

Stock Code : 8043

# Honey Hope Honesty Enterprise Co., Ltd.

## 2023 Annual Report

Annual report is available at

Taiwan Stock Exchange Market Observation Post System: <https://mops.twse.com.tw>

Company Website: <https://www.threehhh.com.tw>

**Printed on May 10, 2024**

### Notice to readers

*This English-version annual report is a summary translation of the Chinese version and is not an official document of the Shareholders' Meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

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**II. The Company's Headquarters, Branch Offices, and Factories**

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Branch Offices: None.

Factories: None.

**III. Shares Transfer Agency**

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**V. The name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: Not applicable.**

**VI. Company website: <https://www.threehhh.com.tw>**

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## Chapter 1 Letter to shareholders

Dear Shareholders:

Thank you all for being here with us. On behalf of the Company, I would like to express my sincere gratitude for your support over the past year! Looking back in 2023, as the world economy continued to face multiple challenges, including inflation, simmering geopolitical tensions, and slow economic recovery in China, terminal demand for consumer electronics was sluggish, which had a direct negative impact on the Company's overall sales. The consolidated revenue of 2023 was NT\$4,885,670 thousand dollars, a decrease of 16.44% from NT\$5,847,130 thousand dollars in 2022, and the consolidated income before income tax of 2023 was NT\$16,955 thousand dollars, a decrease of 108.56% from NT\$198,089 thousand dollars in 2022. In terms of receipts and expenditures, the non-operating income and expenses is about NT\$36,340 thousand dollars in 2023.

The summary of the business plan for 2024, the Company's future development strategy, and the effect of external competition, the legal environment, and the overall business environment are explained as follows:

### I. The summary of the business plan for 2024

#### (I) Business policy

1. Adjust the product mix to expand the market. (Sales of microphones, sensor, E-BIKE controller module, motor design, and GaN power controller module)
2. Plan out to exploit the automotive mechanical industry and AI market actively. (Plan sales for mechanical industry customers)
3. Expand new product lines proactively, and strengthen the relationships with key partners.
4. Expand the layout of the Mainland China and overseas markets, and strengthen the overseas operating model and logistics management.
5. Strengthen technical support skills and endeavor to exploit terminal products.
6. Strengthen real-time information management and service system.
7. Strengthen the Company's management mechanisms in order to achieve the goal of efficiency in management and control.

#### (II) The sales volume forecast and the basis thereof

As the inventory destocking in supply chain is near end, the demand for consumer applications expect to stabilize, and the emerging application demand, such as electric vehicles and AI serve, rise, the sales volume of multilayer ceramic capacitors will be expected to stabilize, and in a flat trend in 2024.

#### (III) The important production and sales policies

The Company expands its market share with the advantages of existing product lines and high-capacity products, and applies E-Bike controller modules and motors to the pedal assist bike and industrial machinery to expand the penetration of the industrial market and break into the pedal assist bike markets in European and American. The Company will continue to construct and offer more convenient warehousing and logistics system to deliver great customer service to meet customers' needs, and expand its new agency product lines through years of contacts and popularity accumulated in the industry, as well as the advantages of marketing and technical services.

## II. The Company's future development strategy

- (I) Control, review and analyze costs and expenses in time and effectively.
- (II) Strengthen the efficiency of the Company's remote management and improve quality customer service.
- (III) Continue to deepen the penetration of existing markets in South China and Central China, exploit the Southeast Asian market, and the market for mid-drive motors used in pedal assist bikes in European and American to expand the market share.
- (IV) Expand new product lines about critical parts, such as E-Bike controller modules, microphones, Image Signal Processor (ISP) etc. to improve product integrity.
- (V) Integrate the resources of subsidiaries and reinvestment companies, and make overall planning to improve the operational efficiency of the organization.

## III. The effect of external competition, the legal environment, and the overall business environment

Due to increasing competition in external environment and price competition from Mainland China and Korean products, the Company controls costs actively, strives to adjust the product mix, develops new niche markets, and expands the market share to maintain and improve the Company's profit.

Emphasizing green environmental protection is the trend relevant for future industrial development. Countries worldwide have successively proposed the targets on net-zero emissions, resulting in downstream suppliers being asked to adjust manufacturing processes. The Company is mainly engaged in the distribution and resale of passive components of Taiyo Yuden, such as Multi-Layer Ceramic Capacitors and inductors. Taiyo Yuden has taken the "Green" into consideration, and adjusted manufacturing processes to comply with the relevant environmental laws and regulations. When expanding new agency product lines, the Company takes the "Green" into consideration, and prudently assess whether a product is compliant with environmental laws and regulations.

The Company, again, sincerely appreciates your long-term support. The Company's management team and employees will continue to optimize the product lines and services, strengthen the cooperative relationships with key partners to create long-term value for shareholders.

The Company wishes you:

Good Health and Prosperity!

Chairman : Lin, Hsun-Min

Managerial Officer : Hsu, Hung-Chih

Chief Accountant : Tsai, Su-Chin

## Chapter 2 Company profile

### I. Date of incorporation: May 20, 1989

### II. Brief history of the Company

Year	Milestones
1989	HONEY HOPE HONESTY ENTERPRISE CO., LTD. ("the Company") was incorporated, and the main scope of business of the Company are electronic components trading and related businesses.
1991	Began to sell passive components of Taiyo Yuden.
1993	Successfully introduced the series of Multi-Layer Ceramic Capacitor of Taiyo Yuden into Micro-Star International Co., Ltd., Elitegroup Computer Systems Co., Ltd., First International Computer and Twinhead International Corporation.
1994	Successfully introduced the series of Multi-Layer Ceramic Capacitor of Taiyo Yuden into Giga-Byte Technology Co., Ltd. and Asustek Computer Incorporation.
1995	Successfully introduced the series of Multi-Layer Ceramic Capacitor of Taiyo Yuden into Quanta Computer Inc., Compal Electronics, Inc. and Orient Semiconductor Electronics Limited.
1997	Successfully introduced the series of Multi-Layer Ceramic Capacitor of Taiyo Yuden into Arima Computer Corporation.
1998	Successfully introduced the series of Multi-Layer Ceramic Capacitor of Taiyo Yuden into Wistron Corporation.
1999	1. The annual turnover reached NT\$2 billion, with an annual growth rate of 95%. 2. Successfully introduced the series of Multi-Layer Ceramic Capacitor of Taiyo Yuden into Arima Communications Corporation.
2000	Successfully introduced the series of Multi-Layer Ceramic Capacitor of Taiyo Yuden into Chi Mei Optoelectronics Corporation.
2001	1. Officially obtained distributorship from Taiyo Yuden. 2. Successfully introduced the series of Multi-Layer Ceramic Capacitor of Taiyo Yuden into HTC Corporation. 3. Ranked 8 <sup>th</sup> in labor productivity metrics and 54 <sup>th</sup> in composite indicator among Top 300 Trade Industry Surveys (Trade Magazine published by Importers and Exporters Association of Taipei in August 2002).
2002	1. Took the lead in the same industry to cooperate with the customer's westward policy to set up a HUB in Waigaoqiao, Shanghai. The share of major electronic factories increased significantly, with an annual turnover of NT \$3.3 billion in the same year, with an annual growth rate of 22%. 2. Reinvested Multileader Co., Limited. 3. Selected as the 7 <sup>th</sup> Top Ten Enterprises by 21st Century Economy & trading Development Association of ROC. 4. The Chairman and General Manager, Mr. Hsun-Min Lin, was elected the 25th ROC Model of Entrepreneurs Award.
2003	1. Awarded ASUSTeK Computer's 2002 Best Collaboration Award. 2. Awarded First International Computer's 2002 Excellent Collaboration Supplier. 3. Awarded Orient Semiconductor Electronics' 2002 Excellent Collaboration Supplier. 4. Ranked 28 <sup>th</sup> in Return on Stockholders' Equity and 36 <sup>th</sup> in Return on Assets among CommonWealth Magazine's Top 500 Service Industry Surveys. 5. Increased investment in Outrange Star Limited. Invested Honey Hope Honesty International Trading (Shanghai) Co., Ltd. through its subsidiary –Outrange Star Limited. 6. Increased investment in Multileader Co., Limited. 7. Introduced Speakers and Receivers of M. G. TECH.
2004	1. Obtained the sole distributorship of CMOS Module from Arima Computer in Mainland China. 2. Issued domestic transferable corporate bonds.
2005	Cooperated with Taiyo Yuden to expand the sales of LCD TV inductor.
2006	1. Awarded Orient Semiconductor Electronics's 2006 Excellent Collaboration Supplier. 2. Awarded Taiyo Yuden's Excellent Supplier. 3. Cooperated with Lyontek Inc. to expand the sales of 6TS-RAM in the Greater China area.
2007	Awarded Orient Semiconductor Electronics's 2007 Excellent Collaboration Supplier.
2008	1. Awarded ASUSTeK Computer's 2008 Excellent Collaboration Award.

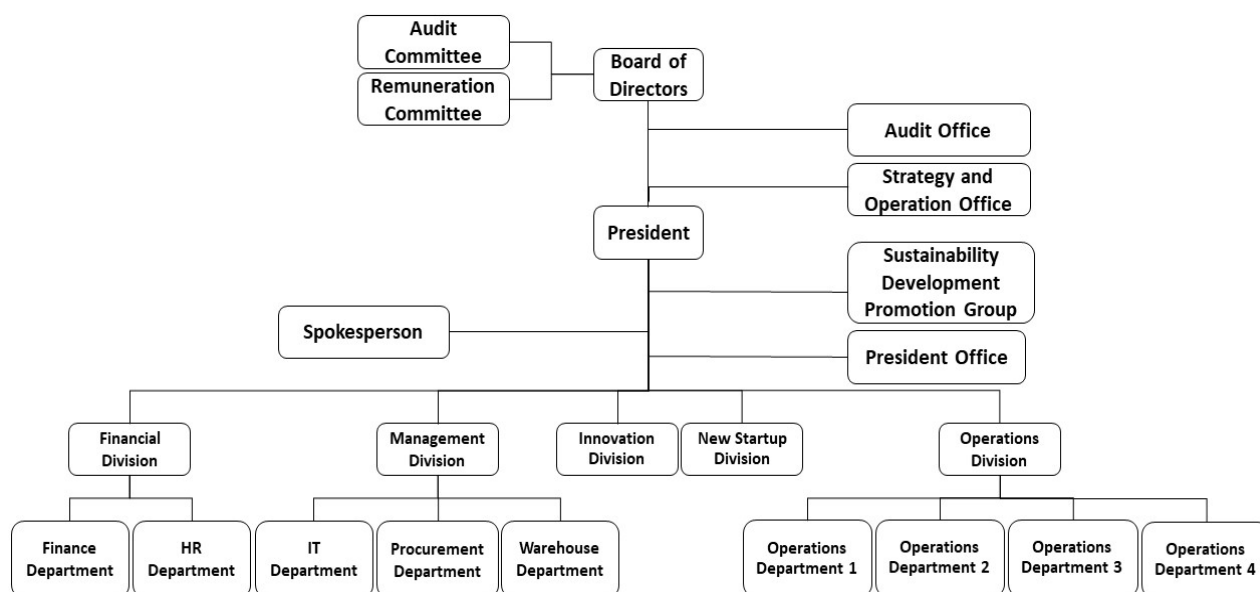


Year	Milestones
	2. Carried out a private placement of securities.
2009	Awarded ASUSTeK Computer's 2009 Excellent Supplier.
2010	Awarded Orient Semiconductor Electronics's 2010 Excellent Supplier.
2011	Awarded Orient Semiconductor Electronics's 2011 Excellent Supplier.
2012	Awarded Orient Semiconductor Electronics's 2012 Excellent Supplier.
2013	1.Awarded Orient Semiconductor Electronics's 2013 Excellent Supplier. 2.Awarded ASUSTeK Computer's 2013 Best Partner.
2014	1.Awarded 2014 edition of the Largest Corporation Ranking Top 5000 in Taiwan by CRIF China Credit Information Service for private companies. 2.Capital reduction. 3.Awarded Orient Semiconductor Electronics's 2014 Excellent Supplier.
2015	Awarded Orient Semiconductor Electronics's 2015 Excellent Supplier.
2016	Awarded Orient Semiconductor Electronics's 2016 Excellent Supplier.
2017	Awarded Orient Semiconductor Electronics's 2017 Excellent Supplier.
2018	Awarded Orient Semiconductor Electronics's 2018 Excellent Supplier.
2019	Obtained distributorship from Zilltek Technology Corp. Obtained distributorship from Nidec Corporation.
2020	Awarded Orient Semiconductor Electronics's 2020 Excellent Supplier.
2021	Awarded Orient Semiconductor Electronics's 2021 Excellent Supplier.
2022	Awarded Orient Semiconductor Electronics's 2022Excellent Supplier.
2023	Obtained distributorship from Sunplus Innovation Technology Inc. Awarded Orient Semiconductor Electronics's 2023Excellent Supplier.

## Chapter 3 Corporate governance report

### I. Organization system

#### (I) Company's structure



#### (II) The tasks of principal divisions

Department	Functions
Audit Committee Remuneration Committee	The Audit Committee, and the Remuneration Committee perform their functions and powers in accordance with the charters of each committee, and are responsible to the Board of Directors, and submit the proposed proposals to the Board of Directors for resolution.
Strategy and Operation Office	Responsible for formulating Company's vision and development plan, and planning, structuring, and promoting the Company's overall operation strategy. Responsible for evaluating feasibility for new product lines, and new market development. Responsible for assisting the Company with organizational planning.
Audit Office	Responsible for the monitoring and assessment of the design of internal control systems and determine whether their executions are effective, and propose improvement recommendations. Reviewing the audit reports or self-assessment reports submitted by each subsidiary, and following up on the of any defects and irregularities in internal control systems.
Sustainability Development Promotion Group	Formulating sustainability development policies, regulations, guidelines, and the implementation and operation of said plans.
President Office	Responsible for the execution and coordination of the Company's overall operational planning, implementing the resolutions made by the Board of Directors, cross-department collaboration, resource integration and mobilization
Finance Department	Responsible for the financial and accounting affairs, statements preparation, difference analysis, tax planning, stock affairs and investments.
HR Department	Responsible for the human resource administration, training, education, employee relations, labor safety and health.
IT Department	Responsible for matters related to the software and hardware construction, integration and control for systems, networks and computers, network security management and implementation, information security policies and standards planning and management, information security education and training.
Procurement Department	Responsible for the material requirements planning and controlling, supply chain management, and the management of procurement, export and import affairs.
Warehouse Department	Responsible for warehouse management, handling, storage, receiving, shipments, packaging, and conducting inventory checks.
Innovation/ New Startup/ Operations Division	Responsible for the matters related to the business establishment and expansion, product sales, market information collection, establishment and execution of marketing plans, etc.

## II. Information

### (I) Directors

## 1. Information on the directors

April 14, 2024

[illegible]

No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the Company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Notes
No. of shares (shares)	Share-holding ratio (%)	No. of shares (shares)	Share-holding ratio (%)	No. of shares (shares)	Share-holding ratio (%)	No. of shares (shares)	Share-holding ratio (%)			Job Title	Name	Relationship	
-	-	-	-	-	-	-	-	Department of Mechatronics, Chin-Yi Industry Junior College Procurement Manager, ABIT Computer Corporation Chairman, Gutenberg Co., Ltd. Procurement Senior Manager, Thecus Technology Corp./ Aewin Technologies Co., Ltd Administration Division Special Assistant, Beautiful Light Technology Corporation	None	None	None	None	
12	-	12	-	-	-	-	-	Lo-Tung Commercial Vocational School Finance Senior Manager/ Special Assistant, Honey Hope Honesty Enterprise Co., Ltd.	None	None	None	None	
Commencement date of first term			2003.06			2017.06							
Term (years)			3			3							
Date of election/appointment to current term			2023.06			2023.06							
Gender/ age			Male/51-60			Female/61-70							
Name Nationality			Yuan, Hung-Chen R.O.C.			Shih, Chun-Mei R.O.C.							
Job Title			Independent Director			Independent Director							

**Note :** Where the Chairman of the Board of Directors and President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto: none.

2. For directors acting as the representatives of institutional shareholders, this section shall indicate the names of the institutional shareholders, and shall further indicate the names of its 10 largest shareholders and the holding percentage of each. If any of those 10 largest shareholders is an institutional shareholder, the name of the corporate shareholder and the names of its 10 largest shareholders and the holding percentage of each shall be noted: None.
3. Professional qualifications and independence analysis of the Directors

Qualification Name	Professional Qualifications and Experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Lin, Hsun-Min	Graduated from Master, Business Administration, National Taiwan University. Possess plentiful Industry Knowledge and international market perspective, and the abilities of leadership, policy decisions, product marketing, operational judgments, business management, crisis management, and strategic planning. Possess work experience in the area of commerce, finance, and otherwise necessary for the business of the Company with at least five years. For principal work experience and academic qualifications, please refer to pages 6-7, Point 1 " Information on the directors " of this Annual Report.	Not been a person of any conditions defined in Article 30 of the Company Law.	0
Chen, Lu-Hsi	Possess plentiful Industry Knowledge and international market perspective, and the abilities of leadership, policy decisions, product marketing, operational judgments, business management, crisis management, and strategic planning. Possess work experience in the area of commerce, finance, and otherwise necessary for the business of the Company with at least five years. For principal work experience and academic qualifications, please refer to pages 6-7, Point 1 " Information on the directors " of this Annual Report.		0
Fan, Shu-Hui	Possess the abilities of product marketing, business management, and communication. Possess work experience in the area of commerce, finance, and otherwise necessary for the business of the Company with at least five years. For principal work experience and academic qualifications, please refer to pages 6-7, Point 1 " Information on the directors " of this Annual Report.		0
Chen, Ting-Tsung	Possess plentiful Industry Knowledge and international market perspective, and the abilities of strategic planning, market and customer development, product marketing, and coordination & integration. Possess work experience in the area of commerce, finance, and otherwise necessary for the business of the Company with at least five years. For principal work experience and academic qualifications, please refer to pages 6-7, Point 1 " Information on the directors " of this Annual Report.		0
Yuan, Hung-Chen	Possess plentiful procurement experience and expertise, and the abilities of market trend analysis, inventory management, sourcing and procurement optimization, marketing channels, price negotiation,	(1) During the two years before being elected or during the term of office,	0

Qualification Name	Professional Qualifications and Experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
	etc. Possess work experience in the area of commerce, finance, and otherwise necessary for the business of the Company with at least five years. For principal work experience and academic qualifications, please refer to pages 6-7, Point 1 "Information on the directors" of this Annual Report.	all independent directors don't have been or be a person of any conditions defined in paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	
Shih, Chun-Mei	Served as a sales supervisor for many years,. Possess work experience in the area of commerce, finance, and otherwise necessary for the business of the Company with at least five years.	(2) Not been a person of any conditions defined in Article 30 of the Company Law.	0

#### 4. Diversity and independence of the Board of Directors

##### (1) Diversity of the Board of Directors

The operations of an effective Board of Directors are fundamental to the Company's sustainability. The main responsibilities of the Board of Directors are to supervise the Company's compliance with relevant laws and regulations, the timely disclosure of material information and to ensure integrity in all of the Company's operations. In addition, it is essential for the Board of Directors to maintain a good communication channel and positive interaction with the management team, provide a guideline for the Company's operations and make resolutions regarding material strategies to ensure the Company's development and to protect shareholders' interests.

The Company's Corporate Governance Best Practice Principles clearly stipulates that the composition of the board of directors shall be determined by taking diversity into consideration, such as gender, age, nationality, culture, professional background, professional skills, and industry experience. All members of the Board of Directors shall have the knowledge, skills, and experience necessary to perform their duties. To cater for the needs of the Company's business development and achieve the ideal goal of corporate governance, the Board of Directors shall possess the abilities of Operational Judgments, Accounting & Finance, Business Management, Crisis Management, Industry Knowledge, International Market Perspective, Leadership, and Policy Decisions.

The professional abilities of the members of the Board of Directors of the Company are as follows:

Title	Name	Gender	An Employee/ Management of the Company	Professional Abilities							
				Operational Judgments	Accounting & Financial analysis	Business Management	Crisis management	Industry Knowledge	International Market Perspective	Leadership	Policy Decisions
Chairman	Lin, Hsun-Min	Male	✓	✓	✓	✓	✓	✓	✓	✓	✓
Vice Chairman	Chen, Lu-Hsi	Male	✓	✓	✓	✓	✓	✓	✓	✓	✓
Director	Fan, Shu-Hui	Female		✓		✓		✓		✓	✓
Director	Chen, Ting-Tsung	Male		✓		✓	✓	✓	✓	✓	✓
Independent Director	Yuan, Hung-Chen	Male		✓		✓		✓	✓	✓	✓
Independent Director	Shih, Chun-Mei	Female		✓	✓	✓				✓	✓

The Directors have a great breadth of knowledge and experience, and possess professional qualifications in the areas of electronics industry, finance and accounting, and the necessary abilities and skill to perform their duties. The Chairman has ample experience with the Company's operations and the business acumen to lead the Company and make decisions in the shareholders' best interests.

To strengthen the structure of the Board of Directors and enhance management efficiency and effectiveness, the Audit Committee and the Remuneration Committee, composed entirely of independent directors, have been set up under the Board of Directors. To strengthen the diversity of the Board of Directors and promote gender equality among the composition for all seats of the Board of Directors, the Company's 12<sup>th</sup> term directors, composed of 7 directors in total, including 3 independent directors, was elected on June 12, 2023. After the election, the ratio of independent directors and directors as employees of the Company of the board were left unchanged at approximately 42.9% and 28.6%, respectively. The ratio of female director of the board was increased from 28.6% to 42.9%, and half of the independent directors serve for not more than three consecutive terms. In addition, the Company has appointed a suitable person from the management team to act as a president in 2023 to avoid the situation of the chairperson and president are the same person. However, due to a female independent director's resignation for personal reasons in July, 2023, there were only two independent directors left, and the ratio of independent directors, directors as employees of the Company, and the ratio of female director of the board were all 33.3%.

The Company focuses on gender equality among the composition for all seats of the Board of Directors, and improving the composition of the board of directors. The Company will increase one female director in the by-election for thoroughly further implementing general equality in 2023 Annual Shareholders' Meeting, and ensure that half of the independent directors serve for not more than three consecutive terms.

## (2) Independence of the Board of Directors

The Company's Board of Directors currently consists of 6 directors, 2 of whom are independent and represent 33.3% of the total number of directors. Each of the independent directors provided written " declaration of independence " to the Company to confirm the independence of himself and his immediate family relative to the Company. According to the Company's Corporate Governance Best Practice Principles, independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company. All of the directors are not related to each other as spouses or relatives within the second degree of kinship, which complies with paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act. In summary, the Board of Directors maintain their independence and perform their duties.

