>	<u>\$ 325,285</u>	<u>\$ 344,682</u>
Contract liabilities				
Sale of goods	<u>\$ 181,125</u>	<u>\$ 151,426</u>	<u>\$ 145,359</u>	<u>\$ 167,343</u>

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

## 20. PROFIT BEFORE TAX

### a. INTEREST INCOME

	Three Months Ended March 31	
	2024	2023
Bank deposits	<u>\$ 7,180</u>	<u>\$ 5,148</u>

### b. Other income

	Three Months Ended March 31	
	2024	2023
Rent income	<u>\$ 289</u>	<u>\$ 285</u>

### c. OTHER GAINS AND LOSSES

	Three Months Ended March 31	
	2024	2023
Net gain (loss) on foreign currency exchange	\$ 25,037	(\$ 6,398)
Net gain on disposal of property, plant and equipment	-	7,086
Other	( <u>54</u> )	<u>339</u>
	<u>\$ 24,983</u>	<u>\$ 1,027</u>



d. Finance costs

	Three Months Ended March 31	
	2024	2023
Interest on lease liabilities	\$ 364	\$ 294
Interest on borrowings	<u>306</u>	<u>351</u>
	<u>\$ 670</u>	<u>\$ 645</u>

e. Depreciation and amortization

	Three Months Ended March 31	
	2024	2023
An analysis of depreciation by function		
Recognized in operating costs	\$ 28,180	\$ 25,848
Recognized in operating expenses	<u>3,783</u>	<u>3,944</u>
	<u>\$ 31,963</u>	<u>\$ 29,792</u>
An analysis of amortization by function		
Recognized in operating costs	\$ 62	\$ 108
Recognized in operating expenses	<u>472</u>	<u>651</u>
	<u>\$ 534</u>	<u>\$ 759</u>

f. Employee benefit expenses

	Three Months Ended March 31	
	2024	2023
Short-term employee benefits	\$132,401	\$142,636
Post-employment benefits (Note 17)		
Defined contribution plans	2,303	2,721
Defined benefit plans	<u>574</u>	<u>115</u>
Total employee benefits expense	<u>\$135,278</u>	<u>\$145,472</u>
An analysis of employee benefits expense by function		
operating costs	\$ 99,235	\$108,670
operating expenses	<u>36,043</u>	<u>36,802</u>
	<u>\$135,278</u>	<u>\$145,472</u>

g. Compensation of employees and remuneration of directors

In compliance with the Articles, the Company accrues compensation of employees and remuneration of directors at rates of 6% and no higher than 2.3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. For the three months ended March 31, 2024 and 2023, the employees' compensation and the remuneration of directors were as follows:

Accrual Rate

	Three Months Ended March 31	
	2024	2023
Compensation of employees	6%	6%
Remuneration of directors	2.3%	2.3%

Amount

	Three Months Ended March 31	
	2024	2023
Compensation of employees	<u>\$ 6,731</u>	<u>\$ 7,620</u>
Remuneration of directors	<u>\$ 2,580</u>	<u>\$ 2,921</u>

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate and will be adjusted in the next year.

The appropriations of compensation of employees and remuneration of directors for 2023 and 2022, which were approved by the Company's board of directors on February 26, 2024 and February 21, 2023, respectively, are as follows:

	Years Ended December 31			
	2023		2022	
	Cash Dividends	Share Dividends	Cash Dividends	Share Dividends
Compensation of employees	<u>\$ 24,823</u>	<u>\$ -</u>	<u>\$ 26,594</u>	<u>\$ -</u>
Remuneration of directors	<u>\$ 9,516</u>	<u>\$ -</u>	<u>\$ 10,194</u>	<u>\$ -</u>

There was no difference between the approved amounts of the compensation of employees and the remuneration of directors and the amounts recognized in the consolidated financial statements for the years ended December 31, 2023 and 2022.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is

available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Foreign Exchange Gains and Losses

	Three Months Ended March 31	
	<u>2024</u>	<u>2023</u>
Total amount of gains on foreign exchange	\$ 26,911	\$ 28,315
Total amount of losses on foreign exchange	( <u>1,874</u> )	( <u>34,713</u> )
Net gains (loss)	<u>\$ 25,037</u>	<u>( \$ 6,398 )</u>

21. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	Three Months Ended March 31	
	<u>2024</u>	<u>2023</u>
Current tax		
In respect of the current period	\$ 19,644	\$ 24,658
Deferred tax		
In respect of the current period	( <u>222</u> )	<u>929</u>
Income tax expense recognized in profit or loss	<u>\$ 19,422</u>	<u>\$ 25,587</u>

b. Current Income Tax Assets and Liabilities

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Income tax assets			
Income tax refund receivable	<u>\$ 401</u>	<u>\$ 394</u>	<u>\$ 1,143</u>
Income tax liabilities			
Income taxes payable	<u>\$ 63,964</u>	<u>\$ 44,924</u>	<u>\$ 72,293</u>

c. Income tax examination

The tax authorities have examined income tax returns of TUEC through 2022.