## (II) President, vice presidents, senior managers, and the supervisors of all the divisions and branch units

April 14, 2024

Job title	Name /Nationality	Gender	Date of appointment to current term	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree		
				No. of shares (shares)	Share-holding ratio	No. of shares (shares)	Share-holding ratio	No. of shares (shares)	Share-holding ratio			Title	Name	Relation-ship
CSO	Lin, Hsun-Min R.O.C.	Male	2023.05.02	5,759,139	7.20%	2,242,021	2.81%	-	-	EMBA, National Taiwan University Department of Electrical Engineering, Kuang Wu Industry Junior College Sales Specialist, Holy Stone Enterprise Co., Ltd.	Chairman, the Company Representative director, Honey Hope Honesty International Trading (Shanghai) Co., Ltd. Director, Jihong Technology Co., Ltd.	None	None	None
Deputy CSO	Chen, Lu-Hsi R.O.C.	Male	2023.05.02	4,044,877	5.06%	2,666,067	3.33%	-	-	Department of Electrical Engineering, Kuang Wu Industry Junior College Sales Specialist, World Peace Industrial Co., Ltd.	Vice chairman, the Company Representative director, Outrange Star Limited Representative director, Multileader Co., Limited	None	None	None
President	Hsu, Hung-Chih R.O.C	Male	2023.06.20	-	-	-	-	-	-	Department of Civil Engineering, Nanya Polytechnic Sales Manager, Taiwan Taiyo Yuden Co., Ltd.	Representative supervisor, Honey Hope Honesty International Trading (Shanghai) Co., Ltd. Vice President, Multileader Co., Limited	None	None	None
Vice President	Hsiao, Chih-Chih R.O.C	Male	2019.09.01	19,000	0.02%	-	-	-	-	Department of Electrical Engineering, Kuang Wu Industry Junior College Sales Executive, Yel Electronics Limited	None	None	None	None
Vice President	Huang, Yi-Chieh R.O.C	Male	2019.04.01	-	-	-	-	-	-	Grossmont College-International Business China Fun Chinese Restaurant -Floor Manager Communication Culture -Managing director	None	None	None	None



	None	None	None	None
	None	None	None	None
	None	None	None	None
	None	None	None	None
	Bachelor of Agricultural Marketing, National Chung Hsing University Senior Manager, Synnex Technology International Corporation	Master of Science in Accounting, National Taipei University Bachelor of Science in Accounting, Chinese Culture University Senior, PricewaterhouseCoopers Taiwan	Master of Information Management, Shih Hsin University Bachelor of Information Management, Shih Chien University	Department of International Trade, Takming Junior College Sales, Laurels Carry & Leap International Corp.
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	0.01%	-
	-	2,610	9,740	-
	2020.02.01	2022.03.01	2023.03.01	2024.01.30
	Male	Female	Male	Male
	Lin, Yu-Chun R.O.C.	Tsai, Su-Chin R.O.C.	Liu, Fang-Li R.O.C.	Hsieh, Hung-Chang R.O.C.
	Sales Senior Manager	Finance Senior Manager (Chief Corporate Governance Officer)	IT Senior Manager (Information Security Supervisor)	Sales Director

Note : Where the Chairman of the Board of Directors and President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto: None.

### III. Remuneration paid during the most recent fiscal year to directors, supervisors, the general manager, and assistant general managers

#### (I) Remuneration to ordinary directors and independent directors (individual Disclosure of Names and Remuneration Items)

Unit: NT\$ thousands, except otherwise stated

Job Title	Name	Remuneration to directors				Remuneration received by directors for concurrent service as an employee				Sum of A+B+C+D and ratio to net income (%)		Sum of A+B+C+D+E+F+G and ratio to net income (%)				Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Base compensation (A)	Retirement pay and pension (B)	Director profit-sharing compensation (C)	Expenses and perquisites (D)	Salary, rewards, and special disbursements (E)	Retirement pay and pension (F)	Employee profit-sharing compensation (G)				The Company	All consolidated entities			
								The Company	All consolidated entities		The Company		All consolidated entities			
									Amount in cash	Amount in stock			Amount in cash	Amount in stock		
Director	Lin, Hsun-Min	276	-	-	-	3,294	-	-	-	-	(18.73)	(18.73)	None			
	Chen, Lu-Hsi	106	-	-	-	3,172	-	-	-	(17.20)	(17.20)					
	Fan, Shu-Hui	200	-	-	-	-	-	-	-	(1.05)	(1.05)					
	Chen, Ting-Tsung	200	-	-	-	-	-	-	-	(1.05)	(1.05)					
Independent Director	Yuan, Hung-Chen	250	-	-	-	-	-	-	-	(1.31)	(1.31)					
	Shih, Chun-Mei	170	-	-	-	-	-	-	-	(0.89)	(0.89)					
	Wang, Ho-Chin (Note)	170	-	-	-	-	-	-	-	(0.89)	(0.89)					
1. Please describe the policy, system, standards and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid: The remuneration of Directors shall be appointed in accordance with the provisions of Article 20 of the Company's Articles of Incorporation and Regulations for the Distribution of the remuneration of Directors. According to Article 20 of the Company's Articles of Incorporation, the Company shall allocate no more than 2% of the profit (which means income before tax excluding the compensation distributable for employees and the Directors) as director remuneration. Directors' remuneration shall be distributed by taking various aspects including directors' responsibilities at the Company, the extent of each director's involvement and contributions to the Company's operation, the performance for other positions, and the performance evaluation results from the Board and functional committee into consideration, and referring to relevant industry standards and the Company's management performance, and shall be approved by the Remuneration Committee and submitted to the Board of Directors for resolution.																
2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises): None .																

1. Please describe the policy, system, standards and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid: The remuneration of Directors shall be appointed in accordance with the provisions of Article 20 of the Company's Articles of Incorporation and Regulations for the Distribution of the remuneration of Directors. According to Article 20 of the Company's Articles of Incorporation, the Company shall allocate no more than 2% of the profit (which means income before tax excluding the compensation distributable for employees and the Directors) as director remuneration. Directors' remuneration shall be distributed by taking various aspects including directors' responsibilities at the Company, the extent of each director's involvement and contributions to the Company's operation, the performance for other positions, and the performance evaluation results from the Board and functional committee into consideration, and referring to relevant industry standards and the Company's management performance, and shall be approved by the Remuneration Committee and submitted to the Board of Directors for resolution.

2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises): None °

Note: Resigned for personal reasons on July 11, 2023.

(II) Remuneration to president(s) and vice president(s) (disclosure of aggregate remuneration plus disclosure of names by remuneration range)

Unit: NT\$ thousands, except otherwise stated

Job title	Name	Salary ( A )		Retirement pay and pension ( B )		Rewards and special disbursements ( C )		Employee profit-sharing compensation ( D )				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
CSO	Lin, Hsun-Min	9369	9369	-	-	2,562	2,562	-	-	-	-	(62.60)	(62.60)	None
Deputy CSO	Chen, Lu-Hsi													
President	Hsu, Hung-Chih													
Vice President	Hsiao, Chih-Chih													
Vice President	Huang, Yi-Chieh													

Names of remuneration paid to each of the Company's President (s) and Vice President (s)	Names of President (s) and Vice President (s)	
	The Company	All consolidated entities
Less than NT\$1,000,000 元	-	-
NT\$1,000,000 (incl.) ~ 2,000,000 (excl.)	Hsu, Hung-Chih / Hsiao, Chih-Chih / Huang, Yi-Chieh	Hsu, Hung-Chih / Hsiao, Chih-Chih / Huang, Yi-Chieh
NT\$2,000,000 (incl.) ~ 3,500,000 (excl.)	Lin, Hsun-Min / Chen, Lu-Hsi	Lin, Hsun-Min / Chen, Lu-Hsi
NT\$3,500,000 (incl.) ~ 5,000,000 (excl.)	-	-
NT\$5,000,000 (incl.) ~ 10,000,000 (excl.)	-	-
NT\$10,000,000 (incl.) ~ 15,000,000 (excl.)	-	-
NT\$15,000,000 (incl.) ~ 30,000,000 (excl.)	-	-
NT\$30,000,000 (incl.) ~ 50,000,000 (excl.)	-	-
NT\$50,000,000 (incl.) ~ 100,000,000 (excl.)	-	-
NT\$100,000,000 or more	-	-
Total	5 persons	5 persons

(III) Remuneration to the Five Highest Remunerated Management Personnel (Individual Disclosure of Names and Remuneration Items):

Unit: NT\$ thousands, except otherwise stated

Job title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities				
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
CSO	Lin, Hsun-Min	2,594	2,594	-	-	700	700	-	-	-	-	(17.28)	(17.28)	None
Deputy CSO	Chen, Lu-Hsi	2,472	2,472	-	-	700	700	-	-	-	-	(16.64)	(16.64)	
President	Hsu, Hung-Chih	1,759	1,759	-	-	150	150	-	-	-	-	(10.02)	(10.02)	
Vice President	Huang, Yi-Chieh	1,176	1,176	-	-	802	802	-	-	-	-	(10.38)	(10.38)	
Sales Senior Manager	Lin, Yu-Chun	894	1418	-	-	711	711	-	-	-	-	(8.42)	(11.17)	

(IV) Names and distributions of employee profit-sharing compensation to managerial officers: Due to a net loss after tax in 2023, it was not to distribute employee remuneration resolved by the board of directors.

(V) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, Presidents, and Vice Presidents.

Unit: NT\$ thousands; %

Job Title	2023			2022		
	Total remuneration paid by the Company and by each other company included in the consolidated financial statements		Net income	Total remuneration paid by the Company and by each other company included in the consolidated financial statements		Net income
	As a percentage of net income		As a percentage of net income	As a percentage of net income		As a percentage of net income
Directors	11,931		( 19,060)	24,067		150,875
Presidents and Vice Presidents			(62.60%)			15.95%

2. Describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.
- (1) The remuneration of Directors shall be appointed in accordance with the provisions of the Articles of Incorporation and the Regulations for the Distribution of the remuneration of Directors. According to Article 16 of the Company's Articles of Incorporation, Directors of the Corporation may be entitled to remuneration for their duties regardless of profit or loss. The Board of Directors is authorized to determine the remuneration within the standards for maximum salaries established in the Corporation's Remuneration Policy based on the level of their participation in the Corporation's operations and the value of their contribution. If the Corporation has a surplus, it shall distribute the remuneration according to Article 20. According to Article 20 of the Company's Articles of Incorporation, the Company shall allocate no more than 2% of the profit (which means income before tax excluding the compensation distributable for employees and the Directors) as director remuneration. Directors' remuneration shall be distributed by taking various aspects including directors' responsibilities at the Company, the extent of each director's involvement and contributions to the Company's operation, the performance for other positions, and the performance evaluation results from the Board and functional committee into consideration, and referring to relevant industry standards and the Company's management performance.
- The criteria for evaluating the performance of the board members cover alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control.
- (2) The remuneration of Presidents and Vice Presidents shall be appointed in accordance with the provisions of Remuneration Committee Charter, Work Rules Reference Handbook, Regulations for Year-end Bonus Distribution and Annual Salary Adjustment of Managerial Officers, and Regulations for Performance Bonus Distribution. The remuneration shall be issued based on the consideration of evaluation results of the financial indicators (such as the Company's overall revenue and profit growth rate, the extent of his/her in-charge department's contributions to the Company's profit, and the expansion of new products and new customers) and nonfinancial indicators (such as the general pay levels in the industry, their responsibilities at the Company, the extent of their involvement to the Company's operation, the practice of the Company's core value, operational management capability, their performance in other positions and special contribution or negative events).
- (3) The remuneration evaluation indicators of the Company include items which are correlated with the operational performance, such as the achievement of objectives and performance. The Company has established the Remuneration Committee, which is responsible for establishing the remuneration policy for the Company as a whole and periodically reviewing and amending the remuneration policy, standards and structure for the compensation according to the actual condition of business, relevant laws and regulations, and future risk exposure appropriately at all times, and shall not induce any directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company, so as to strike a balance between the Company's sustainable operation and risk control. The aforesaid remuneration of Directors, Presidents and Vice Presidents shall be approved by the Remuneration Committee and submitted to the Board of Directors for resolution.

#### IV. The state of the Company's implementation of corporate governance

##### (I) Operation of the Board of Directors

The number of board meetings held in the most recent fiscal year was: 7 meetings (A). The attendance by the directors and supervisors was as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) 【B/A】	Remarks
Chairman	Lin, Hsun-Min	7	-	100.00	Consecutively elected
Vice Chairman	Chen, Lu-Hsi	6	1	85.71	
Director	Fan, Shu-Hui	6	1	85.71	
Director	Chen, Ting-Tsung	5	1	71.43	
Independent Director	Yuan, Hung-Chen	7	-	100.00	
Independent Director	Shih, Chun-Mei	3	-	75.00	Newly elected
Independent Director	Chu, Chun-Hsiung	2	1	66.67	Left office
Independent Director	Wang, Ho-Chin	5	-	100.00	Consecutively elected (Note 2)

Note 1: The election of directors was held at the Annual Shareholders Meeting on June 12, 2023.

2: The director was re-elected as the Company's directors at the Annual Shareholders Meeting on June 12, 2023, and was resignation due to the personal reasons on July 11, 2023.

3: The in-person attendance rate (%) should be calculated based on the number of board meetings held and the number attended in person during the period of each such person's actual time in office.

Other information required to be disclosed:

1. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:

(1) Any matter under Article 14-3 of the Securities and Exchange Act.

(2) In addition to the matters referred to above, any dissenting or qualified opinion of an independent director that is on record or stated in writing with respect to any board resolution. Please refer to page 43, Point (XI) "Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report" of this Annual Report.

2. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: Please refer to page 43, Point (XI) "Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report" of this Annual Report.

3. For a TWSE or TPEX listed company, disclose information including the evaluation cycle and period(s) of the board of directors' self-evaluations (or peer evaluations) and the evaluation method and content.

The Company has formulated the Performance Evaluation of Board of Directors approved by its Board of Directors. The Company conducted the 2023 performance appraisal of the Company's board of directors and functional committees according to the Rules for Performance Evaluation of Board of Directors. The evaluation information was as follows.

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Evaluation content	Evaluation Items	Score
Once a year	Jan 1, 2023~Dec 31,	The board of directors as a whole	Internal evaluation of the agenda working group	Participation in the operation of the Company; improvement of the quality of the board of directors' decision making; composition and structure of the board of directors; election and continuing education of the directors; and Internal control.	45 Items	4.46

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Evaluation content	Evaluation Items	Score
		Individual board members	Self-evaluation by individual board members	Alignment of the goals and missions of the Company; awareness of the duties of a director; participation in the operation of the Company; management of internal relationship and communication; the director's professionalism and continuing education; and internal control.	23 Items	4.74
		Audit Committee	Internal evaluation of the agenda working group	Participation in the operation of the Company; awareness of the duties of the functional committee; improvement of quality of decisions made by the functional committee; makeup of the functional committee and election of its members and internal control.	22 Items	4.48
		Compensation Committee			19 Items	4.44

The Company reported the performance evaluation result to the Board of Directors on March 8, 2024. The performance evaluation result indicated that the board of directors and functional committees overall operated properly and conformed to the principle of corporate governance.

4. Give an evaluation of the targets that were adopted for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g., establishing an audit committee, increasing information transparency, etc.) and the measures taken toward achievement thereof.
  - (1) The Company's board of directors operates in accordance with the Company's "Rules of Procedure for Board Meetings" and related laws. The executive financial officers and chief auditors also attend a directors' meeting and produce relevant reports to directors for reference.
  - (2) In order to assist directors in performing their duties and enhance the effectiveness of the board, "Standard Operating Procedures for Handling Directors' Requests" has been established.
  - (3) In order to strengthen the corporate governance function and improve information transparency, the Company will announce the resolutions of the board of directors on the Company's website after the board of directors for investors to inquire. If the board of directors has a major resolution (such as a proposal for distribution of earnings, a proposal for convening a shareholders' meeting), it will be announced on the public information observatory at the same time according to regulations. The Company has enacted the Procedures for Handling Material Inside Information and Preventing Insider Trading Management, in order to prohibit insider trading, any improper information disclosure, and to ensure accurate and timely disclosures. The Company has allocated financial department as a responsible unit charged with handling material inside information. Conduct education and training on "prohibition of insider trading" for directors, managers, and all employees every year. Prohibit insiders such as the Company's directors, managers, or employees from using undisclosed information on the market to buy and sell securities for profit.
  - (4) In order to strengthen the corporate governance function and the sound functions of the board, the Company has set up the Remuneration Committee and Audit Committee which were composed of the entire number of independent directors. For the information on the members and Operations of the Committee, please refer to page 19, Point (II) "Operation of the Audit Committee" and page 28, Point (IV)" If the Company has a remuneration committee or nomination committee in place, the composition and operation of such committee shall be disclosed" of this Annual Report.
  - (5) In order to improve the structure of the board of directors, the Company's Corporate Governance Best Practice Principles clearly stipulates the diversity policy of the Board of Directors. Please refer to page 8, Point 3" Professional qualifications and independence analysis of the Directors" and page 9, Point 4" Diversity and independence of the Board of Directors" of

this Annual Report.

- (6) The Company continuously arranges a variety of courses for the Directors to enhance their decision-making quality and supervision skills, thus upgrading their competency and strengthening the functions of the Board of Directors. Please refer to page 40, Point 3” Board of Directors’ training record” of this Annual Report.

5. The Attendance of the independent directors at board of directors’ meetings in 2023:

Title	Name	The 11 <sup>th</sup> term			The 12 <sup>th</sup> term			
		THE 17 <sup>th</sup> meeting	THE 18 <sup>th</sup> meeting	THE 19 <sup>th</sup> meeting	THE 1 <sup>st</sup> meeting	THE 2 <sup>nd</sup> meeting	THE 3 <sup>rd</sup> meeting	THE 4 <sup>th</sup> meeting
Independent Director	Yuan, Hung-Chen	✓	✓	✓	✓	✓	✓	✓
Independent Director	Shih, Chun-Mei (Note 1)	-	-	-	×	✓	✓	✓
Independent Director	Chu, Chun-Hsiung (Note 2)	○	✓	✓	-	-	-	-
Independent Director	Wang, Ho-Chin (Note 3)	✓	✓	✓	✓	✓	-	-

(V: Attendance in Person; O: By Proxy; X: Absent / Leave)

Note 1: The director was newly serving.

2: The director was resignation after the Annual Shareholders Meeting on June 12, 2023.

3: The director was re-elected as the Company’s directors at the Annual Shareholders Meeting on June 12, 2023, and was resignation due to the personal reasons on July 11, 2023.

(II) Operation of the Audit Committee

The number of audit committee meetings held in the most recent fiscal year was: 7 meetings (A).

The attendance by the independent directors was as follows:

Title	Name	No. of meetings attended in person ( B )	No. of meetings attended by proxy	In-person attendance rate (%) ( B/A )	Remarks
Independent Director	Yuan, Hung-Chen	7	-	100.00	Consecutively elected
Independent Director	Shih, Chun-Mei	3	-	75.00	Newly elected
Independent Director	Wang, Ho-Chin	5	-	100.00	Consecutively elected (Note 2)
Independent Director	Chu, Chun-Hsiung	2	1	66.67	Left office

Note 1: The election of directors was held at the Annual Shareholders Meeting on June 12, 2023.

2: The director was re-elected as the Company’s directors at the Annual Shareholders Meeting on June 12, 2023, and was resignation due to the personal reasons on July 11, 2023.

3: The in-person attendance rate (%) should be calculated based on the number of committee meetings held and the number attended in person during the period of each such person’s actual time in office.

Other information required to be disclosed:

- If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:
  - (1) Any matter under Article 14-5 of the Securities and Exchange Act.
  - (2) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors.



The Discussion Items and Resolution Results of the Audit Committee in the Most Recent Year were as follows:

Session /Date	Contents of the motion	Matters under article 14-5 of the Securities and Exchange Act	Other matters disapproved by the Audit Committee but approved by more than two-thirds of all Directors	Dissenting opinions, reservations or major recommendations of independent directors	Audit Committee resolution results	The Company's response to the Audit Committee's opinions
THE 16 <sup>th</sup> meeting of the 1 <sup>st</sup> term 2023/1/11	The appointment of the chief corporate governance officer.		None	None	Approved by all independent directors in attendance.	Approved by all Directors in attendance at the Board of Directors.
	The appointment of new the legal representative (executive director) and supervisor for sub-subsidiary Honey Hope Honesty International Trading (Shanghai) Co., Ltd.					
	The amendments to the Rules of Procedure for Board of Directors Meetings, Internal Control System, and Internal Audit Implementation Rules.	✓				
	The amendments to the Corporate Governance Best Practice Principles, Sustainable Development Best Practice Principles, and Rules Governing Transactions with Related Parties, Specific Parties and Group Enterprises.					
THE 17 <sup>th</sup> meeting of the 1 <sup>st</sup> term 2023/3/10	The Company's 2022 business report, and financial statement.	✓	None	None	Approved by all independent directors in attendance.	Approved by all Directors in attendance at the Board of Directors.
	Internal Control System Statement for 2022.	✓				
	The replacement of certified public accountant	✓				
	The appointment and remuneration for transfer pricing.	✓			Approved by all independent directors in attendance.	-
	Pre-approve non-assurance services to be provided by the certification accountants, their firms and firm-affiliated companies to the Company, its' subsidiaries, and significant affiliated enterprises, and the authorization procedure of non-assurance services that are not pre-approved.	✓				
THE 18 <sup>th</sup> meeting of the 1 <sup>st</sup> term 2023/5/2	The Company's consolidated financial statements for the 1st quarter of 2023.		None	None	Approved by all independent directors in attendance.	Approved by all Directors in attendance at the Board of Directors.
	Strategic investments.	✓			The proposal has been withdrawn as approved by all the directors present.	The proposal has been withdrawn.
THE 1 <sup>st</sup> meeting of the 2 <sup>nd</sup> term 2023/6/12	Election of the convener of the second term Audit Committee.		None	None	Approved by all independent directors in attendance.	-
THE 2 <sup>nd</sup> meeting of the 2 <sup>nd</sup> term 2023/6/20	Strategic investments.	✓	None	None	Approved by all independent directors in attendance.	Approved by all Directors in attendance at the Board of Directors.
	The appointment and remuneration for the industrial and commercial services.	✓				
	The appointment of the 2023Q2 to 2026Q1 CPAs.	✓				
THE 3 <sup>rd</sup> meeting of the 2 <sup>nd</sup> term	The Company's consolidated financial statements for the 2nd quarter of 2023.		None	None	Approved by all independent	Approved by all Directors in attendance

Session /Date	Contents of the motion	Matters under article 14-5 of the Securities and Exchange Act	Other matters disapproved by the Audit Committee but approved by more than two-thirds of all Directors	Dissenting opinions, reservations or major recommendations of independent directors	Audit Committee resolution results	The Company's response to the Audit Committee's opinions
2023/7/28	The appointment and remuneration for the industrial and commercial services.	✓			directors in attendance.	at the Board of Directors.
THE 4 <sup>th</sup> meeting of the 2 <sup>nd</sup> term 2023/11/13	The Company's consolidated financial statements for the 3rd quarter of 2023.		None	None	Approved by all independent directors in attendance.	Approved by all Directors in attendance at the Board of Directors.
	2024 annual audit plan.					
	Acquiring of securities.	✓				

2. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: specify the independent director's name, the content of the motion, the cause for recusal, and whether and how the independent director voted.: None.
3. Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the Company's finances and business and the method(s) and outcomes of the communication.):
  - (1) The Company's chief internal auditor submits an audit report and defect tracking report for the previous month before the end of each month. In case of any doubt, communicate via telephone and mails at all times.
  - (2) The chief internal auditor attends and reports the audit operations to the board of directors meeting and Audit Committee.
  - (3) During normal times, the independent directors and chief internal auditor direct contact via mails, telephone or in person as needed. In the event of a major abnormal incident, the chief internal auditor will immediately report to the members of the Audit Committee. Up till the most recent meeting, no particular incident raised. The communication between the Company's Audit Committee and the Internal Auditor is in good condition.
  - (4) The CPAs report and discuss the annual audit plan, the audit (review) results of financial statements, the key audit matters of financial reports of the year or other matters required by law, and the latest changes of laws and regulations to the Independent Directors and the chief internal auditor alone at least once a year. In addition, in case of any doubt, the CPAs and independent directors may direct contact via mails, telephone or in person as needed. The communication between the Company's Audit Committee and the CPAs is in good condition.
- (III) The Company's implementation of corporate governance, any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

Evaluation item	Implementation status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
1.Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has formulated the Corporate Governance Best Practice Principles, which has been disclosed on the Company's website and the MOPS.	None

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
<p>2.Shareholding Structure and Shareholders' Rights</p> <p>(1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?</p>	✓		The Company has appointed a spokesperson and an acting spokesperson to handle shareholders' suggestions, concerns, disputes and litigation matters. Contact methods are available on the Company website, where shareholders can leave comments via telephone or e-mail, and the Company will process them according to relevant operation procedures.	None
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	✓		The Company engaged Registrar & Transfer Agency Department of KGI Securities Co. Ltd., to coordinate with the Company's finance department to handle affairs related to the stock and shareholders' meeting. The Company possesses a list of major shareholders and their ultimate owners and regularly declares and reports changes in insiders' shareholdings in accordance with regulations.	None
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	✓		The operation and finance of the Company and the affiliated enterprises are all operated independently. To ensure sound financial and business interactions between this Corporation and its affiliated enterprises, the Company established appropriate internal policies, such as the "Rules Governing Transactions with Group Enterprises, Specific Parties and Related Parties ", "Regulations Governing Subsidiary Supervision Management," "Procedures for Endorsements and Guarantees", "Procedures for Loaning Funds to Others", and "Procedures for Acquisition or Disposal of Assets" , etc. and assigned designated personnel to handle risk management mechanism and "firewall" between the Company and its affiliates.	None
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	✓		The Company has enacted the Procedures for Handling Material Inside Information and Preventing Insider Trading Management, which clearly specifies material information disclosure procedures, insider trading management processes, and a requirement for strict compliance with all relevant rules and regulations, in order to prohibit insider trading, any improper information disclosure, and to ensure accurate and timely disclosures. The aforementioned Procedures are disclosed on the Company's website. The Company has allocated financial department as a responsible unit charged with handling	None

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			material inside information. Conduct education and training on "prohibition of insider trading" for directors, managers, and all employees every year. Prohibit insiders such as the Company's directors or employees from using undisclosed information on the market to buy and sell securities for profit. The Company conducted education and training on "prohibition of insider trading" for 6 incumbent directors, and 81 employees (include managers) on November 13, 2023 and December 14, 2023.	
3. Composition and responsibilities of the board of directors (1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	✓		The Company's Corporate Governance Best Practice Principles clearly stipulates that the composition of the board of directors shall be determined by taking diversity into consideration, such as gender, age, nationality, culture, professional background, professional skills, and industry experience. For the diversity policy and its Implementation Status, please refer to page 8, point (3) "Professional qualifications and independence analysis of the Directors" and page 9, Point (4) "Diversity and independence of the Board of Directors" of this Annual Report.	None
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?	✓		The Company established the Remuneration Committee and the Audit Committee as required by law. Apart from the above-mentioned committees, the Company has not established any other functional committee. However, the other corporate governance operations are taken care of by respective departments according to their function. A variety of other functional committees will be set up in the future as required by law and reflective of the actual developmental needs of the Company.	None
(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their	✓		The Company has formulated the Rules for Performance Evaluation of Board of Directors and implemented the performance evaluations on an annual basis. The Company has completed the 2023 performance evaluations and reported the results at the board meeting on March 8, 2024. Please refer to page 17, point (I) "Operation of the Board of Directors" of this Annual Report.	None

Evaluation item	Implementation status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
nomination and additional office terms?				
(4) Does the Company regularly evaluate its external auditors' independence?	✓		<p>The Company evaluates independence and suitability of the CPAs to the "Independence statement" and "Audit Quality Indicators (AQIs)" issued by the accounting institute of such CPAs once a year. The evaluation criteria are as follows:</p> <ol style="list-style-type: none"> <li>1. The CPAs do / did not currently/ in the recent one year serve as an/a independent director, supervisor, members of Remuneration Committee, or manager of the Company.</li> <li>2. The CPAs are not relatives within the second degree of kinship with the Company's directors or managers or personnel who have significant influence on audits.</li> <li>3. The CPAs do / did not currently/ in the recent one year hold a position at the Company or its affiliates.</li> <li>4. The CPAs do not hold the shares of the Company or its affiliates.</li> <li>5. The CPAs do not have close business relationship with the Company, such as trade, intermediary.</li> <li>6. The CPA and the Company hasn't owned the collective investment.</li> <li>7. The CPA hasn't been subjected to the Interpersonal stress and the intimidation threat from the Company.</li> <li>8. Receipt of the CPAs 's Accountant's independence declaration.</li> <li>9. Receipt of AQIs information from CPAs.</li> </ol> <p>The Company passed the change of the Certificated Public Accountant due to the internal reorganization of the CPA firm, and the independence and suitability evaluation of the CPAs in the 18th meeting of the 11th term Board of Directors on March 8, 2024.</p>	None
4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and	✓		To implement corporate governance, protect the rights and interests of shareholders, strengthen the powers of the board of directors, Tsai, Su-Chin, the senior manager of Finance Department of the Company with more than 10 years experiences of financial management and corporate governance affairs in public limited company, was approved in the 16 <sup>th</sup> meeting of the 11 <sup>th</sup> term Board of Directors held on January 11, 2023 to concurrently serve as the chief corporate governance officer. In addition, the Company	None

Evaluation item	Implementation status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?			issues with 1-2 staff to cope with corporate governance affairs. The duty of the chief corporate governance officer is to supervise and assist the operations of the corporate governance affairs. Please refer to page 42, point 5 "The duty, education, and training of the chief corporate governance officer, and the implementation status of corporate governance by the chief corporate governance officer " of this Annual Report.	
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders' section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	✓		The Company has set up a section dedicated to stakeholders on the Company's website, and discloses on it the way of appeals for stakeholders, and personnel to handle all enquiries and respond to any key issues raised by stakeholders. Please refer to the Company's website for Issues of Concern and Communication Channel of stakeholders.	None
6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	✓		The Company has engaged Registrar & Transfer Agency Department of KGI Securities Co. Ltd., to coordinate with the Company's finance department to handle affairs related to the stock and shareholders' meeting.	None
7.Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	✓		The Company has established an official corporate website (www.threehhh.com.tw) to disclose financial, business, corporate governance, and related information.	None
(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓		The Company has designated personnel responsible for Company information collection and disclosure. The Company implements a spokesperson system with the senior manager of finance department designated as the spokesperson. The related materials, including investors conference, financial, and operational metrics are disclosed in the "Investors" section of the website. The Company has designated personnel to disclose the Company's information on MOPS in accordance with the laws.	None
(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second,		✓	Due to the reason for the preparation of consolidated statements, the Company is unable to announce and file the annual financial reports within two months after the end of the fiscal year. But annual financial report, quarterly financial reports and monthly	Please refer to the summary description.

Evaluation item	Implementation status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
and third quarters as well as its operating statements for each month before the specified deadlines?			sales revenue are disclosed in a timely manner according to relevant government regulations.	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	✓		<p>1. Employee rights, and employee wellness: The Company has always treated employees with integrity and follow relevant labor laws and regulations to protect the legitimate rights and interests of employees, establish an Employee Welfare Committee to handle welfare businesses for employees, and make appropriate arrangements of continuing education for employees. The Company has also opened multiple channels for employees to express their opinions, creating a sense of active engagement and avenues for smooth, mutual communication. Please refer to page 63, point V " Labor relations " of this Annual Report.</p> <p>2. Investor relations, supplier relations and rights of stakeholders: The Company has set up a section dedicated to Investors and stakeholders on the website, which provides investors with the information, such as financial information, stock information, and Communication Channel.</p> <p>3. Directors' continuing education: The directors have completed the training courses in accordance with Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. Please refer to page 40, point 3 " "Board of Directors' training record" of this Annual Report.</p> <p>4. The implementation of risk management policies and risk evaluation standards: The Company already establishes risk management policy and procedures, and periodically reviews the execution status of risk management and assessment; please refer to page 40, point 4 " Operational risk management structure " , page 66, point VI " "Cyber security management " and page 79, point VI " "Risks analyze and assess the during the most recent fiscal year and as they stood on the date of publication of the annual report " of this Annual Report.</p> <p>5. The implementation of customer relations policies: The Company sets up the</p>	None

Evaluation item	Implementation status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			Operations Center and New Business Center, and integrates procurement, warehouse and related support departments to offer an all-round service to customers. The Company has expanded overseas sales and service points and established overseas warehouses facilitating providing timely service to customers and reducing delivery lead time. The Company keeps communication channels open, strictly abides by the relevant transaction agreements with customers, and maintains a stable and good relationship with customers to create the Company's profits. 6. Purchasing liability insurance for directors: The Company already purchases liability insurance for its all directors and the insurance coverage period starts from June 1, 2023 to May 31, 2024.	
9.Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement. The Company was ranked as the top 36%-50% on the Corporate Governance Evaluation results of 2023. The improvement of the failed to score items up to the date of publication of this Annual Report is as follows:				
Item			Summary description	
Is it true that no sanctions were imposed by the competent authority nor were any material deficiencies found by the TWSE or TPEx in connection with the operation of the control activities of the company's internal control system last year, and thus the company was not required to send its internal auditors to attend training courses held by a body designated by the competent authority?			The Company has made improvements to deficiencies discovered by the TPEx in connection with the operation of the control activities of the company's internal control system.	
Did the company disclose material information in English and Chinese at the same time?			The Company has disclosed material information in English and Chinese at the same time.	
Did the company have a designated unit in charge of promoting sustainable development that, following the principle of materiality, conducted risk assessment on environmental, social, or corporate governance issues related to the company's operations, and adopted relevant risk management policies or strategies, and did the board of directors oversee the promotion of sustainable development, and did it disclose the same on the company's website and in its annual report?			Please refer to page 30, point (V) " The state of the Company's promotion of sustainable development, any variance from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance "of this Annual Report.	
The Company will continue to evaluate and improve other failed to score items based on the Company's actual operating conditions to ensure a sound corporate governance				



(IV) If the Company has a remuneration committee or nomination committee in place, the composition and operation of such committee shall be disclosed.

1. Information on Remuneration Committee Members:

Capacity	Qualifications Name	Professional qualifications and experience	Independence analysis	Number of other public companies at which the person concurrently serves as remuneration committee member	Re- marks
Independent Director (Convener)	Yuan, Hung-Chen	Please refer to page 8, point 3 "Professional qualifications and independence analysis of the Directors " of this Annual Report.	Please refer to page 8, point 3 "Professional qualifications and independence analysis of the Directors " of this Annual Report.	0	None
Independent Director	Shih, Chun-Mei			0	None
Other	Lin, Mei-Ling	Graduated from Master, Science degree in management information systems, Fairleigh Dickinson University. Served as a sales supervisor for many years. Possess work experience in the area of commerce, finance, and otherwise necessary for the business of the Company with at least five years.	During the two years before being elected or during the term of office, she doesn't have been or be a person of any conditions defined in Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange. Not been a person of any conditions defined in Article 30 of the Company Law.	0	None

2. Duties of the Remuneration Committee

The Remuneration Committee shall propose the following recommendations and present to the board of directors for discussion.

- (1) Establishing and periodically reviewing the performance assessment the policies, systems, standards, and structure for the compensation of the directors, and managerial officers of the Company.
- (2) assessing and setting the types and amounts of the compensation for the directors, and managerial officers of the Company.

3. Operation of the Remuneration Committee

- (1) The Company's remuneration committee has a total of 3 members.
- (2) The term of the current members is from June 12, 2023 to June 11, 2026. The number of remuneration committee meetings held in the most recent fiscal year was: 6 (A). The attendance by the members was as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B/A)	Remarks
Convener	Yuan, Hung-Chen	6	0	100.00	Note 1
Member	Shih, Chun-Mei	2	0	66.67	Note 2
Member	Lin, Mei-Ling	-	-	-	Note 3
Member	Chu, Chun-Hsiung	2	1	66.67	Note 4
Member	Wang, Ho-Chin	5	0	100.00	Note 5

Note 1: The member was continuous appointed by resolution of the 1st meeting of the 12th term board of directors on June 12, 2023.

2. The member was newly appointed by resolution of the 1st meeting of the 12th term board of directors on June 12, 2023.

3. The member was newly appointed by resolution of the 3<sup>rd</sup> meeting of the 12<sup>th</sup> term Board of Directors on July 28, 2023.

4: The member left office due to the expiration of the term.

5: The member was continuous appointed by resolution of the 1st meeting of the 12th term board of directors on June 12, 2023, and left office for personal reasons on July 11, 2023.

6: The in-person attendance rate (%) should be calculated based on the number of committee meetings held and the number attended in person during the period of each such person's actual time in office.

(3) Other information required to be disclosed:

A. The Discussion Items and Resolution Results of the Remuneration Committee in the Most Recent Year and the Company's decisions on committee members' recommendations were as follows:

Session/ Date	Contents of the Motion	Remuneration Committee Resolution Results	The Company's Response to the Remuneration Committee's Opinions
The 9 <sup>th</sup> meeting of the 4 <sup>th</sup> term 2023.01.11	1.The Company's 2022 Managerial Officers Annual Bonus. 2.Reviewed the scope of managers that the Company should submit to the Remuneration Committee for remuneration pre-review. 3.The Company's salary and remuneration for managerial officers.	Approved by all members in attendance.	Approved by the Board of Directors.
The 10 <sup>th</sup> meeting of the 4 <sup>th</sup> term 2023.03.10	1.The Company's directors' remuneration and employees' compensation for 2022. 2.Promotion and salary adjustment of the Company's Managerial Officers.	Approved by all members in attendance.	Approved by the Board of Directors.
The 11 <sup>th</sup> meeting of the 4 <sup>th</sup> term 2023.05.03	1. The appointment of the CSO. 2. The appointment of the Deputy CSO.	Approved by all members in attendance.	Approved by the Board of Directors.
The 1 <sup>st</sup> meeting of the 5 <sup>th</sup> term 2023.06.12	Election of the convener of the 5 <sup>th</sup> term Remuneration Committee.	Approved by all members in attendance.	-
The 2 <sup>nd</sup> meeting of the 5 <sup>th</sup> term 2023.06.20	1. The appointment of the President. 2. The position adjustment of the Senior Vice President.	Approved by all members in attendance.	Approved by the Board of Directors.
The 3 <sup>rd</sup> meeting of the 5 <sup>th</sup> term 2023.07.28	1.The Company's distribution amount of employees' compensation to managerial officers and the remuneration to the Directors. 2.The amendments to the Regulations Governing the Allocation of the Directors' Remuneration.	Approved by all members in attendance.	Approved by the Board of Directors.

B. If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g., if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons).:None.

C. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion.: None.

(V) The state of the Company's promotion of sustainable development, any variance from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance:

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	✓		<p>In order to fulfill the corporate social responsibility initiatives and promote economic, environmental, and social advancement, the Company has formulated the Sustainable Development Best Practice Principles, which has been disclosed on the Company's website and the MOPS.</p> <p>Assembled in March, 2024, the Sustainability Development Promotion Group handled by the President is responsible for formulating sustainability development policies, regulations, guidelines, and the implementation and operation of said plans, is comprised of functional teams, which are responsible for sustainable environment, risk management, information security, corporate governance, and social responsibility, respectively, and reports on the implementation to the board meeting annually.</p> <p>The Company has set up a section dedicated to stakeholders on the Company's website, and discloses on it the way of appeals for stakeholders, and personnel to handle all enquiries and respond to any key issues raised by stakeholders. Please refer to the Company's website for Issues of Concern and Communication Channel of stakeholders.</p> <p>The board of directors' oversight of sustainable development is briefly explained as follows.</p> <ol style="list-style-type: none"> <li>1. To implement corporate governance, protect the rights and interests of shareholders, strengthen the powers of the board of directors, Tsai, Su-Chin, the senior manager of Finance Department of the Company was approved in the 16<sup>th</sup> meeting of the 11<sup>th</sup> term Board of Directors held on January 11, 2023 to concurrently serve as the chief corporate governance officer.</li> <li>2. To implement the information security control, and strengthen the information security management mechanism, Liu, Fang-Li, the senior manager of IT Department of the Company was approved in the 16<sup>th</sup> meeting of the 11<sup>th</sup> term Board of Directors held on March 10, 2023 to concurrently serve as the information security supervisor.</li> <li>3. Reported the schedule for greenhouse gas</li> </ol>	None

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			inventory and verification to the board of directors every time in 2023. 4. The board of directors listened to the report of the promotion of sustainable development from the management team. The above has been completed under the strong support and supervision of the board of directors for sustainable development.	
2. Does the Company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓		In order to build a complete risk management system; strengthen effectiveness of corporate governance; ensure comprehensiveness, effectiveness, and reasonableness of risk management, as well as effectively evaluate and oversee risk-bearing capabilities of the Company to determine risk response strategies and implementation of risk management procedures, the Company's "Risk Management Regulation and Policies" was established following approval of the 3 <sup>th</sup> meeting of the 11 <sup>th</sup> term Board of Directors on November 3, 2020. The Company, in a proactive and cost-effective manner, detect, analyzes and identifies the risk items within the scope of risk management that may impact the Company's operations and profits. Conduct risk assessment on the material topics, formulate relevant risk management policies, and the necessary control measures. The Risk Management & Promotion Team under the Sustainability Development Promotion Group is responsible for summarizing and integrating the risk items in relation to the Company's operations and the sustainability issues that concern stakeholders identified by each department, and the necessary control measures formulated by each department. Please refer to page 40, point 4 "Operational risk management structure" of this Annual Report.	None
3. Environmental Issues (1) Has the Company set an environmental management system designed to industry characteristics?	✓		The Company is an electronic components distributor, and the main scope of business is the sale and purchase of electronic components. The Company has no manufacturing and production process and does not directly produce harmful pollutant.	None
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	✓		The Company values environmental protection issues and has made efforts to utilize resources efficiently, reduce the impact on the environment, reduce the impact of rising electricity bills and carbon neutral policies, and respond to trends and relevant laws and	None

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			regulations actively. The Company has formulated " Energy Saving, Carbon Reduction, Greenhouse Gas Reduction, Water Usage Reduction, and Other Wastes Management policies ", and strengthened the publicity of environmental protection policies to employees, such as energy saving and carbon reduction policies, garbage classification, etc., and replace energy-saving equipment such as LED lighting equipment. The Company switched to energy-efficient LED lighting fixtures to mitigate energy.	
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	✓		The Company has formulated "Risk Management Regulation and Policies", and conducted risk assessments. The Company always pays attention to the impact of the climate change on the business operation and achieves the goal of energy saving and carbon reduction via management mechanisms.	None
(4) Did the Company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	✓		The Company is an electronic components distributor, and the main scope of business is the sale and purchase of electronic components. The Company has no manufacturing and production process and does not directly produce wastes. Therefore, the information on the total weight of wastes is not material to the Company. The Company collects data on volume of Power consumption and water consumption to calculate greenhouse gas emissions, and promotes related conservation policies, such as turning off lights, setting air-conditioning temperatures, and recycling resources. The Company uses statistical analysis of electricity and water consumption data and promotes related conservation policies, such as turning off lights, setting air-conditioning temperatures, and recycling resources.	None
4. Social Issues (1) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		In order to fulfill corporate social responsibility, and promote and protect universally recognized human rights, the Company acknowledges and voluntarily complies with the "United Nations Universal Declaration of Human Rights," "United Nations Global Compact," "United Nations Guiding Principles on Business and Human Rights," "United Nations Internal Labor Organization," and other internationally recognized human rights standards. The Company has formulated human rights policies	None

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>in accordance with international human rights conventions and disclosed in the Company's website. Please refer to the Company's website. The Company has formulated Work Rules, Labor Retirement Rules, Measures of Prevention, and Correction of Sexual Harassment at Workplace, Occupational Safety and Health Rules, Ethical Corporate Management Best Practice Principles, and Codes of Ethical Conduct in accordance with relevant labor laws and regulations, and placed on the Company's intranet for employees to consult at any time.</p> <p>In order to help employees to maintain physical and mental health, achieve work-life balance, the Company provides various of employee benefit plans, education and training, and Protective measures for the safety of the work environment and personal safety.</p> <p>Please refer to page 39 point 2 "Protective measures for the safety of the work environment and personal safety of the employees " and page 63, point V "Labor relations" of this Annual Report.</p>	
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	✓		<p>The Company has formulated relevant management rules and regulations, such as Work Rules, Labor Retirement Rules, Measures of Prevention, and Correction of Sexual Harassment at Workplace, Occupational Safety and Health Rules, to safeguard labor rights and interests. The salary and remuneration of employees are based on their performance and contribution. The Company has established the Employee Welfare Committee handling employee welfare measures. Please refer to page 63, point V "Labor relations" of this Annual Report.</p>	None
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	✓		<p>The Company provides a safe, healthy and comfortable working environment, arranges employee health checks every year, and regularly holds safety and health education and training to ensure that colleagues are aware of safety and health related regulations. Please refer to page 39, point 2 "Protective measures for the safety of the work environment and personal safety of the employees " and page 63, point V "Labor relations" of this Annual Report.</p> <p>The number of cases of occupational accidents and the number of employees involved in the given year, and the ratio to the total number of employees, and related improvement measures: No occupational accidents were recorded.</p>	None

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			The number of fire incidents and the number of casualties in the given year, and the ratio of the number of casualties to the total number of employees, and improvement measures related to fire incidents: No fire incidents were recorded.	
(4) Has the Company established effective career development training programs for employees?	✓		To strengthen employees' professional knowledge and skills, the Company holds internal training from time to time and arranges employees to participate in external training. The Company also provides an application mechanism for relevant internal and external training courses and encourages employees to continue their studies. Please refer to page 63, point V "Labor relations" of this Annual Report.	None
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	✓		The Company follows relevant regulations and international standards in handling customer health and safety, customer privacy, marketing and labeling of its products and services. Customer complaints are handled according to internal procedures and customer requirements, and promptly replied to customers.	None
(6) Has the Company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	✓		The Company has formulated the supplier evaluation management measures as the basis for supplier evaluation. The Company values environmental protection and corporate social responsibility, and regards them as a consideration factor in selecting suppliers. The Company is concerned whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy. Major suppliers have got certifications, such as OHSMS / ISO9001 / ISO14001 / IATF16949.	None
5. Does the Company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the Company obtain third party assurance or certification for the reports above?		✓	The Company has not yet prepared Sustainability report, but discloses the information related to the Company's corporate governance and sustainable development on the Market Observation Post System (MOPS) and the company's website. The Company will consider the operations and the scale of the Company, and international trends to evaluate whether to prepare the Sustainability report.	Please refer to the summary description.
6.If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: The Company has formulated Sustainable Development Best Practice Principles, and the implementation of sustainable development is as described above.				
7.Other important information to facilitate better understanding of the Company's promotion of sustainable development: In order to fulfill the corporate social responsibility, the Company strengthens publicity of its importance				

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
to employees. The directors and management have donated about 1.2 million to public welfare organizations, such as the Taiwan Foundation for Rare Disorders, and New Taipei City Autism Association. The Company organized a Yilan Waiao beach cleanup campaign on October 28, 2023. This event was a success with the unified efforts of 62 passionate employees and their family members.				