## 22. EARNINGS PER SHARE

Unit: NT\$ Per Share

	Three Months Ended March 31	
	2024	2023
Basic EPS	<u>\$ 0.61</u>	<u>\$ 0.67</u>
Diluted EPS	<u>\$ 0.60</u>	<u>\$ 0.66</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 Three Months Ended March 31, 2023 were as follows:

	Before	After
	Retrospective Adjustment	Retrospective Adjustment
	Three Months Ended March 31, 2024	
Basic EPS	<u>\$ 0.75</u>	<u>\$ 0.67</u>
Diluted EPS	<u>\$ 0.74</u>	<u>\$ 0.66</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit for the Period

	Three Months Ended March 31	
	2024	2023
Net Income Used to Calculate Basic and Diluted Earnings Per Share	<u>\$ 83,733</u>	<u>\$ 92,372</u>

### Weighted average number of ordinary shares outstanding

Unit: In Thousands of Shares

	Three Months Ended March 31	
	2024	2023
Weighted average number of ordinary shares outstanding used in computation of basic earnings per share	138,233	138,233
Effect of potentially dilutive ordinary shares:		

	Three Months Ended March 31	
	2024	2023
Compensation of employees	<u>673</u>	<u>698</u>
Weighted average number of ordinary shares outstanding used in computation of dilutive earnings per share	<u>138,906</u>	<u>138,931</u>

The Company may settle the bonuses or remuneration paid to employees in cash or shares, therefore, the Company presumes that the entire amount of the bonus or remuneration will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 23. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's capital management system aims to ensure that the necessary financial resources and operating plan are sufficient to meet the next 12 months' requirements for working capital, capital expenditures, research and development expenses, debt repayment, dividend payments and other needs.

## 24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are 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.

b. Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Amortized cost			
Cash and cash equivalents	\$ 1,110,517	\$ 999,529	\$ 805,530

	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets at amortized costs	455,286	451,667	444,061
Notes receivable	10,215	14,857	24,709
Accounts receivable, net	398,354	377,955	325,285
Guarantee deposits paid	5,504	5,530	5,651
	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial liabilities</u>			
Amortized cost			
Short-term			
borrowings	\$ 55,000	\$ 100,000	\$ 50,000
Accounts payable	404,638	384,936	662,757
Other payables and other current liabilities	154,661	163,207	98,485
Guarantee deposits received	53,283	81,422	55,902

c. 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.

1) 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) Foreign currency 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 27.

Sensitivity analysis

The Company was mainly exposed to 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\$51,645 thousand and NT\$40,499 thousand, respectively for the three months ended March 31, 2023 and 2022.

b) 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 exposure to interest rates at the end of the reporting period were as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Fair value interest rate risk			
– Financial assets	\$ 1,122,246	\$ 1,137,379	\$ 844,478
– Financial liabilities	54,297	43,701	43,174
Cash flow interest rate risk			
– Financial assets	443,441	313,746	405,006
– Financial liabilities	55,000	100,000	50,000

2) 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. As of March 31, 2024, December 31, 2023, and March 31, 2023, the accounts receivable balances from the aforementioned customers accounted for 56%, 57%, and 49%, respectively.

### 3) 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 March 31, 2024, December 31, 2023, and March 31, 2023, the bank's short-term financing facilities unused by the Company were described in the following section "(b) Financing Facilities".

#### a) 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.

#### March 31, 2024

	On				
	Demand or		3 Months to		More Than
	Less than	1-3 Month	1 Year	1-5 Years	5 Years
	1 Month				
<u>Non-derivative</u>					
<u>financial</u>					
<u>liabilities</u>					
Non-interest					
bearing					
liabilities	\$ 49,303	\$ 300,891	\$ 352,766	\$ -	\$ -
Lease liabilities	3,562	2,630	18,576	31,110	-



	On Demand or Less than 1 Month	1-3 Month	3 Months to 1 Year	1-5 Years	More Than 5 Years
Floating interest rate liabilities	<u>10,000</u>	<u>35,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 62,865</u>	<u>\$ 338,521</u>	<u>\$ 381,342</u>	<u>\$ 31,110</u>	<u>\$ -</u>

### December 31, 2023

	On Demand or Less than 1 Month	1-3 Month	3 Months to 1 Year	1-5 Years	More Than 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	-
Floating interest rate liabilities	<u>80,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 241,823</u>	<u>\$ 298,925</u>	<u>\$ 52,107</u>	<u>\$ 28,927</u>	<u>\$ -</u>