(VI) The state of the Company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Establishment of ethical corporate management policies and programs (1) Does the Company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	✓		The Company has formulated the Ethical Corporate Management Best Practice Principles, and the Board of Directors and top management team are fully committed to implement such policies rigorously and thoroughly on internal management and external business dealings. The Company's implementation Status of ethical corporate management is disclosed on the Company's website.	None
(2) Whether the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?	✓		To implement the ethical corporate management policies and prevent unethical conduct, the Company has formulated the Procedures for Ethical Management and Guidelines for Conduct which includes preventive measures against the following: 1. Prohibition against providing or accepting improper benefits 2. Procedures for handling the acceptance of improper benefits 3. Prohibition of and handling procedure for facilitating payments 4. Procedures for handling political contributions 5. Procedures for handling charitable donations or sponsorships 6. Recusal 7. Prohibition against unfair competition 8. Prevention of damage caused by products and services to stakeholders 9. Prohibition against insider trading and non-disclosure agreement	None



Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>Each operational department identifies and assesses risk factors based on its business characteristics as well as drawing up relevant response strategies or measures, while the top managers at all departments are responsible for risk monitoring and control. Proper monitoring and control of relevant risks are conducted by means of regular reporting.</p> <p>To ensure that stakeholders can communicate with the Company in a timely and effective manner, the Company has designated a stakeholders' section on the Company's website and formulated the Measures for the Report on Illegal, Unethical and Dishonest Conducts. The stakeholders shall communicate and reflect related issues by the way of appeals for stakeholders disclosed on the stakeholders' section.</p>	
(3) Does the Company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	✓		The Company has formulated the Procedures for Ethical Management and Guidelines for Conduct which includes the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, and regularly review and revise the Procedures according to changes of applicable laws or regulations.	None
2. Ethical Management Practice (1) Does the Company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	✓		The Company shall conduct business activities in a fair and honest manner. Before the business dealings, the Company shall take the legality and credibility of the commercial objects into account, and avoid trading with the record of dishonesty.	None
(2) Has the Company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?		✓	<p>The Corporate Governance Promotion Team under the Sustainability Development Promotion Group is responsible for promoting corporate governance-related matters (such as the board of directors, functional committees, stakeholders, and ethical corporate management), and reporting implementation results to the Board of Directors once a year.</p> <p>The Company has reported the performance in the area of ethical corporate management to the Board of Directors on November 13, 2023.</p>	Please refer to the summary description.
(3) Has the Company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly	✓		The Company has formulated the Procedures for Ethical Management and Guidelines for Conduct 、 Codes of Ethical Conduct, and Regulations Governing Procedure for Board of Directors Meetings, to prevent conflicts of	None

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
implemented such policies?			interest and provide appropriate channels for complaints, and duly implements them accordingly.	
(4) Does the Company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	✓		The Company has established effective accounting and internal control systems to prevent behaviors with potential high risk of dishonesty. The internal audit unit formulates audit plans based on the results of risk assessment, executes the audit work accordingly, and performs project audits from time to time as required, while reporting the audit results to the Audit Committee and the Board of Directors.	None
(5) Does the Company provide internal and external ethical corporate management training programs on a regular basis?	✓		The Company has formulated the Ethical Corporate Management Best Practice Principles, the Procedures for Ethical Management and Guidelines for Conduct, and Codes of Ethical Conduct, and disclosed on the Company's website and Intranet. Through education and training periodically, and irregular publicity, the Company allows Directors and employees to understand our ethical management policy. The training courses on ethical corporate had been held for employees to help raise their awareness of the integrity in 2023. Please refer to page 64, Point (II) " Continuing education and training, and the status of their implementation " of this Annual Report.	None
3. Implementation of Complaint Procedures				
(1) Has the Company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistleblowers?	✓		The Company has established specific whistle-blowing and reward procedures in the Procedures for Ethical Management and Guidelines for Conduct, and the Measures for the Report on Illegal, Unethical and Dishonest Conducts, and assigned designated personnel to handle handling whistle-blowing matters.	None
(2) Has the Company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	✓		The Company has established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner in the Procedures for Ethical Management and Guidelines for Conduct, and the Measures for the Report on Illegal, Unethical and Dishonest Conducts.	None
(3) Has the Company adopted proper measures to protect whistleblowers from retaliation for	✓		This Company has specified to protect the whistleblowers from improper treatment due to their whistleblowing in the Procedures for	None

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
filing complaints?			Ethical Management and Guidelines for Conduct, and the Measures for the Report on Illegal, Unethical and Dishonest Conducts.	
4.Strengthening Information Disclosure (1) Does the Company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	✓		The Company has disclosed the Ethical Corporate Management Best Practice Principles on the Company's website and the Market Observation Post System (MOPS). The Company reports the performance in the area of ethical corporate management to the Board of Directors once a year and discloses it in the annual report of the shareholders' meeting and the Company's website.	None
5.If the Company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: With the operational philosophy of honesty, integrity, fairness, and transparency, self-discipline, and responsibility, the Company has established the Ethical Corporate Management Best Practice Principles, and the Procedures for Ethical Management and Guidelines for Conduct to guide directors, managers, and employees on how to conduct business. The overall operation is not significantly different from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies".				
6.Other important information to facilitate a better understanding of the status of operation of the Company's ethical corporate management policies (e.g., the Company's reviewing and amending of its ethical corporate management best practice principles): (1)The Company has established the Ethical Corporate Management Best Practice Principles, and the Procedures for Ethical Management and Guidelines for Conduct based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and amended in accordance with relevant laws and regulations. (2) The Company's Regulations Governing Procedure for Board of Directors Meetings contains a system for Directors' recusal. Those or juridical persons they represent who have a personal interest in any proposals on the agenda of a Board meeting, which may undermine the Company's interests, may state their opinions and answer inquiries but shall recuse themselves from the discussion and voting and may not exercise their voting rights on behalf of other directors. (3) The Company has enacted the Procedures for Handling Material Inside Information and Preventing Insider Trading Management, which clearly specifies insider trading rules, and confidentiality, handling and disclosure operation procedures for material inside information, in order to prohibit insider trading, any improper information disclosure, and to ensure accurate and timely disclosures. The Company has allocated financial department as a responsible unit charged with handling material inside information. Conduct education and training on "prohibition of insider trading" for directors, managers, and all employees every year. Prohibit insiders such as the Company's directors, managers, or employees from using undisclosed information on the market to buy and sell securities for profit. (4) In 2023, the Company did not have any violations of integrity management.				

(VII) If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched.: Please refer to the Company's website (<https://www.threehhh.com.tw>) or the MOPS (<http://mops.twse.com.tw/>).

(VIII) Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance may also be disclosed.:

1. Code of Conduct or Ethics for Employees

- (1) The Company has established the Work Rules, and Codes of Ethical Conduct as a basis for the normal work and behavior of the employees.
- (2) The Company has enacted the Procedures for Handling Material Inside Information and Preventing Insider Trading Management with detailed regulations on insider trading rules, and confidentiality, handling and disclosure operation procedures for material inside information, and handling of irregular circumstances and allocated financial department as a responsible unit

charged with handling material inside information. Conduct education and training on "prohibition of insider trading" for all employees every year. Upon knowing of any information that will have a material impact on the price of the securities of the Company by reason of their duties, after the information is precise, and prior to the public disclosure of such information or within 18 hours after its public disclosure, the employees should be in accordance with the provisions of the Securities Exchange Act strictly confidential, and shall not use the information in insider trading.

- (3) The Company asks the employees to sign confidentiality agreements. The employees should hold the matters or confidential information upon knowing by reason of their duties in strict confidence and manage with care. The employees should not disclose or divulge the confidential information to others nor use it for any purpose other than the performance of their duties unless the confidential information has been disclosed by the Company or provided for the performance of their duties.
  - (4) According to the requirements of the internal control system and internal management regulations, the employees should ensure that all forms of instruments through whom the information is accurate and complete, and properly kept.
  - (5) In order to maintain the equality of work between the sexes and provide employees with work and service environment free from sexual harassment, the Company has established the Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace to all employees to follow.
  - (6) The employees should respect the intellectual property rights laws prohibiting illegal use or copying of copyrighted intellectual property, including books, magazines and software, etc.
  - (7) Computers are *essential tools* for the Company's employees. To regulate the behavior of employees using electronic tools, the Company asks the employees to sign consent forms to agree to abide by the Company's software usage policy.
2. Protective measures for the safety of the work environment and personal safety of the employees:
- The Company attaches great importance to safety and health of the employees. The principle of management is to conduct a comfortable, safe, healthy, and hygienic workplace for the employees, and protect their safety. The measures and implementation are described as follows:
- (1) Besides the security guard of the building, the security access control system has been set up to s to guarantee the safety protection of the Company.
  - (2) The Company collaborates with Building Management Committee to test and maintain the firefighting safety facilities regularly, and perform maintenance for various public facilities, carry out total smoking ban in the building as required by governmental laws and regulations, and hold a fire training and self-defense fire organization drill once a year. According to the Building Acts, the public safety inspection of buildings is carried out every two years, and City of Taipei Public Safety Building Inspection Certificate of Approval has been obtained.
  - (3) The Company has formulated the Occupational Safety and Health Rules to strengthen the protective measures for the safety of the work environment and personal safety of the employees.
  - (4) The Company has designated personnel as the occupational safety and health management personnel in accordance with the Regulations for Occupational Safety and Health Management. The occupational safety and health management personnel has received safety and health education and trainings, pass trainings, and receive certificate of completions. The Company regularly organizes occupational safety and health related education and training every year to enhancing the employee awareness towards occupational safety, hygiene and health. The Company conducted education and training on " occupational safety and health " on December 14, 2023.
  - (5) The Company has contracted H2U Corporation to offer onsite health service and health consultation.

- (6) The Company offers health examinations for all employees periodically to take care of the health of employees.
- (7) In order to maintain the equality of work between the sexes and provide employees with work and service environment free from sexual harassment, the Company has established the Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace.
- (8) The Company enrolls employees in group insurance to provide coverage for employees that are in an accident.

### 3. Board of Directors' training record

Title	Name	Appointment date	Training date	Organizer	Course name	Training hours	In compliance with regulations
Chairman	Lin, Hsun-Min	2023.06	2023.09.07	Securities and Futures Institute	Technology development and business opportunities of electric vehicles and smart vehicles.	3	Yes
			2023.09.14		Operational practices of the audit committee.	3	Yes
Vice Chairman	Chen, Lu-Hsi	2023.06	2023.08.10		Introduction of the boardroom dispute and the Commercial Case Adjudication Act.	3	Yes
			2023.09.07		Technology development and business opportunities of electric vehicles and smart vehicles.	3	Yes
Director	Fan, Shu-Hui	2023.06	2023.08.02		A case study on fraudulent financial reporting.	3	Yes
			2023.08.10		Introduction of the boardroom dispute and the Commercial Case Adjudication Act.	3	Yes
Director	Chen, Ting-Tsung	2023.06	2023.10.17		Case studies of corporate mergers & acquisitions-focusing on hostile takeover.	3	Yes
			2023.11.16		Opportunities and challenges for Taiwan's industrial transformation under geopolitics - PMI / NMI exclusive analysis	3	Yes
Independent Director	Yuan, Hung-Chen	2023.06	2023.09.15		Talking about emerging financial technology crimes and preventing money laundering from the perspective of companies.	3	Yes
			2023.11.02		Technology development and application opportunities of the chatGPT chatbot.	3	Yes
Independent Director	Shih, Chun-Mei	2023.06	2023.07.21		Analysis of common violations of the Securities Exchange Law.	3	Yes
			2023.08.09		A case study on the employee and director remuneration- start with the amendment of Article 14 of Securities and Exchange Act.	3	Yes
			2023.09.13		Analysis of the key points of corporate governance evaluation that directors and supervisors should pay attention to.	3	Yes
			2023.09.14		Operational practices of the audit committee.	3	Yes

### 4. Operational risk management structure

- (1) Risk management policies: To ensure the integrity of the risk management system, implement the checks and balances mechanism of risk management and improve the labor division efficiency of risk management, the Company has established the "Risk Management Policy and Procedures", which was approved by the Board of Directors in 2020 as the highest guiding principle for the Company's risk management.
- (2) Organizational structure of risk management: The Board of Directors is the highest decision authority with respect to risk management and authorizes the President to coordinate and direct the promotion and operation of the risk management plan. The risk management and promotion team is composed of the heads of each operating unit and is under the overall command of the President.
- (3) Scope of risk management: The scope of the Company's risk management includes but is not limited to operational risk, market risk, financial risk, compliance risk, legal risk and other risks that may cause major losses to the Company.
- (4) The Company has conducted risk assessments on environmental, economic, social and corporate governance issues related to its operations in accordance with the materiality

principle, and formulates relevant risk management policies, and the necessary control measures. The important issues were as follows:

Material issues	Risk assessment Items	Risk management policies
Environmental	Carbon Management	<p>The Company is an electronic components distributor, and the main scope of business is the sale and purchase of electronic components.</p> <p>The Company has no manufacturing and production process and does not directly produce harmful pollutant.</p> <p>The Company values environmental protection issues and has made efforts to utilize resources efficiently, reduce the impact on the environment, reduce the impact of rising electricity bills and carbon neutral policies, and respond to trends and relevant laws and regulations actively.</p> <p>The Company has formulated " Energy Saving, Carbon Reduction, Greenhouse Gas Reduction, Water Usage Reduction, and Other Wastes Management policies ", and strengthened the publicity of environmental protection policies to employees, such as energy saving and carbon reduction policies, garbage classification, etc., and switched to energy-efficient LED lighting fixtures to mitigate energy.</p>
Economic	Market Risk	Please refer to page 79, point VI "Risks analyze and assess the during the most recent fiscal year and as they stood on the date of publication of the annual report " of this Annual Report.
	Operational Risk	
	Financial risk	
	Computer facility and information security	Please refer to page 66 point VI "Cyber security management " of this Annual Report.
	Product quality	<p>To ensure the products provided to customers meet customer requirements and international standards like EU RoHS, EU REACH, et al., and reduce environmental impact and to reach customer request, the Company requests our suppliers to provide guarantee on non-hazardous substances, or inspection report from a third notarization unit when purchasing products.</p> <p>The Company is concerned whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy. Major suppliers have got certifications, such as OHSMS / ISO9001 / ISO14001 / IATF16949.</p>
Corporate governance	Social, economic, and Legal Compliance	<p>The Company has established internal operation regulations in accordance with standards in related regulations for public companies and adjusted the internal operation regulations in accordance with amendments of laws by the competent authority.</p> <p>The Company has established the Codes of Ethical Conduct as a basis for the normal work and behavior of the employees and supervisors of all levels.</p> <p>The Company pays close attention to any domestic or foreign policy or regulation that may affect the Company's finance and businesses. The Company has also established related risk management procedures and employee continuous education and training to improve employees' legal expertise.</p> <p>The Company complied with the laws and regulations and did not receive major fines or other non-monetary punishments for matters related to social and economic regulatory compliance.</p>
Social	HR Management	The Company hires the talents that meet the Company's needs via recruitment pipelines. The Company has always treated employees with integrity and follow relevant labor laws and regulations to protect the legitimate rights and interests of employees, establish an Employee Welfare Committee to handle welfare businesses for employees, and make appropriate arrangements of continuing education for employees. The Company has also opened multiple channels for employees to express their opinions, creating a sense of active engagement and avenues for smooth, mutual communication. Please refer to the "Human Resource Information" on the Company's website.
	Occupational safety	Please refer to page 39, point 2 "Protective measures for the safety of the work environment and personal safety of the employees " of this Annual Report.

(5) Education and training: To enhance employees' risk awareness and risk perception, the Company held the risks management education and training. The courses covered the issues related to ethical corporate management, insider trading requirements, intellectual property, Information Security, and occupational safety & health. Please refer to page 64, Point (II) " Continuing education and training, and the status of their implementation " of this Annual Report.

Report regularly to the Board of Directors on risk management operation every year. The Company reported the performance in the area of risk management to the 4<sup>th</sup> meeting of the 12<sup>th</sup> term Board of Directors on November 13, 2023.

5. The duty, education, and training of the chief corporate governance officer, and the implementation status of corporate governance by the chief corporate governance officer

Business responsibilities	Implementation status
Handling matters relating to board meetings and shareholders meetings according to laws and producing minutes of board meetings and shareholders meetings.	<p>(1)The Company has engaged Registrar &amp; Transfer Agency Department of KGI Securities Co. Ltd., to coordinate with the Company's finance department to handle affairs related to the stock and shareholders' meeting like registering the date of shareholders meeting, preparing and filing with the authority the shareholders meeting notice, agenda, and minutes by the statutory deadline every year, and completing the procedures after an amendment of the Articles of Incorporation or an election of directors.</p> <p>(2)The Company held 7 board meetings in 2023, and prepared the meeting agenda, given a notice to all directors to attend a meeting at least seven days in advance, provided sufficient materials for the directors to familiarize themselves with the items, and distributed the minutes to each director within 20 days after the meeting in accordance with relevant laws and regulations according to relevant laws and regulations.</p> <p>(3)The Company had completed the registration of the date of the 2023 general shareholders meeting (June 12, 2023) within the statutory time limit, and held the general meeting of shareholders in accordance with relevant laws and regulations.</p>
Assisting in onboarding and continuous development of directors and supervisors.	Assist the Directors in formulating annual training plans and arranging courses in accordance with the Company's industrial characteristics and Director's academic. In 2023, all Directors has completed the continuing education pursuant to the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. Please refer to page 40, point 3 "Board of Directors' training record" of this Annual Report.
Furnishing information required for business execution by directors and assisting directors and supervisors with legal compliance.	<p>1. From time to time, provide board members with information on new issued or revised laws and regulations related to directors' business execution, corporate governance or business operations.</p> <p>2. The Company has adopted standard operating procedures for handling requests made by directors (covering issues including personnel resources and deadlines for handling requests), and handles directors' requests in accordance with such procedures.</p> <p>3. Provide relevant Company information required by Directors to maintain smooth communication and exchanges between Directors and supervisors of each business unit.</p>
Review the compliance status of the corporate governance evaluation indicators issued by the competent authority one by one every year, and propose improvement plans and corresponding measures for	The Company was ranked as the top 36-50% on the Corporate Governance Evaluation results of 2023. For the improvement plans and corresponding measures for indicators that have not scored, please refer to page 27 Point 9 " Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters

Business responsibilities	Implementation status
indicators that have not scored.	still awaiting improvement " of this Annual Report.
Conducting performance assessments in accordance with the Corporation's Regulation of Self-Evaluation of the Board of Directors.	The Company has conducted the 2023 performance appraisal of the Company's board of directors and functional committees according to the Rules for Performance Evaluation of Board of Directors, and reported the evaluation results to the 6 <sup>th</sup> meeting of the 12 <sup>th</sup> term Board of Directors on March 8, 2024. The evaluation information is shown as follows. The results show that the board of directors and functional committees have overall operated properly and conformed to the principle of corporate governance. Please refer to page 17, point (I) "Operation of the Board of Directors" of this Annual Report.
Assessing and taking out appropriate D&O liability insurance for directors.	The Company has already purchased liability insurance for all directors and the insurance coverage period was from June 1, 2023 to May 31, 2024. The Company has reported the insurance situation to the 2 <sup>nd</sup> meeting of the 12 <sup>th</sup> term Board of Directors on June 20, 2023.

The chief corporate governance officer has completed the continuing education mutatis mutandis by the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies after appointment. Please refer to page 64, Point (II) "Continuing education and training, and the status of their implementation" of this Annual Report.

(IX) The implementation of the Company's internal control system shall furnish the following:

1. A Statement on Internal Control: Please refer to Attachment 1 (page 85).
2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report.: None.

(X) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement.: None.

(XI) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

1. Material resolutions of a shareholders meeting:

Regular or Special meeting	Date	Major resolutions	Implementation status
Regular meeting	2023.6.12	(1) Adopted the 2022 business report and financial statements.	Announced to the public after shareholder meeting resolution.
		(2) Adopted the 2022 earnings distribution proposal.	August 22, 2023 was set as the Ex-dividend record date, whereas September 1, 2023 was determined as the distribution date in the 3 <sup>rd</sup> meeting of the 12 <sup>th</sup> term Board of Directors held on July 28, 2023.
		(3) Approved amendments of the Procedures for Election of Directors.	The Company has uploaded the electronic file containing "Procedures for Election of Directors" to the MOPS website on June 16, 2023 and the information on the company's website has been updated.
		(4) Election of directors.	The Company's newly elected directors have been registered with the Ministry of Economic Affairs, R.O.C. on July 6, 2023.

2. Material resolutions of the board of directors:



Session /Date	Contents of the Motion	Matters under Article 14-3 of the Securities and Exchange Act	any dissenting or qualified opinion of an independent director
THE 17 <sup>th</sup> meeting of the 11 <sup>th</sup> term 2023/1/11	<ol style="list-style-type: none"> <li>1. Passed the Company's 2022 Managerial Officers Annual Bonus. (Note1)</li> <li>2. Reviewed the scope of managers that the Company should submit to the Remuneration Committee for remuneration pre-review.</li> <li>3. Passed the Company's salary and remuneration for managerial officers.</li> <li>4. Passed the appointment of the chief corporate governance officer.</li> <li>5. Passed the appointment of new the legal representative (executive director) and supervisor for sub-subsidiary Honey Hope Honesty International Trading (Shanghai) Co., Ltd.</li> <li>6. To release the Prohibition on managerial officers from Participation in Competitive Business.</li> <li>7. Passed amendments to the Rules of Procedure for Board of Directors Meetings, Internal Control System, and Internal Audit Implementation Rules.</li> <li>8. Passed amendments to the Corporate Governance Best Practice Principles, Sustainable Development Best Practice Principles, and Rules Governing Transactions with Related Parties, Specific Parties and Group Enterprises.</li> <li>9. Passed renewal of the Company's credit limit.</li> </ol>	<p>Proposal 1 Proposal 3 Proposal 7 Proposal 8</p>	None
THE 18 <sup>th</sup> meeting of the 11 <sup>th</sup> term 2023/3/10	<ol style="list-style-type: none"> <li>1. Passed amendments to the Rules of Procedure for Board of Directors Meeting.</li> <li>2. Passed the Company's directors' remuneration and employees' compensation for 2022.</li> <li>3. Passed the Company's 2022 business report, and financial statement.</li> <li>4. Passed the earnings distribution of year 2022.</li> <li>5. Passed the Internal Control System Statement for 2022.</li> <li>6. Passed the election of the Company's board of directors.</li> <li>7. Passed the period and the place for shareholders to submit proposals to be discussed and nomination of candidates of the Company's 7 directors (including 3 independent directors) at the Company's 2023 regular meeting of shareholders.</li> <li>8. Passed nomination and confirmation of candidates for the election of the Company's board of directors (including independent directors).</li> <li>9. Passed the release of non-competition restrictions for newly elected directors and their representatives.</li> <li>10. Passed the scheduling of 2023 Annual Shareholders' Meeting.</li> <li>11. Passed the replacement of certified public accountant.</li> <li>12. Passed appointment and remuneration for transfer pricing.</li> <li>13. Passed renewal of the Company's credit limit.</li> <li>14. Passed prepayment for purchases with an aging beyond the normal lead time (six months) and a significant amount are not of financing nature as of December 31, 2022.</li> <li>15. Passed the promotion and salary adjustment of the Company's Managerial Officer.</li> </ol>	<p>Proposal 2 Proposal 11 Proposal 12</p>	None
THE 19 <sup>th</sup> meeting of the 11 <sup>th</sup> term 2023/5/2	<ol style="list-style-type: none"> <li>1. Passed the Company's consolidated financial statements for the 1st quarter of 2023.</li> <li>2. Passed the appointment of Chief Strategy Officer. (Note 2)</li> <li>3. Passed the appointment of Vice Chief Strategy Officer. (Note 3)</li> </ol>	<p>Proposal 3 Proposal 4</p>	None

Session /Date	Contents of the Motion	Matters under Article 14-3 of the Securities and Exchange Act	any dissenting or qualified opinion of an independent director
	4. Passed renewal of the Company's credit limit. 5. Passed prepayment for purchases with an aging beyond the normal lead time (180 days) and a significant amount are not of financing nature as of March 31, 2023.		
THE 1 <sup>st</sup> meeting of the 12 <sup>th</sup> term 2023/6/12	1. Passed the election of the Chairman and Vice Chairman. 2. Passed the appointment of the Remuneration Committee members. 3. Passed the appointment of the Audit Committee members.	None	None
THE 2 <sup>nd</sup> meeting of the 12 <sup>th</sup> term 2023/6/20	1. Passed the appointment of the President. 2. Passed the position adjustment of the Senior Vice President. 3. Passed strategic cooperation investment. 4. Passed the appointment and remuneration for the industrial and commercial services. 5. Passed the appointment of the 2023Q2 to 2026Q1 CPAs.	Proposal 3 Proposal 4 Proposal 5	None
THE 3 <sup>rd</sup> meeting of the 12 <sup>th</sup> term 2023/7/28	1. Passed the Company's consolidated financial statements for the 2nd quarter of 2023. 2. Passed the appointment and remuneration for the industrial and commercial services. 3. Passed the Ex-dividend record date, and the distribution date. 4. Passed the Company's distribution amount of employees' compensation to managerial officers and the remuneration to the Directors. (Note 4) 5. Passed the amendments to the Regulations Governing the Allocation of the Directors' Remuneration. 6. Passed the appointment of the Remuneration Committee members to fill the vacancy. 7. Passed prepayment for purchases with an aging beyond the normal lead time (180 days) and a significant amount are not of financing nature as of June 30, 2023.	Proposal 2 Proposal 4	None
THE 4 <sup>th</sup> meeting of the 12 <sup>th</sup> term 2023/11/13	1. Passed the Company's consolidated financial statements for the 3rd quarter of 2023. 2. Passed the 2024 annual audit plan. 3. Passed the acquisition of the RP. 4. Passed renewal of the Company's credit limit. 5. Passed prepayment for purchases with an aging beyond the normal lead time (180 days) and a significant amount are not of financing nature as of September 30, 2023.	Proposal 3	None
THE 5 <sup>th</sup> meeting of the 12 <sup>th</sup> term 2024/1/30	1. Passed the appointment of the managerial officer. 2. Reviewed the scope of managers that the Company should submit to the Remuneration Committee for remuneration pre-review. (Note 5) 3. Passed the Company's 2023 Managerial Officers Annual Bonus. (Note 5) 4. Passed the Company's salary and remuneration for managerial officers. (Note 6) 5. Passed the appointment and remuneration of the Consultation on ESG Report and the Greenhouse Gas (GHG) inventory and verification. 6. Passed amendments to the Regulations Governing the Acquisition and Disposal of Assets. 7. Passed amendments to the Procedures for Handling Material Inside	Proposal 2 Proposal 3 Proposal 4 Proposal 5 Proposal 6	None

Session /Date	Contents of the Motion	Matters under Article 14-3 of the Securities and Exchange Act	any dissenting or qualified opinion of an independent director
	Information and Preventing Insider Trading Management. 8. Passed amendments to the Risk Management Policy and Procedures. 9. Passed renewal of the Company's credit limit. 10. Passed the matters required under paragraph 2, Explanation 2 of the Order No. Cheng-Kuei-Chien 1130200191 of the Taipei Exchange. (Note 7)		
THE 6 <sup>th</sup> meeting of the 12 <sup>th</sup> term 2024/3/8	1. Passed the Company's directors' remuneration and employees' compensation for 2023. 2. Passed the directors' remuneration for 2023. (Note 8) 3. Passed amendments to the Articles of Incorporation. 4. Passed the Company's 2023 business report, and financial statement. 5. Passed the earnings distribution of year 2023. 6. Passed the by-election of one independent director. 7. Passed the period and the place for shareholders to submit proposals to be discussed and nomination of candidates of the Company's 1 independent director at the Company's 2024 regular meeting of shareholders. 8. Passed nomination and confirmation of the candidate for the by-election of one independent director. 9. Passed the scheduling of 2024 Annual Shareholders' Meeting. 10. Passed the assessment of the effectiveness of the internal control system and the Internal Control System Statement for 2023. 11. Passed amendments to the Internal Control System and the Internal Audit Implementation Rules. 12. Passed the replacement of certified public accountant. (Note 9) 13. Passed appointment and remuneration for transfer pricing. (Note 9) 14. Passed the appointment and remuneration for the industrial and commercial services. (Note 9) 15. Passed the acquisition of securities. 16. Passed renewal of the Company's credit limit. 17. Passed prepayment for purchases with an aging beyond the normal lead time (six months) and a significant amount are not of financing nature as of December 31, 2023.	Proposal 1 Proposal 2 Proposal 11 Proposal 12 Proposal 13 Proposal 14 Proposal 15	None
THE 7 <sup>th</sup> meeting of the 12 <sup>th</sup> term 2024/5/7	1. Passed the Company's consolidated financial statements for the 1st quarter of 2024. 2. Passed the acquisition of securities. 3. Passed renewal of the Company's credit limit. 4. Passed prepayment for purchases with an aging beyond the normal lead time (180 days) and a significant amount are not of financing nature as of March 31, 2024.	None	None

Note 1: As this proposal involved the personal interests of the Chairman Lin, Hsun-Min and Vice Chairman Chen, Lu-Hsi attending at the board meeting, each of them recused himself from the discussion and voting on the matter related to himself respectively. When Chairman Lin was recused, he appointed Independent Director Yuan, Hung-Chen to serve as deputy chair. Apart from the Directors who recused himself from the discussion and voting, the remaining directors attending agreed to approve it without objection.

Note 2: As this proposal involved the personal interests of the Chairman Lin, Hsun-Min attending at the board meeting, he appointed Vice Chairman Chen, Lu-Hsi to serve as deputy chair, and recused himself from the discussion and voting on this proposal. Apart from the Director who recused himself from the discussion and voting, the

remaining directors attending agreed to approve it without objection.

Note 3: As this proposal involved the personal interests of the Vice Chairman Chen, Lu-Hsi attending at the board meeting, he recused himself from the discussion and voting on this proposal. Apart from the Director who recused himself from the discussion and voting, the remaining directors attending agreed to approve it without objection.

Note 4: As this proposal involved the personal interests of all Directors and Senior Manager Tsai, Su-Chin attending or present at the board meeting, each of them recused him or herself from the discussion and voting on the matter related to him or herself respectively. When Chairman Lin was recused, he appointed Vice Chairman Chen, Lu-Hsi to serve as deputy chair. Apart from the Directors who recused him or herself from the discussion and voting, the remaining directors attending agreed to approve it without objection.

Note 5: As this proposal involved the personal interests of Chairman Lin, Hsun-Min, Vice Chairman Chen, Lu-Hsi and Senior Manager Tsai, Su-Chin attending or present at the board meeting, each of them recused him or herself from the discussion and voting on the matter related to him or herself respectively. When Chairman Lin was recused, he appointed Vice Chairman Chen, Lu-Hsi to serve as deputy chair. Apart from the Directors who recused himself from the discussion and voting, the remaining directors attending agreed to approve it without objection.

Note 6: As this proposal involved the personal interests of Chairman Lin, Hsun-Min, Vice Chairman Chen, Lu-Hsi and Senior Manager Tsai, Su-Chin attending or present at the board meeting, each of them recused him or herself from the discussion and voting on the matter related to him or herself respectively. When Chairman Lin was recused, he appointed Independent Director Shih, Chun-Mei to serve as deputy chair. Apart from the Directors who recused himself from the discussion and voting, the remaining directors attending agreed to approve it without objection.

Note 7: As this proposal involved the personal interests of Chairman Lin, Hsun-Min, Vice Chairman Chen, Lu-Hsi and Director Chen, Ting-Tsung attending at the board meeting, each of them recused himself from the discussion and voting on the matter related to himself respectively. When Chairman Lin was recused, he appointed Vice Chairman Chen, Lu-Hsi to serve as deputy chair. Apart from the Directors who recused himself from the discussion and voting, the remaining directors attending agreed to approve it without objection.

Note 8: As this proposal involved the personal interests of all Directors attending at the board meeting, each of them recused him or herself from the discussion and voting on the matter related to him or herself respectively. When Chairman Lin was recused, he appointed Vice Chairman Chen, Lu-Hsi to serve as deputy chair. Apart from the Directors who recused him or herself from the discussion and voting, the remaining directors attending agreed to approve it without objection.

Note 9: As this proposal involved the interests of PricewaterhouseCoopers Taiwan, the CPA and staff of the firm present at the board meeting recused themselves from the discussion and voting on this proposal. The directors attending agreed to approve it without objection.

(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof.: None.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer:

Date:2024/4/30

Job title	Name	Date of Appointment	Date of Termination	Reason for Resignation or Dismissal
President	Lin, Hsun-Min	1989/5/20	2023/6/20	Position adjustment

#### V. Information on the professional fees of the attesting CPAs

(I) The Company shall disclose the amounts of the audit fees and non-audit fees paid to the attesting certified public accountants and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services:

Unit: NT\$ thousands

Name of accounting firm	Names of CPAs	Period covered by the CPA audit	Audit fees	Non-audit fees	Total	Remarks
Pricewaterhouse-Coopers Taiwan	Yeh, Tsui-Maio	2023.01.01	3,730	1,268	4,998	Non-audit fees include tax certification, transfer pricing, master file, and overseas audit travel expenses.
	Huang, Shih-Chun	2023.12.31				

- (II) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.
- (III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed.: None.

**VI. Information on replacement of certified public accountant**

The Company replaced the CPAs, Huang, Shih-Chun, and Wu, Yu-Lung, with the CPAs, Yeh, Tsui-Maio, and Huang, Shih-Chun due to the internal adjustment of the accounting firm, PricewaterhouseCoopers Taiwan.

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

**VIII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report. Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the Company as well as the Company's directors, supervisors, managerial officers, and ten-percent shareholders, and the number of shares transferred or pledged**

- (I) Transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent

Job title	Name	Fiscal year		Current fiscal year as of April 14	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Chairman	Lin, Hsun-Min	-	-	-	-
Vice Chairman	Chen, Lu-Hsi	-	-	-	-
Director	Fan, Shu-Hui	-	-	-	-
Director	Chen, Ting-Tsung	-	-	-	-
Independent Director	Chu, Chun-Hsiung	-	-	-	-
Independent Director	Yuan, Hung-Chen	-	-	-	-
Independent Director	Wang, Ho-Chin (Note 1)	-	-	-	-
President	Hsu, Hung-Chih	-	-	-	-
Vice President	Hsiao, Chih-Chih	-	-	7,000	-
Vice President	Huang, Yi-Chieh	-	-	(13,000)	-
Sales Senior Manager	Lin, Jui-Chin	-	-	-	-
Finance Senior Manager	Tsai, Su-Chin	-	-	-	-
IT Senior Manager	Liu, Fang-Li	-	-	-	-
Sales Director	Hsieh, Hung-Chang (Note 2)	-	-	-	-

Note 1: She resigned for personal reasons on July 11, 2023.

Note 2: He took office on March 1, 2023.

- (II) Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the Company as well as the Company's directors, supervisors, managerial officers, and ten-percent shareholders, and the number of shares transferred or pledged.: None.

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

2024/4/14

No.	Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Remarks
		Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
1	Taiwan Taiyo Yuden Co., Ltd.	11,294,398	14.13%	-	-	-	-	-	-	
	Representative: Fukuda Yasuhiro	-	-	-	-	-	-	-	-	
2	Yuan Chiang Investment Co., Ltd.	6,961,489	8.71%	-	-	-	-	-	-	
	Representative: Lin, Jui-Chin	106	-	-	-	-	-	-	-	
3	Lin, Hsun-Min	5,759,139	7.20%	2,242,021	2.81%	-	-	Lee, Mei-Huei	Spouse	
								Chun Chun Investment Ltd. Representative: Lee, Mei-Huei	The spouse of Chun Chun Investment Ltd.'s representative	
4	Chen, Lu-Hsi	4,044,877	5.06%	2,666,067	3.33%	-	-	Chang, Su-Hui	Spouse	
								Shan Ming Investment Ltd. Representative: Yang, Chi-Lin	The father-in law of Shan Ming Investment Ltd.'s representative	
5	Shan Ming Investment Ltd.	3,195,659	4.00%	-	-	-	-	Chen, Lu-Hsi	The father-in law of Shan Ming Investment Ltd.'s representative	
								Chang, Su-Hui	Investment Ltd.'s representative	
								Chen, Lu-Hsi	Father-in law	
	Representative: Yang, Chi-Lin	-	-	100,445	0.13%	-	-	Chang, Su-Hui	Father-in law	
6	Chang, Su-Hui	2,666,067	3.33%	4,044,877	5.06%	-	-	Chen, Lu-Hsi	Spouse	
								Shan Ming Investment Ltd. Representative: Yang, Chi-Lin	The father-in law of Shan Ming Investment Ltd.'s representative	
7	Chun Chun Investment Ltd.	2,399,511	3.00%	-	-	-	-	Lin, Hsun-Min	The spouse of Chun Chun Investment Ltd.'s representative	
								Lee, Mei-Huei	The representative of Chun Chun Investment Ltd.	
8	Representative: Lee, Mei-Huei	2,242,021	2.81%	5,759,139	7.20%	-	-	Lin, Hsun-Min	Spouse	
								Lin, Hsun-Min	Spouse	
9	Chen, Hung-Kai	2,070,000	2.59%	5,000	0.01%	-	-	Chun Chun Investment Ltd. Representative: Lee, Mei-Huei	The representative of Chun Chun Investment Ltd.	
	Ying Yang Investment Ltd.	1,498,000	1.87%	-	-	-	-	-	-	
10	Representative: Chiang, Ming-Hsing	-	-	-	-	-	-	-	-	
								-	-	

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

2024/4/14 , Unit: thousand shares

Investee enterprise	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
OUTRANGE STAR LIMITED	350	100%	-	-	350	100%
Multileader Co., Limited	12,800	100%	-	-	12,800	100%

## Chapter 4 Information on capital raising activities

### I. Capital and shares

#### (I) Source of capital stock

1. The types of shares issued by the Company during the preceding fiscal year and in the current fiscal year up to the date of the publication of the report

Month/ year	Issued price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares (thousand shares)	Amount (NT\$ thousands)	Shares (thousand shares)	Amount (NT\$ thousands)	Sources of capital	Capital paid in by assets other than cash	Other
-	10	120,000	1,200,000	79,907	799,072	( Note )	( Note )	( Note )

Note: There was no change in authorized capital and paid-in capital during the preceding fiscal year and in the current fiscal year up to the date of the publication of the report.

#### 2. Type of stock

2024/4/14 , Unit: thousand shares

Type of stock	Authorized Capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common Share	79,907	40,093	120,000	( Note )

Note: The stock is stock of a TPEX listed company

3. If approval has been granted to offer and issue securities by shelf registration, additionally disclose the approved amount and information regarding securities to be issued or already issued: None.

#### (II) Shareholder structure

2024/4/14

Shareholder composition Quantity	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and foreign individuals	Total
No. of shareholders	-	-	21	12,009	20	12,050
No. of shares held (shares)	-	-	26,842,696	52,382,648	681,826	79,907,170
Shareholding ratio (%)	-	-	33.59	65.55	0.86	100.00

#### (III) Diffusion of ownership

##### 1. The diffusion of ownership of common shares

2024/4/14

Range of no. of shares held	No. of shareholders	Shareholding (shares)	Shareholding (%)
1 to 999	4,890	343,767	0.45
1,000 to 5000	5,822	11,966,845	15.77
5,001 to 10,000	746	3,070,598	4.05
10,001 to 15,000	230	2,993,312	3.94
15,001 to 20,000	113	2,110,209	2.78
20,001 to 30,000	89	2,306,564	3.04
30,001 to 40,000	49	1,778,870	2.34
40,001 to 50,000	26	1,225,000	1.61
50,001 to 100,000	44	2,078,706	2.74
100,001 to 200,000	24	3,220,536	4.24
200,001 to 400,000	6	1,907,602	2.51
400,001 to 600,000	-	-	0.00
600,001 to 800,000	1	776,000	1.02
800,001 to 1,000,000	-	-	0.00
Over 1,000,001	10	42,129,161	55.51
Total	12,050	75,907,170	100.00

2. The diffusion of ownership of common shares and preferred shares: None.

(IV) List of major shareholders (List all shareholders with a stake of 5 percent or greater, and if those are fewer than 10 shareholders, also list all shareholders who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list.)

2024/4/14

Names of major shareholders	Shares	Shareholding (shares)	Shareholding (%)
Taiwan Taiyo Yuden Co., Ltd.		11,294,398	14.13
Yuan Chiang Investment Co., Ltd.		6,961,489	8.71
Lin, Hsun-Min		5,759,139	7.20
Chen, Lu-Hsi		4,044,877	5.06
Shan Ming Investment Ltd.		3,195,659	4.00
Chang, Su-Hui		2,666,067	3.33
Chun Chun Investment Ltd.		2,399,511	3.00
Lee, Mei-Huei		2,242,021	2.81
Chen, Hun-Kai		2,070,000	2.59
Ying Yang Investment Ltd.		1,498,000	1.87

(V) Share prices for the past 2 fiscal years, together with the Company's net worth per share, earnings per share, dividends per share, and related information

Unit: NT\$, except otherwise stated

Fiscal year			2022	2023	Current year to April 30, 2024 (Note 3)
Item					
Market price per share	Highest	Before adjustment	30.00	31.55	28.95
		After adjustment	30.00	31.55	28.95
	Lowest	Before adjustment	22.00	25.15	23.70
		After adjustment	22.00	25.15	23.70
	Average		26.65	28.64	26.61
Net worth per share	Before distribution		33.01	32.54	32.25
	After distribution (Note 1)		31.94	31.34	32.25
Earnings per share	Weighted average shares (shares)		79,131,170	79,131,170	79,131,170
	Earnings per share		1.91	( 0.24 )	0.36
Dividends per share (Note 2)	Cash dividends		1.08	0.20	-
	Stock dividends	Dividends from retained earnings	-	-	-
		Dividends from capital reserve	-	-	-
	Accumulated undistributed dividends		-	-	-
Return on investment analysis	Price/earnings ratio (times)		13.95	( 119.33 )	-
	Price/dividend ratio (times)		24.68	143.20	-
	Cash dividend yield (%)		4.05	0.70	-

Note 1: The data for 2022 is calculated based on the amount resolved in the next year's shareholders meeting, and the data for 2023 is calculated based on the amount resolved by the Board of Directors.

Note 2: The cash dividend for 2023 has been approved by the Board of Directors.

Note 3: Net worth per share and earnings per share are based on auditor-reviewed consolidated financial statements for the three months ended March 31, 2024.

(VI) Company's dividend policy and implementation thereof

#### 1. Dividend policy

According to the Company's Articles of Incorporation, where the Corporation has net profit after tax at the end of the fiscal year, after paying all relevant taxes and making up losses of previous years, the Corporation shall set aside ten percent of net profit as legal reserve and a special reserve shall be set aside or reversed in accordance with Article 41 of the Securities and Exchange Act. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. If there is still remaining net profit, the remaining net profit plus the beginning unappropriated earnings



are the cumulative distributable surplus of shareholders, and shall be distributed to shareholders according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

The distributable bonuses, capital reserve and legal reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting, and the provisions of the preceding paragraph requiring the resolution of the shareholders' meeting shall not apply.

To reward and motivate employees and the management team, if the Company has profit (which means income before tax excluding the compensation distributable for employees and the Directors), the Company shall allocate 5% to 15% of the profit as the employee bonus and not exceed no more than 2% of the profit as director remuneration. However, the Company's accumulated losses shall have been covered.

The Company will take into account, its future capital requirements and long-term financial planning, as well as the shareholders' need for cash, and distribute dividends and bonus to shareholders on the distributable surplus referred to in Article 20, of which cash dividends and bonus shall not be less than ten percent of the total dividends and bonus.

The shareholders' meeting may adjust the ratio of aforesaid cash dividends and bonus according to actual amount profits, capital needs and operational needs of the Company.

2. Implementation status: Proposed distribution of retained earnings for the year ended December 31, 2023 is as follows:

Earnings Distribution Table  
For the Year Ended December 31, 2023

	Unit: NT\$
Undistributed earnings at the beginning of the period	1,101,786,020
Add: 2023 adjustments of the undistributed earnings	163,878
After adjusted undistributed earnings	1,101,949,898
Add: net profit (loss) after tax for 2023	(19,059,742)
Less: legal reserve appropriated	0
Add: reversal of special reserve	(13,088,171)
Earnings available for distribution	1,069,801,985
Distributable items:	
Less: cash dividends (NT\$ 0.2 per shar)	(15,826,234)
Undistributed earnings at the end of the period	1,053,975,751

3. If a material change in dividend policy is expected, provide an explanation.: None.

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting.: The distribution proposed or adopted at the most recent shareholders' meeting will be made in cash, so there will be no effect upon business performance and earnings per share.

(VIII) Compensation of employees, directors, and supervisors

1. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the Company's Articles of Incorporation.: Please refer to page 51, Point 1 " Dividend policy " of this Annual Report.
2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.: The Company estimates the amount of employee, and director compensation according to Article 20 of the Company's Articles of Incorporation and the current

year's profits, and recognizes it as operating expenses in the current period. If the Board of Directors decides to pay employee compensation in stocks, the number of shares shall be calculated by the closing price on the day prior to resolution of the board of directors. Notwithstanding, in the case of the accounting treatment of the discrepancy between the actual distributed amount and the estimated figure, it shall be identified as changes in accounting estimate and stated as the income of the year of allocation.

3. Information on any approval by the board of directors of distribution of compensation:

- (1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

Due to a net loss after tax in 2023, it was not to distribute compensation to employees and directors resolved by the board of directors. There was no discrepancy between that amount approved by the Board of Directors and the estimated figure for the fiscal year these expenses are recognized.

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

No employee compensation in stock was distributed for the year of 2023.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

The actual distribution of employee, and director compensation for the previous fiscal year were as follows:

Items	Amount (NT\$)
Employee cash compensation	20,461,708
Employee stock compensation	-
Directors compensation	3,903,734
Total	24,365,442

There was no discrepancy between the actual distribution of employee, and director compensation above and the proposal approved by the Board of Directors.

(IX) Status of a company repurchasing its own shares (Repurchases already completed)

2024/4/30

Repurchase no.	The First
Purpose of repurchase	Transfer of shares to employees
Repurchase period	2021/5/21~2021/7/19
Repurchase price range	NT\$ 27.80~34.3
Types and numbers of shares bought back	Common stock: 776,000 shares
Amount of shares bought back	NT\$22,770,447
Ratio of the number of shares already repurchased to the number of shares intended to be repurchased	38.8%
The number of repurchased shares that have been cancelled or transferred	0 shares
Accumulated number of the Company's shares held by the Company	776,000 shares
Ratio of the accumulated number of the Company's shares held by the Company to the total number of issued shares	0.97%

**II. Issuance of corporate bonds: None.**

**III. Preferred shares: None.**

**IV. Global depositary receipts (GDR): None.**

**V. Employee share subscription warrants: None.**

**VI. New restricted employee shares: None.**

**VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.**

**VIII. Implementation of the Company's capital allocation plans**

For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits: Not Applicable.