### March 31, 2023

	On Demand or Less than 1 Month	1-3 Month	3 Months to 1 Year	1-5 Years	More Than 5 Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 105,862	\$ 466,674	\$ 302,585	\$ -	\$ -
Lease liabilities	3,513	2,875	16,412	21,573	-
Floating interest rate liabilities	<u>10,000</u>	<u>10,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 119,375</u>	<u>\$ 479,549</u>	<u>\$ 348,997</u>	<u>\$ 21,573</u>	<u>\$ -</u>

## b) Financing Facilities

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured bank loan amount			
– Amount used	\$ 60,000	\$ 106,000	\$ 56,000
– Amount unused	<u>540,000</u>	<u>494,000</u>	<u>544,000</u>
	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 600,000</u>
Guaranteed bank loan amount			
– Amount used	\$ -	\$ -	\$ -
– Amount unused	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>

	December 31,	
March 31, 2024	2023	March 31, 2023
<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 400,000</u>

## 25. RELATED PARTY TRANSACTIONS

Intercompany balances and transactions 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 28(3).

### Compensation of key management personnel

	Three Months Ended March 31	
	2024	2023
Short-term employee benefits	<u>\$ 4,795</u>	<u>\$ 4,999</u>

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

## 26. PLEDGED ASSETS

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,		
March 31, 2024	2023	March 31, 2023	
Property, plant and equipment, net	\$ 334,426	\$ 338,406	\$ 293,433
Pledged time deposits (classified as financial assets at amortized costs n-current)	<u>-</u>	<u>-</u>	<u>9,970</u>
	<u>\$ 334,426</u>	<u>\$ 338,406</u>	<u>\$ 303,403</u>

## 27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group and the exchange rates between the foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

March 31, 2024

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 28,161	32.00	<u>\$ 901,152</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	12,022	32.00	<u>\$ 384,704</u>

December 31, 2023

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 31,789	30.705	<u>\$ 976,081</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	13,970	30.705	<u>\$ 428,949</u>

March 31, 2023

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 33,237	30.45	<u>\$ 1,012,067</u>
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	19,937	30.45	<u>\$ 607,082</u>

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

	<u>Three Months Ended March 31</u>			
	<u>2024</u>		<u>2023</u>	
<u>Foreign currencies</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>
USD	32.00 (USD : NTD)	\$ 2,593	30.45 (USD : NTD)	\$ 13,165
USD	7.095 (USD : RMB)	( 44 )	6.872 (USD : RMB)	( 112 )
		<u>\$ 2,549</u>		<u>\$ 13,053</u>

## 28. 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 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.

### a. NAMES, LOCATIONS, AND RELATED INFORMATION ON INVESTEEES

(Amounts in Thousands of New Taiwan Dollars or Thousands of Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2024			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee
				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	\$ 616,279	( \$ 8,768 )	( \$ 8,768 )

Note: Under relevant regulations, no disclosure of investment gain (loss) is needed.

### b. INFORMATION ON INVESTMENTS IN MAINLAND CHINA

- 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.)

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2024	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2024	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of March 31, 2024	Accumulated Repatriation of Investment Income as of March 31, 2024
					Outflow	Inflow						
Top Union Shanghai	Manufacture of Electronic Products and	\$ 212,858 US\$ 6,659 (In Thousand)	(Note 1)	Cash \$ 83,720 Price of Machinery&E equipment 129,138	\$ -	\$ -	Cash \$ 83,720 Price of Machinery&E equipment 129,138	( \$ 8,795 )	100%	( \$ 8,795 )	\$ 158,815	\$ 105,908
Top Union Suzhou	Communication Equipment, Technical Support and SMT Processing, etc.	278,844 US\$ 8,500 (In Thousand)	(Note 1)	Cash 230,262 Price of Machinery&E equipment 48,582	-	-	Cash 230,262 Price of Machinery&E equipment 48,582	( 1,171 )	100%	( 1,171 )	433,177	88,440

Accumulated Investment in Mainland China as of March 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Cash \$313,982 Machinery&Equipment \$177,720	\$491,702 US\$15,159 thousand	\$1,316,569

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.

- 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 (3 for the details.)

c. INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2024

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
0	Top Union	Top Union Suzhou	1	Operating Costs	\$ 12,940	Note 1	2%
		Top Union Suzhou	1	Unrealized Sales	( 138 )	Note 1	-
		Top Union Suzhou	1	Gross Profit			
		Top Union Suzhou	1	Accounts Payable	16,316	Note 2	-
		Top Union Suzhou	1	Operating Revenue	78,020	Note 1	10%

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.

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None

29. SEGMENT INFORMATION

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, the reportable segment revenue and operating results for the periods from January 1 to March 31, 2024, and 2023, can be referred to in the consolidated statements of comprehensive income. The reportable segment assets as of March 31, 2024, December 31, 2023, and March 31, 2023, can be referred to in the consolidated balance sheets.