## Chapter 5 Overview of operations

### I. Description of the business

#### (I) Scope of business

##### 1. The Company's major lines of business

- (1) CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
- (2) CC01080 Electronics Components Manufacturing.
- (3) CC01110 Computer and Peripheral Equipment Manufacturing.
- (4) F119010 Wholesale of Electronic Materials.
- (5) F219010 Retail Sale of Electronic Materials.
- (6) F401010 International Trade.
- (7) I301010 Information Software Services.
- (8) I301020 Data Processing Services.
- (9) I301030 Electronic Information Supply Services.
- (10) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. The relative weight of the major lines of business

Unit: NT\$ thousands, except otherwise stated

Products \ Year	2023		2022	
	Sales Amount	Percentage (%)	Sales Amount	Percentage (%)
Electronic components	4,885,670	100.00	5,847,130	100.00

##### 3. The Company's current products (services)

The Company is an electronic components distributor, and mainly distributes and resells passive components, such as Multi-Layer Ceramic Capacitors (MLCCs) and inductors. The Company's customers are in the major domestic manufacturers of motherboards, laptops, and smartphones. For the Company's current products, please refer to the Table 1.

Major products and their usage (Table 1)

Suppliers	Product Name	Major usage
Taiyo Yuden	MLCCs High frequency inductors	Electronic products, such as motherboards, laptops, mobile phones, LCD monitors, network related products, digital cameras, e-book, etc., as well as server, and automotive applications
	SAW filter	Mobile phones, cordless telephones, digital cameras, RF module, 5G LTE related products
Lyontek Inc.	Asynchronous SRAM -Embedded memory -Audio Amplifier	Personal access System, electronic dictionary, Printers, currency-counting machines, mobil phone related products
Stackpole Technology, Inc.	Resistor Power Protection Resistors	Motherboards, power supply, consumer electronic products, motor, automatic control
ISP Solution Co., Ltd.	Image sensor module	Tablet computers, mobile phones, laptops
Nidec Corporation	Motors	Robot, drone, mobile phones, E-Bike, server
Zilltek Technology Corp.	MEMS Microphones	Notebooks, TV, speaker, mobile phones related
Sunplus Innovation Technology Inc.	Image Signal Processor	Notebooks, chrome books, all-in-one PC 、 windows tablet computers, smart TV, webcams
Canadian Supplier	E-BIKE Controller Module	E-Bike, Industrial Machinery
U.S. Supplier	GaN Power Controller Module	Charging equipment, power controller and other related products

##### 4. New products (services) planned for development

Established in 1989, the Company has since been offering excellent, accurate, and rapid services and quality to customers. The Company expands its new product lines proactively to provide customers with more diversified services, and actively expands new markets through years of contacts and popularity accumulated in the industry, as well as the advantages of marketing and technical services.

## (II) overview of the industry

### 1. The current status and development of the industry

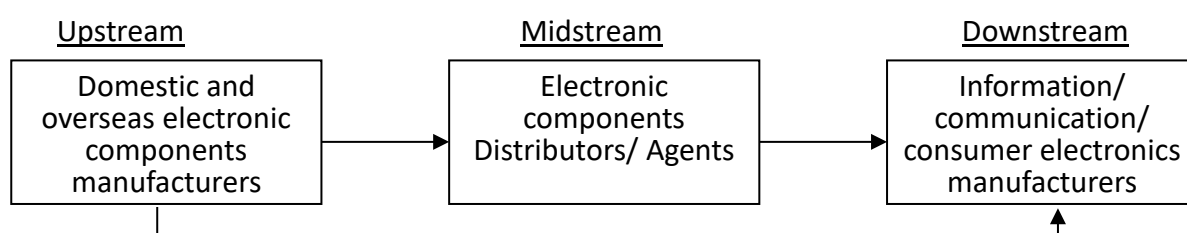
Passive electronic components as the upstream components of electronic products are widely used in electronic terminals, such as smartphones, laptops, liquid-crystal display televisions, tablet computers, servers (AI applications), network products, Automotive, etc. Due to the high application and importance of passive electronic components in the modern electronics industry, the Passive electronic component industry is still an indispensable part of the electronics industry.

Since 2022, Russia's invasion of Ukraine has exacerbated global energy and food crisis, and energy prices have increased sharply, leading to a rising inflation in Europe and the United States, which in turn affects the momentum of demand of terminal consumers.

In 2023, Russia-Ukraine war that remained unresolved, the high inflation, sluggish economic recovery power due to China's real-estate developer's debt default and local-government debt crisis, and high tensions in the Middle East due to Palestine's invasion of Israel led to the weak willingness of terminal consumption, the sluggish demand for consumer electronic products, also affecting the destocking speed of consumer electronic products and the demand for passive components.

### 2. The links between the upstream, midstream, and downstream segments of the industry supply chain

The Company is an electronic components distributor, and mainly engaged in the distribution and resale of passive components, such as MLCCs and inductors. The upstream of the entire industry chain consists of domestic and overseas electronic components manufacturers, while the downstream consists of information/ communication/ consumer electronics manufacturers. For upstream manufacturers, the distributors can establish an intensive and complete marketing channel, and develop new markets. Also, the distributors will help them avoid directly facing customers and save marketing expenses. For downstream manufacturers, distributors can quickly provide parts and technical supports they need, reduce their inventory, transport risk and R&D spending. Moreover, the distributor can analyze the market trend and advise them. In the production and sales of the electronic information industry, the electronic components distributors play a role as a bridge between upstream domestic and overseas electronic components manufacturers and downstream information/ communication/ consumer electronics manufacturers, and maintain the harmonious relationship among these three parties. The following lists the upstream, midstream and downstream links of the industry:



### 3. Development trends for the Company's products

From the perspective of the major products, MLCCs, the Company distributes, the development trend is as follows:

- (1) Miniaturization: In order to meet the market demand for intelligence and miniaturization of smartphones, tablet computers, wearable devices and portable electronic appliances, MLCCs are developing toward the direction of miniaturization and ultra-miniaturization.
- (2) High voltage: In order to increase availability, and manufacturing efficiency of LED lighting, and lower its prices, new LED technologies help to make this possible with higher operating voltages and increased densities of light output. In addition, under electrification, electric vehicles must equip high-capacitance batteries with high voltage to increase the cruising distance. Based on the trend toward higher voltages, MLCCs are developing toward the direction of withstanding higher voltage.

- (3) High-frequency: From 2G to 5G, communication technology is moving towards higher operating frequencies to reach higher data rates and capacity. Moreover, as the communication frequency is getting higher, and the mutual interference and noise occurrence become frequently, the application of MLCCs with low ESR/ESL is more necessary as well.
- (4) High reliability: Due to the MLCCs in automobiles need to operate in harshest environments with extreme temperature changes, high humidity, strong vibrations, and the highest operating temperatures, MLCCs for Automotive Electronics must meet the demanding requirements of AEC-Q200. Therefore, the high reliability requirements of MLCCs will continue to increase in the future.
- (5) High capacity: Owing to the increase of function of electronic terminals, the battery capacity increases. In order to enable the Stable fast-charging ability in large-capacity batteries, it requires the configuration of high capacity, and high-quality MLCCs, which encourage the development of high capacity MLCCs.

#### 4. Competition for the Company's products

The major competitors of the major products, MLCCs, the Company distributes, are listed below.

Global Major Suppliers of MLCCs

Nation	Name of the supplier
Japan	Murata, Taiyo Yuden, TDK, AVX
South Korea	Samsung Electro-Mechanics ( SEMCO )
Taiwan	Yageo, Walsin
Mainland China	Fenghua Advanced Technology, Eyang Technology, Chaozhou Three-circle

The global multilayer ceramic capacitor market is consolidated with a small number of large-scale vendors that control majority of the market share. The key suppliers of MLCCs market are majorly from Asia, such as Murata, SEMCO, Taiyo Yuden, Yageo, TDK, and AVX. Japanese suppliers are in supremacy in small high-capacity and ceramic powder technologies, and boast complete product matrices, and account for major share of the global multilayer ceramic capacitor market followed by players from Taiwan, Korean and Mainland China.

(III) Overview of the Company's technologies and its research and development work: None.

(IV) The Company's long- and short-term business development plans

##### 1. Short-term business development plans

###### (1) Marketing strategy

- A. Emphasis on sales and marketing training: The Company strengthens its training of sales personnel to enhance their skills, abilities, and attitudes. Training sales personnel in better sales technique, customer service skills and marketing expertise to provide excellent customer service and build well and lasting relationships with customers helps boost sales and improve customer satisfaction.
- B. Strengthen customer technical support skills, help customers shorten design time, and launch new products in a timely manner.
- C. Developing diversified product lines: Expands new product lines in different industries, master the seasonal demands of each industry, and reduce the impact of the ups and downs of a single industry on enterprises.
- D. Complete logistics management system: Continuously improve and strictly control warehouse management methods, and enhance logistics efficiency, and meet customer demand immediately.

###### (2) Product strategy

To strengthen core competence and create added-value, the Company continues to focus on niche products, expand product lines and scale, and provides customers with professional technical support services and a total solution.

###### (3) Scale of operations and development strategy

- A. The Company integrates the resources of subsidiaries and reinvested companies, and makes overall planning, so as to improve the operational efficiency of the organization.

- B. Promote your competitive advantage in the market: To boost the Company's popularity and increase market recognition, the Company will continue to seek possible strategic partnerships.
2. Long- term business development plans
- (1) Marketing strategy: The Company is gradually expanding our sales footprints to Southeast Asia in addition to existing footprints in Taiwan, Hong Kong, and Mainland China, so as to meet customer needs for expanding overseas presence.
  - (2) Product strategy: The Company continues to expands its new product lines, provides customers with more complete after-sales services and technical support, and actively expands new markets through years of contacts and popularity accumulated in the industry, as well as the advantages of marketing and technical services.
  - (3) Scale of operations and development strategy: The Company integrates the resources of subsidiaries and reinvested companies, and makes overall planning, so as to improve the operational efficiency of the organization.
  - (4) Financial strategy: The Company is an electronic component distributor and has high demand on working capital. In addition, the exchange rate has fluctuated greatly in recent years, which has a great impact on the Company's operating performance. Therefore, the Company maintains close partnership with financial institutions, and also actively develops talent to accurately evaluate the overall economy in the hopes of minimizing effects from related uncertainties. The Company continues to strengthen financial planning based on the principle of conservative financial stability, and will increase its working capital through capital raising plans at an appropriate time, in response to the funding needs of increasing operation scale.

## II. analysis of the market as well as the production and marketing situation

### (I) Market analysis:

#### 1. The geographic areas of the main products

Unit: NT\$ thousands, except otherwise stated

Sales Region \ Year	2023		2022	
	Sales Amount	Percentage (%)	Sales Amount	Percentage (%)
Taiwan	387,835	7.94	625,622	10.70
Asia and others	4,497,835	92.06	5,221,508	89.30
Total	4,885,670	100.00	5,847,130	100.00

#### 2. Market share

Since its establishment, the Company has been endeavoring to channel management of passive components. In order to establish differentiation among peers, enhance competitive advantages, and avoid a vicious circle of virulent price competition, the Company has mainly been selling high-end MLCCs. In recent years, the Company has gradually been deployed in the development and sales of E-BIKE controller module. The Company adheres to the business philosophy of "customer first, continuous service" over the years, establishes a fast, convenient and stable supply system, and continuous grasps market trends. Due to US-China trade war and the COVID-19 pandemic, the Company flexibly assists customers to obtain the source of supply rapidly, and wins the trust and admiration of customers with perfect and high-quality services. The Company's customers include well-known domestic first-line motherboard, notebook computer and mobile phone manufacturers.

#### 3. Demand and supply conditions for the market in the future and the market's growth potential

Amid the sluggish demand for consumer electronic products such as computers and mobile phones in 2023, manufacturers actively seek emerging application areas, such as Automotive, industrial control, AI servers and satellite communications, to seek new growth opportunities.

Amid the continuous improvement of the level of automobile electrification, including self-driving systems, advanced driver assistance systems (ADAS), electric power systems, audio & video networking, power systems, etc., the global EV penetration rate increasing, and investing in the charging pile construction by various countries, the demand for passive components will increase

at a double rate compared with the traditional automobile market. The automotive industry is an important driver of growth for the passive component market.

The rapid rise of chatbot ChatGPT in 2023 drives major global cloud service providers to focus their investments toward AI applications, driving the growth of market demand in the AI server. The growth demand in the AI server promotes the demand for passive components, especially high-end capacitors, inductors and oscillators.

The Russia-Ukraine war that remained unresolved, the escalating Israeli-Palestinian Conflict, and US-China tensions lead to the increase of the geopolitical risk. Coupled with the slow economic recovery in China, the global economy is expected to remain uncertain throughout 2024. The terminal products inventory returning to normal, demand for consumer applications expected to stabilize, electric vehicles market remaining stable, and artificial intelligence applications in markets entering the maturity stage will inject growth momentum into the passive component industry.

#### 4. The competitive niche

##### (1) Comprehensive Marketing channels and logistics system

The company has been engaged in the marketing of electronic components for over 30 years, and adheres to the business philosophy of "client paramountcy and service first". In addition to setting up a head warehouse in Taipei, in response to the needs of domestic electronics manufacturers to set up overseas production facility, and serving foreign customers, the Company has expanded overseas sales and service points, and established overseas warehouses to provide prompt and localized services. To enhance the Company's service quality, the Company continues to systematically integrate operating procedures in the Company system, build a fast and comprehensive marketing and logistics system, and shorten the operation time, facilitating reducing delivery lead time. The Company also uses the information system to provide real-time information and inventory quality status, regularly review the inventory status and reduce the probability of errors to achieve optimal inventory status. The Company keeps communication channels open, strictly abides by the relevant transaction agreements with customers, and maintains a stable and good relationship with customers winning the trust of customers.

##### (2) Leading product line

Whether the distributed product is competitive or not is an important basis for the distributor to compete with competitors in the market. In the MLCCs industry chain, Japanese MLCCs brands currently occupy an absolutely dominant position. From the upstream raw material link of ceramic powder, internal and external electrodes, and auxiliary materials, to the midstream MLCCs preparation process, Japanese brands have absolute advantages. The Company mainly distributes and resells high-end MLCCs from Japanese manufacturer Taiyo Yuden. Taiyo Yuden has cultivated various technologies over the course of developing and manufacturing its mainstay capacitor products since its foundation, and has a uniform production process from material development to high accuracy printing and lamination technology and offers a broad lineup of small size, low profile, high capacitance value, and high reliability products to meet customer needs. In addition, Taiyo Yuden continues to pay attention to the development of the advancements of constantly changing electronic equipment to create and provide a succession of products and new value in line with market demands. Thus, Taiyo Yuden's products have both technical and cost advantages in the MLCCs industry chain.

The Company also actively steps into the inductor market, another passive component, focusing on application of IoT and related fields and sensors and applies E-Bike controller modules and motors to the pedal assist bike and industrial machinery to expand the penetration of the industrial market and break into the pedal assist bike markets in European and American.

##### (3) Professional technical support capabilities

The company attaches great importance to the technical support in the customer's product development stage. The Company can quickly grasp the latest developments in the technology



market, convey the latest product solution information to our customers and provide timely services to help customers shorten design time, improve Product competitiveness, save R&D and design costs, and shorten the time. Customer dependence on the Company and its agent products is increased, laying the niches for the development of the Company.

(4) Good customer base

Established in 1989, the Company has since been focusing on operating electronic components distribution business, and offering excellent, accurate, and rapid services and quality to customers. The Company's customers are in the major domestic manufacturers of motherboards, laptops, and smartphones. Under the Company's hard work in the market for years, the Company maintains a stable and good relationship with customers, supplemented by professional and timely technical support, convenient and fast supply capabilities, and earns the trust of well-known domestic manufacturers.

(5) Excellent management ability

The Company has a strong and seasoned management team. The main senior executives have more than 10 years of experience in marketing and managing in related industry, and have a good business philosophy and cooperation tacit understanding. The Company's management team maintains a dedicated and persistent attitude, effectively grasps the industry environment and market trends, and consistently deliberates the future operation strategies to enhance our competitiveness in the market and creating a competitive niche.

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

(1) Positive factors

A. The overall demand for multilayer ceramic capacitors is stable, and the global automotive products and 5G are booming.

Capacitors are indispensable and critical elements in analog and digital electronic circuits utilized in many applications, including energy storage, coupling and decoupling, electrical noise suppression, bypassing, and more. MLCCs are a type of ceramic capacitors characterized by small size, large capacity, affordable price, good stability, low loss rate during high-frequency use. As an important part of passive components, multilayer ceramic capacitors have a wide range of applications in consumer electronics, automotive electronics and other fields, and are less affected by a single industry prospering or not. In recent years, the the application of electric vehicles, communication network infrastructure and industrial control have boomed, driving strong demand for multilayer ceramic capacitors.

B. Well-known products

In the MLCCs industry chain, Japanese MLCCs brands currently occupy an absolutely dominant position. From the upstream raw material link of ceramic powder, internal and external electrodes, and auxiliary materials, to the midstream MLCCs preparation process, Japanese brands have absolute advantages. The Company mainly distributes and resells high-end MLCCs from Japanese manufacturer Taiyo Yuden. Taiyo Yuden has cultivated various technologies over the course of developing and manufacturing its mainstay capacitor products since its foundation, and has a uniform production process from material development to high accuracy printing and lamination technology and offers a broad lineup of small size, low profile, high capacitance value, and high reliability products to meet customer needs. In addition, Taiyo Yuden continues to pay attention to the development of the advancements of constantly changing electronic equipment to create and provide a succession of products and new value in line with market demands. Thus, Taiyo Yuden's products have both technical and cost advantages in the MLCCs industry chain.

C. Distributors play an important and indispensable role in the industrial supply chain.

Distributors are the bridge between the upstream and downstream, providing professional supply chain management for both. For upstream suppliers, distributors provide the functions of business marketing, product promotion, product integration, customer service, and reflecting on market demand. For downstream customers, the distributors provide the functions of the immediate supply, and technical support. Therefore, as division of labor of the industries

becomes more and more sophisticated, the industrial value of distributors has increased with each passing day, regarded by suppliers and customers as strategic business partners.

The Company regards itself as a professional distributor. In addition to providing customers with complete solutions in the customer's product development stage, the Company meets customers' supply needs in a timely and appropriate manner, adjusts the product and price strategy in a timely manner to invisibly win the trust and evaluation of customers. In addition to distribute and resell the products, the Company delves into customers' reactions and opinions on the products, and relevant market information, such as the latest industry trends and technological developments, and feed the information back to the suppliers. Therefore, the Company is highly valued and relied on by suppliers, laying the irreplaceable important position of the Company in the industrial chain.

(2) Negative factors and the Company's response to such factors

A. US-China trade war and global epidemic

Due to the impact of the US-China trade war and the epidemic, it is inevitable that manufacturers move their manufacturing from mainland China to other regions, and the Company's cost of management and sales will also increase accordingly.

Response measures:

In order to cope with the fact that manufacturers move their manufacturing from mainland China to other regions, the Company closely monitors market changes, adopts a flexible approach, and enhance marketing channels and logistics system in the South-East Asian to improve overall efficiency.

B. Foreign currency risk

The Proportion of Export sales which are priced in U.S. dollars is heavily. Exchange rates of US fluctuates frequently in recent years significantly influences the Company's profit.

Response measures:

In view of the impact of exchange rate fluctuations on at the Company's profit, the Company has formulated the following countermeasures:

- a. The purchase and sales of the Company are denominated in U.S. dollars, and the fair value will change according to market exchange rate fluctuations. The Company holds foreign currency assets and liabilities that are equal during the period of receipt and payment, and the major market risks can be compared with each other and offset.
- b. The foreign exchange rate is taken into consideration when providing quotations for sales, so that foreign exchange rate fluctuations have a lower effect on the profits of orders that are received.
- c. The finance department maintains close contact with financial institutions, collects market information on foreign exchange market for analysis and risk evaluation to be fully aware of the trend of foreign exchange rate, and adjusting financial positions in foreign currency when necessary.
- d. The Company uses forward foreign exchange contracts to conduct hedging transactions to reduce the impact of exchange rate changes on the Company in accordance with the "Procedures for Acquisition and Disposal of Assets" formulated by the Company.

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

1. Usage for the Company's main products: Please refer to page 55, Table 1 Major products and their usage of this Annual Report.
2. Manufacturing processes for the Company's main products: Not applicable.

(III) Supply situation for the Company's major raw materials.

The Company has and maintains a good, long-term, and close cooperative relationship with suppliers to ensure a stable supply of products and reduce the costs. Meanwhile, the Company continues to actively expand new agency product lines to strengthen the Company's competitive advantages. For the Company's current main products and suppliers, please refer to Please refer to page 55, Table 1 Major products and their usage of this Annual Report.

(IV) A list of any suppliers and clients accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

1. A list of any suppliers accounting for 10 percent or more of the Company's total procurement amount in either of the 2 most recent fiscal years

Unit: NT\$ thousands, except otherwise stated

Item	Up to the preceding quarter of the current fiscal year				Year 2023				Year 2022			
	Name	Amount	Percentage of annual net purchases	Relationship with the issuer	Name	Amount	Percentage of annual net purchases	Relationship with the issuer	Name	Amount	Percentage of annual net purchases	Relationship with the issuer
1	ABC	654,922	67.46%	(Note)	ABC	2,949,532	71.74%	(Note)	ABC	5,190,164	88.70%	(Note)
	Others	315,839	32.54%	-	Others	1,161,948	28.26%	-	Others	661,529	11.30%	-
	Net purchases	970,761	100.00%		Net purchases	4,111,480	100.00%		Net purchases	5,851,693	100.00%	

Note: The shareholder holding greater than a 10 percent stake.

Explanation of the reason for increases or decreases: The change is not significant.

2. A list of any clients accounting for 10 percent or more of the Company's total sales amount in either of the 2 most recent fiscal years

Unit: NT\$ thousands, except otherwise stated

Item	Up to the preceding quarter of the current fiscal year				Year 2023				Year 2022			
	Name	Amount	Percentage of annual net sales	Relationship with the issuer	Name	Amount	Percentage of annual net sales	Relationship with the issuer	Name	Amount	Percentage of annual net sales	Relationship with the issuer
1	GHI	322,479	30.41%	-	GHI	1,588,146	32.51%	-	GHI	1,858,167	31.78%	-
2	MNO	2	-	-	MNO	311,879	6.38%	-	MNO	736,524	12.60%	-
	Others	738,127	69.59%	-	Others	2,985,645	61.11%	-	Others	2,872,100	49.12%	-
	Net sales	1,060,608	100.00%		Net sales	4,885,670	100.00%		Net sales	5,847,130	100.00%	

Explanation of the reason for increases or decreases: The change is not significant.

(V) indication of the production volume for the 2 most recent fiscal years

Unit: thousand pieces /NT\$ thousands

Fiscal year	Year 2023		Year 2022	
	Procurement volume	Procurement amount	Procurement volume	Procurement amount
Main products				
Electronics Components	31,120,439	4,111,480	45,989,193	5,851,693

(VI) Indication of the volume of units sold for the 2 most recent fiscal years

Unit: thousand pieces /NT\$ thousands

Main products	Year 2023				Year 2022			
	Local		Export		Local		Export	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Electronics Components	2,776,667	387,835	32,190,213	4,497,835	4,875,673	625,622	40,692,861	5,221,508

III. The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels (including the percentage of employees at each level)

Fiscal year		2022	2023	As of April 30 of the current fiscal year
Number of employees	Sale staff	70	69	69
	Administrative staff	60	56	56
	Applications engineer	2	2	2
	Total	132	127	127
Average age		39.23	40.22	40.46
Average years of service		9.77	11.12	11.36
Education distribution percentage (%)	Ph.D.	-	-	-
	Master's degree	4	3	3
	College	75	76	76
	Senior high school	21	21	21
	Below senior high school	-	-	-

#### IV. Disbursements for environmental protection

- (I) Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.: None.
- (II) Emphasizing green environmental protection is the trend relevant for future industrial development. Countries worldwide have successively proposed the targets on net-zero emissions, resulting in downstream suppliers being asked to adjust manufacturing processes. The Company is mainly engaged in the sale and purchase of passive components, such as MLCCs and inductors. Taiyo Yuden has taken the “Green” into consideration, and adjusted manufacturing processes to comply with the relevant environmental laws and regulations. When expanding new agency product lines, the Company takes the “Green” into consideration, and prudently assess whether a product is compliant with environmental laws and regulations.

#### V. Labor relations

- (I) Employee benefit plans
1. In addition to labor insurance and national health insurance, the Company provides free employee group insurance.
  2. Working Hours, Recess and Holidays are handled in line with the Labor Standards Act.
  3. Year-end banquet.
  4. Regular health examination for employees
  5. Employee welfare committee:  
The Company has established the employee welfare committee to contribute the employee benefit fund on a monthly basis. The employee welfare committee is responsible for various employee benefit services, such as:
    - (1) The employee welfare committee provides employees with subsidies for wedding, funeral, childbirth, and cash gifts for three major festivals and birthday.
    - (2) The employee welfare committee holds domestic and international tourism, and gatherings to build employees' consensus.
  6. In order to promote a child-raising friendly workplace, the Company has set up a breastfeeding room for childcare employees and contracted with childcare service institutions to provide childcare services in a favorable manner.
  7. In order to maintain a healthy balance between work and a personal life for employees, the Company has contracted with professional institutions to provide multiple consultations on psychology, law, organizational career, insurance and financial management, health and education, etc., to help improving employees' mental health to achieve work-life balance.

(II) Continuing education and training, and the status of their implementation

1. Onboarding training: Onboarding training focuses on familiarizing new hires with working environment, Company culture, Company profile, business philosophy, work management regulations, employee's job role, etc. while providing them with the resources they need to be successful in their roles.
2. On the Job training:
  - (1) The supervisor of the employees concerned provides guidance or advice, and share experience and practical skills to the employees through meetings or individual face-to-face conversations.
  - (2) Each department conducts professional training from time to time according to job requirements and specialties.
  - (3) The Company conducts unified education and training, including courses on ethical corporate management, insider trading requirements, intellectual property, Information Security, and occupational safety & health.
  - (4) Participate professional training courses or seminars organized by external organizations.
  - (5) The training situation of the Company's employees was as follows:

	Course Title	Date	Participating unit	Number or name of trainees
External training	AEO security staff certification	2023.4.7	President Office	Lin, Jia-Cheng
		2023.4.14 2023.4.21	Procurement Department	Lin, Meng-Jin
	Fortinet NSE 4 FortiGate Security & Infrastructure certification exam	2023.2.23	IT Department	Chang, Wen-Chieh
	Fortinet NSE 4 FortiGate Security & Infrastructure certification exam	2023.2.24	IT Department	Chen, Ho-Tsung
	Practical operation and case studies of corporate governance	2023.3.29	Finance Department	Tsai, Su-Chin Chen, Yi-Yu
	Performance evaluation of the board of directors	2023.4.27	Finance Department	Tsai, Su-Chin (Note)
	Category A occupational safety and health supervisor education and training	2023.3.21	Finance Department	Chang, Wen-Wen
	BITFO business data analysis-Excel 2021 data collection, filter highlights and formula optimization	2023.5.13~21	Operation Division	Huang, Chia-Yuan
	European E-Bike EN standards and UKCA marking promotion seminar/E-Bike ANSI/CAN/UL 2849 standards seminar	2023.6.16	Innovation Division	Ho, Meng-Chuan Liang, Kau-Wen
	Sustainable development action plans publicity seminar for TWSE/TPEX listed companies	2023.7.13	Finance Department	Tsai, Su-Chin (Note)
	Analysis of common violations of the Securities and Exchange Act	2023.7.21	Finance Department	Tsai, Su-Chin (Note)
	How to audit ESG risk and write an effective audit report	2023.8.18	Audit Office President Office	Tsai, Chun-Lan Yeh, Li-Ting
	Company information disclosure and case analysis	2023.8.29	Finance Department	Tsai, Su-Chin Chen, Yi-Yu
	Use Linux tools to become a data engineer and automate everything in life and work with Python	2023.8.7~8	IT Department	Chen, Ho-Tsung
	Insider Equity Transaction Publicity Seminar for TWSE/TPEX listed companies	2023.8.7	Finance Department	Tsai, Su-Chin (Note)
	The latest regulations on information security, and discussion of the audit practice	2023.9.22	Audit Office President Office	Tsai, Chun-Lan Yeh, Li-Ting
	Talking about emerging financial technology crimes and preventing money laundering from the perspective of companies	2023.9.15	Finance Department	Tsai, Su-Chin (Note)
	EC-Council Ethical Hacking and Countermeasures Course	2023.10.2~6	IT Department	Liu, Fang-Li Chen, Ho-Tsung
	Administering a SQL Database Infrastructure	2023.11.6~10	IT Department	Chang, Wen-Chieh
—	Information security education and training	2023.11.17~18	-	86 persons

	Course Title	Date	Participating unit	Number or name of trainees
	Information security awareness training after social engineering attack drills	2023.11.8	-	5 persons
	Risk and Opportunity Management (Eternal Management Consulting Co., Ltd.)	2023.11.29	-	14 persons
	Integrity management education and training	2023.12.14	-	81 persons
	Intellectual property protection education and training	2023.12.14	-	81 persons
	Human rights and gender equality protection education and training	2023.12.14	-	81 persons
	Occupational safety and health education and training	2023.12.14	-	81 persons
	Preventing insider trading education and training (Registrar & Transfer Agency Department of KGI Securities Co. Ltd.)	2023.12.14	-	81 persons

Note: She is the Chief Corporate Governance Officer.

(III) Retirement systems, and the status of their implementation

1. Defined benefit pension plan: The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.
2. Defined contribution pension plan: Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022 were \$3,289 and \$3,168, respectively.

(IV) The status of labor-management agreements and measures for preserving employees' rights and interests

The Company convenes a labor-management meeting in accordance with the Regulations, and has an employee email-box as an extra communication channel. Employees can file the opinions via mails, telephone or in person. The employee communication channels run smoothly. As the Company has attached great importance to labor-management harmony and employee' rights and benefits, our labor-management relations have been harmonious and positive, and both employers and employees could gain common understanding and make all work smoothly moved. As labor-management relations have been harmonious since the establishment of the Company, the Company hasn't suffered any loss as a result of labor disputes in the past.

(V) List any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing

an estimate of possible expenses that could be incurred at Present and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.: There were no labor disputes in the most recent fiscal year and up to the annual report publication date. The Company maintains harmonious labor-management relations.: The Company hasn't suffered any loss as a result of labor disputes in the past.

**(VI) Employee remuneration policies**

The remuneration is issued based on their individual capabilities, contribution to the Company's operation, performance, market value of the position, and the Company's future operation risks consideration, which is positively related to the Company's operation performance. If the Company has profit, the Company shall allocate 5% to 15% of the profit as the employee bonus according to the Company's Articles of Incorporation. The remuneration package of employees mainly includes base salary, allowances, bonuses, and welfare. The based salary is set according to the market value of the position in other companies in same industry and company policy. Allowances are set according to working related matters. Bonuses are set according to employee's performance, goal achievement of department, and the Company's managing performance. Welfare is set under the premise of agreeing with the law, and at the same time taking employee's needs into consideration. For welfare items, please refer to page 63, point (I) "Employee benefit plans " of this Annual Report. The Company is committed to maintaining a friendly and equal-opportunity and workplace and attaches importance to workforce diversity and inclusion. The Company implements human rights policies, and makes sure that employees are not subject to discrimination, harassment, unfair treatment arising from gender, age, ethnicity, religion, nationality, political leanings, or otherwise protected by applicable laws and regulations, and ensures that all employees here are able to contribute and excel equally. As of the end of 2023, women accounted for 54% of all employees across the entire Company and women in middle and senior managers accounted for 32% of all middle and senior managers, both of which are higher than in 2022. There was no significant difference in the average pay of female and male office staff employed.

**VI. Cyber security management**

(I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

**1. The cyber security risk management framework**

(1) The Company has established the Information Security Management & Promotion Team under the Sustainability Development Promotion Group and the main duties of the team are as follows:

A. Formulate, promote, and implement the Company's information security policy, plan and execute related information security operations, and raise cyber security awareness amongst the Company's employees.

B. Assess cyber security risks and report to the board of directors annually.

(2) Audit Office conducts regular inspections every year. If defects are found in the audit, inspected unit will be immediately requested to put forward relevant improvement plans and report to the board of directors. The improvement results will be checked regularly to reduce internal information security risks.

**2. The cyber security policies**

(1) Purpose: The Company strengthens management of information security, prevents information and communication system or information from being unauthorized access, use, control, disclosure, damage, alteration, destruction or other infringement to ensure the confidentiality, integrity and availability of the information and system.

(2) Objectives: In order to make effective use of our resources and to support the implementation of information security, the Company prioritizes the protection of information assets at different levels of importance in order to achieve maximum information security. The information security policy aims to ensure the smooth operation of the Company, the integrity of information data and the security of corporate secrets, in order to protect the Company's own reputation and achieve the following goals.

- A. Maintain the continuous and uninterrupted operation of the information systems.
- B. Prevent hackers and viruses from destroying and invading.
- C. Prevent inappropriate or illegal use for personal purposes.
- D. Ensure the confidentiality of relevant information and prevent sensitive data leakage.
- E. Avoid human errors and accidents.
- F. Maintain the security of the physical environment.

3. The information security management mechanism

The information security management mechanism includes the following three aspects:

Aspect	Management mechanism
System specifications	Formulate the Company information security managerial system to regulate the behaviors of personnel concerned.
Application of technology	Build an information security management system to implement thoroughly information security management measures.
Personnel training	Periodical implement information security education and training practice courses to upgrade the entire staff's awareness of information security.

4. The concrete management programs

The Company administers the following measures to strengthen management of information security, ensure the availability, integrity and confidentiality of information, and avoid intentional and accidental threats internally and externally:

- (1) The Company has established Internal Control System-Information Cycle, Regulations Governing Information Management, Regulations Governing Personal Data Protection, and cyber security policies. The Company regularly checks whether the relevant systems are in line with the changes in laws and regulations, and operating environment with adjustment in real time as necessary.
- (2) Designate professionals handling matters relating to prevention and crisis management of information system security to prevent cybercrimes and maintain information system security.
- (3) Information security protection

In order to prevent various external information security threats, the Company has built various information security protection systems to enhance the security of the entire information environment.

Item	Concrete method in management
Physical Security	<p>The Company's various application servers and equipment are all set up and located in the dedicated computer room with the access control adopting entrance guard system. Implement 24-hour video monitoring. Access records are kept for inspection.</p> <p>An independent air conditioner is installed inside the computer room so the computer equipment is well maintained and operated under a proper temperature environment. In addition, chemical fire extinguisher is placed to put out fires caused by electrical appliances</p> <p>The computer room is designed with uninterruptible power supply and voltage stabilization equipment to prevent the system from crashing due to accidental power outages caused by Taiwan Electric Power Co., Ltd., or to ensure that the operation of the computer application system will not be interrupted during a temporary power failure.</p>
Network Security	<p>Build firewall between a private internal network and the public Internet to prevent hacking. Employees who need to work remotely by accessing the ERP system must apply for a VPN account. They can log in and use in a secure way through VPN, and records on logging are kept for inspection.</p> <p>Install internet behavior management hardware and filtering equipment to control internet access, block access to harmful or disallowed URL and contents as well as to ensure network security and prevent bandwidth resources from being improperly occupied.</p> <p>Create a guest Wi-Fi network (also known as the SSID) and set a strong password. The guest Wi-Fi network restricts what guests can do in the network.</p>
Endpoint Security	<p>Establish a spam filtering and anti-blocking system, and continue to publicize email social engineering attacks related information.</p> <p>Install antivirus software which is regular scanning and updating virus pattern to to ensure that the virus can be blocked.</p>



Item	Concrete method in management
	Control the installation of personal computer software and prevent unauthorized use of software. The anti-virus system will not only isolate or delete the detected or intercepted virus immediately, but also will proactively issue a risk report on the computer that is exposed at risk so that managers can take corresponding actions.
Access Control	Establish a user password management mechanism, separate internal network from external connection, and manage and control remote working to safeguard network and data security. Employees should use each application system in compliance and through internal authority approval procedure. After approval granted by the responsibility supervisor, IT department will establish a system account and each system administrator will be authorized in accordance with the authorized access granted. Password used to sign on the account should be in appropriate strength and number of characters and must be mixed with alphanumeric characters and special symbols. At the time when employees go through the internal procedure for resignation (leave), they must notify IT department to deactivate or delete all accounts.
Operation continuity	Establish a business continuity operation plan for important systems and hold exercises annually to ensure the continuous operation of the Company's business. Daily back up the system and database, and keep a separate copy in the computer room and warehouse to ensure absolute security. Disaster recovery drill: Drills for recovery should be conducted once a year. After the base date of restoration date reference is decided, the backup media will be restored to the main system and all users will confirm in writing if the correct data is restored so as to ensure the correctness and effectiveness of the backup media. Lease two data lines from telecommunications companies, through the bandwidth management equipment, the lines are used as backup for each other to ensure that the network communication is not interrupted.
Employee Security Training	To promote employee awareness and professional capacities for cybersecurity and privacy protection, and increase employees' vigilance against email social engineering attacks, IT department regularly implements information security education and training, additionally provides the handout to employees who are unavailable to participate in the education, and provides security news and the latest cyber security information to all employees in a timely manner. Disseminate the use of legitimate and authorized software to employees, learn about the computer virus threats, and increase their cyber security vigilance. Encourage employees to obtain international cybersecurity certifications °

#### (4) Investments in resources for cyber security management

In order to implement the information security policies, the resources invested are as follows:

- A. Network hardware devices such as firewall, email antivirus, spam filtering, online behavior analysis, switching hub with network management, etc.
- B. Software systems such as endpoint protection systems, backup management software, VPN authentication and encryption software, etc.
- C. Telecom services such as multiple lines, intrusion prevention services, etc.
- D. Invested in manpower such as: daily system status check, daily implementation of backup media offsite, information security courses at least once a year, irregular send cyber security messages to the entire Company by emails, etc.
- E. Information security manning: Liu, Fang-Li, the senior manager of IT Department was approved in the 18<sup>th</sup> meeting of the 11<sup>th</sup> term Board of Directors held on March 10, 2023 to serve as the Information Security Supervisor. The Information Security Supervisor, with 2 professional information personnel, are responsible for information security architecture design, information security maintenance and monitoring, information security incident response and investigation, information security policy review and revision. The supervisor has completed the EC-Council Certified Ethical Hacker (CEH v7), Certified Security Analyst (ECSA v4), Licensed Penetration Tester (LPT), Computer Hacking Forensics Investigator (CHFI v8), and Certified Threat Intelligence Analyst (CTIA). All personnel in the IT department have achieved NSE 4 Network Security Professional.
- F. The Company held information security education and training with 86 participants on October

17,2023.

G. The Information Security Supervisor, and professional information personnel continue to participate in professional education and training in information security. For the training record in 2023, please refer to page 64, Point (II) " Continuing education and training, and the status of their implementation " of this Annual Report.

H. The Company conducted an email social engineering drill on October 16 to 22,2023 to improve information security awareness among employees. The results of this social engineering drill all reached the standard of less than 20%. The Company held information security awareness training after the social engineering drill on November 8, 2023.

I. Joined information security situation sharing organization such as the Taiwan Computer Emergency Response Team and Coordination Center (TWCERT/CC) and Taiwan Chief Information Security officer Alliance to obtain information security early warning situation, information security threat and vulnerability information.

(5) Report to the Board of Directors

Based on the importance of information security, the responsible unit reports the Company's information security governance and implementation status to the Board of Directors annually.

The latest report date was November 13, 2023.

(II) List any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.: No major information security incidents occurred in the most recent fiscal year and up to the Annual Report publication date.

## VII. Important contracts

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

Nature of contract	Parties	Beginning and end dates of contract	Major content	Restrictive clauses
Agency contract		Since September 15,2008.	Distribution of passive components.	The distributor shall not sell identical products that are competitive with Taiyo Yuden 's products
Guarantee contract	Taiwan Taiyo Yuden Co., Ltd. (Taiwan Taiyo Yuden)	Since January 15, 2009.	<ol style="list-style-type: none"> <li>In order to fulfill the guarantee deposit requirements in the agency contract that it entered into with the main supplier, Taiwan Taiyo Yuden, the Company and the subsidiary of the Company, Honey Hope Honesty International Trading (Shanghai) Co., Ltd. (Honey Hope Honesty Shanghai) entered into the 'Contract of Transferring Aggregate Claims (Accounts Receivable) as Guarantee' and 'Contract of Transferring Aggregations (Inventories) as Guarantee' with Taiwan Taiyo Yuden to replace the payment of guarantee deposits for purchases.</li> <li>In order to safeguard the interests of the Company, the contracts stipulated that limit on the total transfer amount of the aggregate claims (accounts receivable) and aggregations (inventories) from the Company and Honey Hope Honesty Shanghai is the Company's accounts payable to Taiwan Taiyo Yuden.</li> </ol>	-

## Chapter 6 Overview of the Company's financial status

I. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years, showing the name of the certified public accountant and the auditor's opinion given thereby.

(I) Condensed balance sheets for the past 5 fiscal years

1. Condensed consolidated balance sheets

Unit: NT\$ thousands

Fiscal year Item		Consolidated financial information					
		2019	2020	2021	2022	2023	Financial information as of March 31 of the current fiscal year
Current assets		\$3,660,663	\$4,384,855	\$4,872,489	\$4,048,165	\$3,281,491	\$3,179,642
Property, plant and equipment		124,163	120,882	117,107	115,778	115,819	115,324
Intangible assets		3,211	6,203	4,258	3,485	4,328	4,262
Other assets		184,118	150,087	208,528	310,072	440,076	439,873
Total assets		3,972,155	4,662,027	5,202,382	4,477,500	3,841,714	3,739,101
Current liabilities	Before distribution	1,352,461	2,041,398	2,479,712	1,656,954	1,142,921	1,007,891
	After distribution	1,392,415	2,057,379	2,558,843	1,742,416	1,158,747	1,007,891
Non-current liabilities		166,334	175,363	185,395	183,122	178,815	178,917
Total liabilities	Before distribution	1,518,795	2,216,761	2,665,107	1,840,076	1,321,736	1,186,808
	After distribution	1,558,749	2,232,742	2,744,238	1,925,538	1,337,562	1,186,808
Equity attributable to owners of the parent company		2,453,360	2,445,266	2,537,275	2,637,424	2,519,978	2,552,293
Share capital		799,072	799,072	799,072	799,072	799,072	799,072
Capital surplus		303,910	303,910	303,910	303,910	303,910	303,910
Retained earnings	Before distribution	1,415,880	1,404,001	1,529,104	1,602,255	1,497,897	1,510,861
	After distribution	1,375,926	1,388,020	1,449,973	1,516,793	1,482,071	1,510,861
Other equity		(65,502)	(61,717)	(72,041)	(45,043)	(58,131)	(38,780)
Treasury shares		-	-	(22,770)	(22,770)	(22,770)	(22,770)
Non-controlling interests		-	-	-	-	-	-
Total equity	Before distribution	2,453,360	2,445,266	2,537,275	2,637,424	2,519,978	2,552,293
	After distribution	2,413,406	2,429,285	2,458,144	2,551,962	2,504,152	2,552,293

Note 1: The above-mentioned figures after distribution are based on the amount resolved in the next year's shareholders meeting, except for 2023 that are based on the amount resolved by the board of directors.

Note 2: The above-mentioned financial data has been audited or reviewed by CPAs.

## 2. Condensed parent company only balance sheets

Unit: NT\$ thousands

Fiscal year Item		Parent financial information				
		2019	2020	2021	2022	2023
Current assets		\$2,877,235	\$3,549,987	\$4,021,853	\$3,178,445	\$2,431,760
Investments accounted for using equity method		773,006	820,825	835,237	864,917	845,583
Property, plant and equipment		115,733	113,862	111,338	110,745	111,747
Intangible assets		3,211	4,743	3,544	2,723	3,493
Other assets		178,240	146,996	195,322	297,876	430,721
Total assets		3,947,425	4,636,413	5,167,294	4,454,706	3,823,304
Current liabilities	Before distribution	1,329,824	2,015,784	2,449,015	1,636,403	1,124,511
	After distribution	1,369,778	2,031,765	2,528,146	1,721,865	1,140,337
Non-current liabilities		164,241	175,363	181,004	180,879	178,815
Total liabilities	Before distribution	1,494,065	2,191,147	2,630,019	1,817,282	1,303,326
	After distribution	1,534,019	2,207,128	2,709,150	1,902,744	1,319,152
Equity attributable to owners of the parent company		2,453,360	2,445,266	2,537,275	2,637,424	2,519,978
Share capital		799,072	799,072	799,072	799,072	799,072
Capital surplus		303,910	303,910	303,910	303,910	303,910
Retained earnings	Before distribution	1,415,880	1,404,001	1,529,104	1,602,255	1,497,897
	After distribution	1,375,926	1,388,020	1,449,973	1,516,793	1,482,071
Other equity		(65,502)	(61,717)	(72,041)	(45,043)	(58,131)
Treasury shares		-	-	(22,770)	(22,770)	(22,770)
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	2,453,360	2,445,266	2,537,275	2,637,424	2,519,978
	After distribution	2,413,406	2,429,285	2,458,144	2,551,962	2,504,152

Note 1: The above-mentioned figures after distribution are based on the amount resolved in the next year's shareholders meeting, except for 2023 that bare based on the amount resolved by the board of directors.

Note 2: The above-mentioned financial data has been audited by CPAs.

(II) Condensed statements of comprehensive income for the past 5 fiscal years

1. Condensed consolidated statements of comprehensive income

Unit: NT\$ thousands, except otherwise stated

Fiscal year  Item	Consolidated financial information					
	2019	2020	2021	2022	2023	Financial information as of March 31 of the current fiscal year
Operating revenue	\$ 5,368,489	\$ 5,776,641	\$ 6,154,734	\$ 5,847,130	\$ 4,885,670	\$ 1,060,608
Gross profit	272,490	240,830	326,831	253,013	135,753	36,553
Operating profit	87,995	70,335	127,178	41,646	(53,295)	(14,517)
Non-operating income and expenses	20,023	(25,087)	45,557	156,443	36,340	46,869
Profit before income tax	108,018	45,248	172,735	198,089	(16,955)	32,352
Net income for the period from continuing operations	77,761	29,835	140,151	150,875	(19,060)	28,790
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss) for the period	77,761	29,835	140,151	150,875	(19,060)	28,790
Other comprehensive income (loss) for the period (net of Income Tax)	(26,479)	2,025	(9,391)	28,405	(12,924)	19,351
Total comprehensive income for the period	51,282	31,860	130,760	179,280	(31,984)	48,141
Net income attributable to owners of parent	77,761	29,835	140,151	150,875	(19,060)	28,790
Net income (loss) attributable to noncontrolling interests	-	-	-	-	-	-
Total comprehensive income attributable to owners of parent	51,282	31,860	130,760	179,280	(31,981)	48,141
Total comprehensive income, attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share (NT\$) (Note1)	0.97	0.37	1.76	1.91	(0.24)	0.36

Note 1: Based on weighted average outstanding shares in each year.

Note 2: The above-mentioned financial data has been audited or reviewed by CPAs.

## 2. Condensed parent company only comprehensive income statements

Unit: NT\$ thousands, except otherwise stated

Item \ Fiscal year	Parent financial information				
	2019	2020	2021	2022	2023
Operating revenue	\$ 5,272,473	\$ 5,614,783	\$ 6,014,596	\$ 5,760,603	\$ 4,829,529
Gross profit	199,416	143,629	250,624	235,651	125,302
Operating profit	58,208	11,833	86,702	56,791	(38,125)
Non-operating income and expenses	49,514	23,017	77,937	138,154	17,005
Profit before income tax	107,722	34,850	164,639	194,945	(21,120)
Net income for the period from continuing operations	77,761	29,835	140,151	150,875	(19,060)
Loss from discontinued operations	-	-	-	-	-
Net income (loss) for the period	77,761	29,835	140,151	150,875	(19,060)
Other comprehensive income (loss) for the period (net of Income Tax)	(26,479)	2,025	(9,391)	28,405	(12,924)
Total comprehensive income for the period	51,282	31,860	130,760	179,280	(31,984)
Net income attributable to owners of parent	77,761	29,835	140,151	150,875	(19,060)
Net income (loss) attributable to noncontrolling interests	-	-	-	-	-
Total comprehensive income attributable to owners of parent	51,282	31,860	130,760	179,280	(31,984)
Total comprehensive income, attributable to non-controlling interests	-	-	-	-	-
Earnings per share (NT\$) (Note 1)	0.97	0.37	1.76	1.91	(0.24)

Note 1: Based on weighted average outstanding shares in each year.

Note 2: The above-mentioned financial data has been audited by CPAs.

(III) The name of the certified public accountant and the auditor's opinion given thereby for the past 5 fiscal years

Year	Name of the certified public accountant	Auditor's opinion
2019	Wu, Yu-Lung / Huang, Shih-Chun	Unqualified Opinion
2020	Wu, Yu-Lung / Huang, Shih-Chun	Unqualified Opinion
2021	Wu, Yu-Lung / Huang, Shih-Chun	Unqualified Opinion
2022	Wu, Yu-Lung / Huang, Shih-Chun	Unqualified Opinion
2023	Yeh, Tsui-Maio / Huang, Shih-Chun	Unqualified Opinion

## II. Financial analyses for the past 5 fiscal years

### (I) Analyses for consolidated financial information

Fiscal year Item		Consolidated Financial Information					
		2019	2020	2021	2022	2023	As of March 31 of the current fiscal year
Financial structure (%)	Debt to assets ratio	38.24	47.55	51.23	41.10	34.40	31.74
	Ratio of long-term capital to property, plant and equipment	2,109.88	2,167.92	2,324.94	2,436.17	2,330.18	2,368.29
Solvency	Current ratio (%)	270.67	214.80	196.49	244.31	287.11	315.47
	Quick ratio (%)	239.08	181.54	148.27	167.47	229.49	253.29
	Times interest earned (Times)	932.19	262.55	804.42	329.51	(18.31)	415.77
Operating performance	Accounts receivable turnover (times)	2.20	2.33	2.25	2.29	2.51	2.64
	Average collection days	166.00	157.00	162.00	159.00	145.00	138.00
	Inventory turnover (times)	7.77	10.74	7.69	5.01	4.79	6.20
	Accounts payable turnover (times)	3.68	3.86	3.35	3.31	3.80	4.36
	Average days in sales	47.00	34.00	47.00	73.00	76.00	59.00
	Property, plant and equipment turnover (times)	43.00	47.15	51.72	50.21	42.19	36.71
	Total asset turnover (times)	1.26	1.34	1.25	1.21	1.17	1.12
Profitability	Return on total assets (%)	1.83	0.69	2.85	3.13	(0.44)	0.76
	Return on equity (%)	3.07	1.22	5.63	5.83	(0.74)	1.14
	Ratio of income before tax to paid-in capital (%)	13.52	5.66	21.62	24.79	(2.12)	4.05
	Net profit margin (%)	1.45	0.52	2.28	2.58	(0.39)	2.71
	Earnings per share (NT\$)	0.97	0.37	1.76	1.91	(0.24)	0.36
Cash flow(%)	Cash flow ratio	16.79	0.68	(3.54)	10.51	53.39	(17.61)
	Cash flow adequacy ratio	66.89	35.53	21.81	40.50	74.19	49.90
	Cash reinvestment ratio	0.74	(0.99)	(3.79)	3.34	19.50	(7.08)
Leverage	Operating leverage (Note 1)	1.80	2.00	1.61	2.87	(0.21)	(0.44)
	Financial leverage	1.00	1.00	1.00	1.01	0.98	0.99

Note 1: The operating costs and operating expenses were categorized into variable costs and expenses.

Note 2: The above-mentioned financial data has been audited or reviewed by CPAs.

(II) Analyses for parent financial information

Fiscal year	Parent Financial Information				
	2019	2020	2021	2022	2023
Debt to assets ratio	37.85	47.26	50.90	40.79	34.09
Ratio of long-term capital to property, plant and equipment	2,261.76	2,301.58	2,441.47	2,544.86	2,415.09
Current ratio (%)	216.36	176.11	164.22	194.23	216.25
Quick ratio (%)	184.21	143.06	116.44	118.17	158.34
Times interest earned (Times)	1,268.32	758.61	1,056.38	430.39	(25.77)
Accounts receivable turnover (times)	2.55	2.70	2.79	3.17	3.75
Average collection days	143.00	135.00	131.00	115.00	97.00
Inventory turnover (times)	8.10	11.05	7.97	5.21	5.00
Accounts payable turnover (times)	3.67	3.83	3.33	3.28	3.77
Average days in sales	45.00	33.00	46.00	70.00	73.00
Property, plant and equipment turnover (times)	45.50	48.91	53.42	51.88	43.41
Total asset turnover (times)	1.25	1.31	1.23	1.20	1.17
Return on total assets (%)	1.84	0.70	2.86	3.14	(0.45)
Return on equity (%)	3.07	1.22	5.63	5.83	(0.74)
Ratio of income before tax to paid-in capital (%)	13.48	4.36	20.60	24.40	(2.64)
Net profit margin (%)	1.47	0.53	2.33	2.62	(0.39)
Earnings per share (NT\$)	0.97	0.37	1.76	1.91	(0.24)
Cash flow ratio	10.84	2.34	6.99	12.30	39.85
Cash flow adequacy ratio	46.78	35.61	20.86	54.99	82.34
Cash reinvestment ratio	(2.45)	0.28	5.68	4.31	13.50
Operating leverage (Note 1)	1.79	4.98	1.66	2.08	(0.30)
Financial leverage	1.00	1.00	1.00	1.01	0.98

Note 1: The operating costs and operating expenses were categorized into variable costs and expenses.

Note 2: The above-mentioned financial data has been audited by CPAs.

(III) The causes of changes exceeding 20% in the consolidated financial ratios in the most recent 2 fiscal years are as follows:

1. Decrease in times interest earned: The times interest earned decreased due to the net loss for 2023.
2. Decrease in return on total assets/return on equity/ratio of income before tax to paid-in capital/net profit margin/earnings per share: Return on total assets, return on equity, ratio of income before tax to paid-in capital, net profit margin/earnings per share decreased due to the net loss for 2023.
3. Increase in cash flow ratio and cash reinvestment ratio: Rising cash flow ratio resulting from an increase in net operating cash flows and cash reinvestment ratio in 2023.
4. Increase in cash flow adequacy ratio: The sum of cash inflow from operating activities in the past five years increased was greater than the sum of (capital expenditures + increases in inventory + cash dividends) in the past five years increased, resulting in a decrease in the cash flow adequacy ratio.
5. Decrease in operating leverage: The net operating income in 2023 decreased due to the decrease in the sales of high-margin products, resulting in a decrease in operating leverage.

(IV) The formulas for the calculation of the financial ratios are listed below:

1. Financial structure
  - (1) Debt to assets ratio = total liabilities / total assets.
  - (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency



- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- (3) Times interest earned = earnings before tax and interest expenses / current interest expenses.

### 3. Operating performance

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

### 4. Profitability

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

### 5. Cash flow

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

### 6. Leverage

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

## III. Supervisors' or audit committee's report for the most recent year's financial statement

Please refer to attachment 2, page 86 for details.

## IV. Financial statement for the most recent fiscal year, including an auditor's report prepared by a certified public accountant, and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity, cash flow chart, and any related footnotes or attached appendices.

Please refer to attachment 3, pages 87-152 for details.

## V. A parent company only financial statement for the most recent fiscal year, certified by a CPA.

Please refer to attachment 4, pages 153-216 for details.

## VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation.: None.

## Chapter 7 Review and analysis of the Company's financial position and financial performance, and a listing of risks

### I. Financial position

Unit: NT\$ thousands

Item \ Fiscal year	2023	2022	Difference	
			Amount	%
Current assets	3,281,491	4,048,165	(766,674)	(18.94)
Property, Plant and Equipment	115,819	115,778	41	0.04
Intangible assets	4,328	3,485	843	24.19
Other assets	440,076	310,072	130,004	41.93
Total assets	3,841,714	4,477,500	(635,786)	(14.20)
Current liabilities	1,142,921	1,656,954	(514,033)	(31.02)
Other liabilities	178,815	183,122	(4,307)	(2.35)
Long-term liabilities	-	-	-	-
Total liabilities	1,321,736	1,840,076	(518,340)	(28.17)
Share capital	799,072	799,072	-	-
Capital surplus	303,910	303,910	-	-
Retained earnings	1,497,897	1,602,255	(104,358)	(6.51)
Other equity	(58,131)	(45,043)	(13,088)	29.06
Treasury shares	(22,770)	(22,770)	0	-
Total equity	2,519,978	2,637,424	(117,446)	(4.45)

(I) The main reasons for material change reaching 20% and NT\$10 million in the Company's assets, liabilities, or equity during the past 2 fiscal years and the effect thereof are as follows:

1. Increase in other assets: The deposit as a guarantee for the purchases and payment of payables increased, resulting in a decrease in other assets.
2. Decrease in current liabilities and total liabilities: Accounts payable decreased due to reducing the purchase quantity in the fourth quarter of 2023, coupled with decrease in current contract liabilities, resulting in a decrease in current liabilities and total liabilities.
3. Increase in other equity: The exchange differences on translation of foreign financial statements increased due to the depreciation of NT dollar, resulting in an increase in other equity.

(II) The measures to be taken for changes with significant effect: None.

### II. Financial performance

Unit: NT\$ thousands

Item \ Fiscal year	2023	2022	Difference	
			Amount	(%)
Operating revenue	4,885,670	5,847,130	(961,460)	(16.44)
Operating costs	4,749,917	5,594,117	(844,200)	(15.09)
Gross profit	135,753	253,013	(117,260)	(46.35)
Operating expenses	189,048	211,367	(22,319)	(10.56)
Operating profit	(53,295)	41,646	(94,941)	(227.97)
Non-operating income and expenses	36,340	156,443	(120,103)	(76.77)
Profit before income tax from continuing operations	(16,955)	198,089	(215,044)	(108.56)
Income tax expense	2,105	47,214	(45,109)	(95.54)
Net income for the period from continuing operations	(19,060)	150,875	(169,935)	(112.63)

(I) The main reasons for material change reaching 20% and NT\$10 million in operating revenues, operating income, or income before tax during the past 2 fiscal years are as follows:

1. As terminal sales for consumer electronics were sluggish due to the uncertain factors such as global inflation, and international situation, and inventory destocking continued, the gross profit,

operating profit, profit before income tax from continuing operations, and net income for the period from continuing operations decreased.

2. Net currency exchange gain decreased due to relatively stable state of exchange rate trend of the Taiwan dollar, resulting in a decrease in Non-operating Income and Expenses.
3. Income tax expenses decreased due to the decrease in net profit before tax from continuing operations.

(II) The sales volume forecast and the basis therefor, and the effect upon the Company's financial operations as well as measures to be taken in response: Please refer to Letter to Shareholders from pages 1 to 2.

### III. Cash flow

(I) Analyze cash flow changes during the most recent fiscal year:

Unit: NT\$ thousands

Cash & Cash Equivalents, Beginning of the Year	Net cash flows from operating activities	Net increase in cash and cash equivalents	Cash Balance, End of Year	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
378,828	610,235	107,588	486,416	-	-

1. Operating activities: Net cash inflows from operating activities were NT\$ 610,235 thousand due to an increase in cash inflows of net Changes made in receivables and payables.
2. Investing activities: Net cash outflows from investing activities were NT\$ 397,985 thousand due to an increase in financial assets at amortised cost.
3. Financing activities: Net cash outflows from financing activities were NT\$ 91,156 thousand due to the payment of cash dividends.
4. Effects of exchange rate changes: Net cash outflows from effects of exchange rate changes were NT\$ 13,506 thousand.

(II) The corrective measures to be taken in response to illiquidity: None.

(III) Liquidity analysis for the coming year:

Unit: NT\$ thousands

Cash & Cash Equivalents, Beginning of the Year	Net cash flows from operating activities	Net increase in cash and cash equivalents	Cash Balance, End of Year	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
486,416	( 351,014 )	( 333,026 )	153,390	-	-

IV. The effect upon financial operations of any major capital expenditures during the most recent fiscal year: None.

V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

- (I) The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability: None.
- (II) Investment plans for the coming year: None.

**VI. Risks analyze and assess the during the most recent fiscal year and as they stood on the date of publication of the annual report**

(I) The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

1. The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate

Unit: NT\$ thousands

Item	Effect upon the Company's profits (losses)			
	Subject	As of March 31 of the current fiscal year	2023	2022
Interest rate	Interest income	4,089	15,854	7,772
	Interest expense	( 78 )	( 878 )	( 603 )
Exchange rate	Net foreign exchange (loss) gain	28,302	15,725	120,631
Inflation	-	-	-	-

2. Response measures to be taken in the future

(1) Interest rate

The Company has a sound financial structure. If the Company has funding requirements, the Company will take out a loan from banks and issue corporate bonds to meet for it. In order to reduce the risks of interest rates, especially relating to bank loans, the Company contacts banks on the regular basis, studies the trend of interest rate and negotiates for the best interest rate for the Company. Hence variance of interest rate does not have any significant impact on the Company.

(2) Exchange rate

The Company's exchange rate risk mainly comes from foreign currency-denominated cash and cash equivalents, accounts receivable, borrowings and accounts payable. In order to prevent exchange rate changes from affecting the Company's operating results, the responsive measures are taken as follows:

- A. The purchase and sales of the Company are denominated in U.S. dollars, and the fair value will change according to market exchange rate fluctuations. The Company holds foreign currency assets and liabilities that are equal during the period of receipt and payment, and the major market risks can be compared with each other and offset.
- B. The foreign exchange rate is taken into consideration when providing quotations for sales, so that foreign exchange rate fluctuations have a lower effect on the profits of orders that are received.
- C. The finance department maintains close contact with financial institutions, collects market information on foreign exchange market for analysis and risk evaluation to be fully aware of the trend of foreign exchange rate, and adjusting financial positions in foreign currency when necessary.
- D. The Company uses forward foreign exchange contracts to conduct hedging transactions to reduce the impact of exchange rate changes on the Company in accordance with the "Procedures for Acquisition and Disposal of Assets" formulated by the Company.

(3) Inflation

The Company pays close attention to the general economic, market conditions, and the changes of market price at all times, adopts flexible strategies, actively coordinates the price with manufacturers, and adjusts selling price or inventory levels appropriately to reduce the impact of inflation on the Company.

(II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.: The Company is not engaged in high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions.

- (III) Research and development work to be carried out in the future, and further expenditures expected for research and development work.: There's no research and development work to be carried out in the future.
- (IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.: The Company continuously pays attention to the important policies adopted and changes in the legal environment at home and abroad, and timely consults with legal and accounting experts to evaluate its impact on the Company and propose contingency measures and plans. As of the date of publication of this Annual Report, the important policies adopted and changes in the legal environment at home and abroad had no significant effect on the Company's financial operations.
- (V) Effect on the Company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response.:  
The Company is mainly engaged in the sale and purchase of passive components of Taiyo Yuden. Taiyo Yuden is the leading global manufacturer of passive components and can respond to the developments in science and technology as well as industrial change timely. The Company pays attention to the developments in science and technology as well as industrial change, and expands its new agency product lines proactively to provide customers with more diversified services. As of the date of publication of this Annual Report, the developments in science and technology as well as industrial change had no significant effect on the Company's financial operations.  
The Company has taken relevant control measures to implement thoroughly cyber security management. Please refer to page 38, Point 4 " Operational risk management structure " and page 64, Point VI " Cyber security management " of this Annual Report.
- (VI) Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response.: Since the date of incorporation, the Company has been having a positive corporate image and complying with relevant laws and regulations. As of the date of publication of this Annual Report, there were no such risks for the Company.
- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken.: None.
- (VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken.: None.
- (IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken.: The Company is an electronic components distributor, and mainly engaged in the sale and purchase of MLCCs. Since the date of incorporation, the Company has concentrated funds and human resources on the Taiyo Yuden product line that is more beneficial to the Company's revenue according to the consideration of the supply and demand in the market, industry practice, and scale of operations. Therefor, purchase is concentrated to Taiyo Yuden. The manufacturer-distributor relationship is a symbiotic one by nature. The MLCCs play a major role behind the scenes as components indispensable to the electronic devices that we all use in everyday life. The product function description and technical assistance are needed to be provided by special person to help customers solve common problems. Therefor, the distributor plays a role with the technical and marketing orientation. The Company has since been performing well, offering excellent, accurate, and rapid services and quality to customers, accumulating years of good contacts and popularity in the industry, as well as having the advantages of marketing and technical services. The Company has a good and long-term cooperative relationship with manufacturer, and can obtain a stable source of supply. The Company is actively developing new product lines to provide customers with more diversified services and decentralize the risk of purchase concentration. In the competitive and fast-changing industry, the Company pays close attention to the changes in the market, and has the core ability and strategy of permanent operation to benefit both buyers and sellers and create a win-win situation.

- (X) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.: None.
  - (XI) Effect upon and risk to Company associated with any change in governance personnel or top management, and mitigation measures being or to be taken.: None.
  - (XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that:  
(1) involve the Company and/or any Company director, any Company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any Company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.: None.
  - (XIII) Other important risks, and mitigation measures being or to be taken.: None.
- VII. Other important matters: None.**

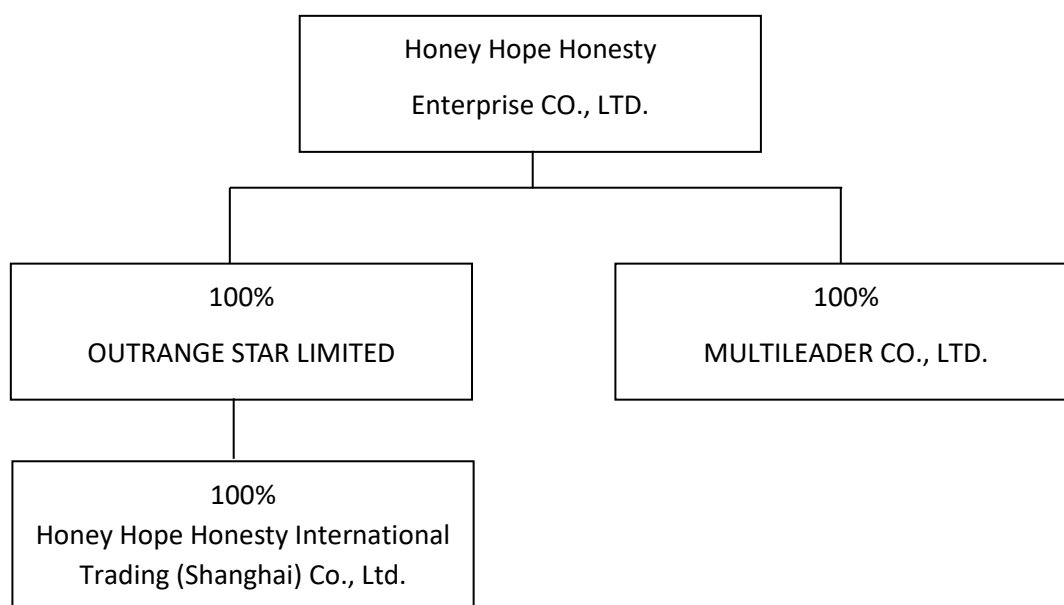
## Chapter 8 Special items

### I. Information related to the Company's affiliates

#### (I) The consolidated business report of affiliates

##### 1. The overview of the affiliates

##### (1) Organizational chart of the affiliates:



##### (2) Basic Information of each affiliate

Name of Business	Date of incorporation	Address	Actual paid-in capital	Main business activities	Note
OUTRANGE STAR LIMITED	2001.03.21	Road Town, in the Territory of the British Virgin Islands	US\$ 350 thousand	General investment business	Note 1
MULTILEADER CO., LTD.	2002.05.29	Flat/Rm E&D 6/F Shatin Industrial Building 22-28 Wd Shui Street Fo Tan Shatin	HK\$12,800 thousand	Purchase and sale of electronic components	Note 1
Honey Hope Honesty International Trading (Shanghai) Co., Ltd.	2003.05.09	2F/A, No.67 Warehouse, No.588 Aoni Road, China (Shanghai) Pilot Free Trade Zone, Shanghai	US\$ 200 thousand	Purchase and sale of electronic components	Note 1

Note 1 : The exchange rate at the reporting date :

	US : NT	HK : NT	RMB : NT
2023.12.31	30.710	3.929	4.327

Note 2 : None of the affiliates has a factory.

##### (3) For companies presumed to have a relationship of control and subordination under Article 369-3 of the Company Act, the information of the shareholders in common shall be disclosed.: None.

##### (4) The industries covered by the business operated by the affiliates overall.

Business Scope of the Company and its affiliates includes general investment business, and purchase and sale of electronic components, etc.

(5) The names of the directors, supervisors, and general manager of each affiliate

Unit: Shares; %

Name of business	Title	Name or representative	No. of shares held	
			No. of shares	Shareholding ratio
OUTRANGE STAR LIMITED	Director	Honey Hope Honesty Enterprise Co., LTD. Representative: Chen, Lu-Hsi	350,000	100%
MULTILEADER CO., LTD.	Director	Honey Hope Honesty Enterprise Co., LTD. Representative: Chen, Lu-Hsi	12,800,000	100%
Honey Hope Honesty International Trading (Shanghai) Co., Ltd.	Director	OUTRANGE STAR LIMITED Representative: Lin, Hsun-Min	(Note)	100%
	Supervisor	OUTRANGE STAR LIMITED Representative: Hsu, Hung-Chih		

Note: The limited company has not issued shares and is not applicable.

2. The overview of the operations of the affiliates

Unit: NT\$ thousands, except otherwise stated

Name of business	Capital	Total assets	Total liabilities	Net Value	Operating revenue	Operating profit	Profit or loss for the current period (after taxes)	Earnings per share (NT\$) (after taxes)	Note
OUTRANGE STAR LIMITED	12,086	688,311	-	688,311	-	(65)	575	0.64	Note 1
MULTILEADER CO., LTD.	55,555	184,878	26,301	158,577	282,219	(11,384)	(10,168)	(0.79)	Note 1
Honey Hope Honesty International Trading (Shanghai) Co., Ltd.	6,520	1,239,527	553,925	685,602	2,718,262	(4,580)	611	Note 2	Note 1

Note 1: If the affiliate is a foreign company, the capital is translated to the NT\$ at the historical exchange rates, assets and liabilities presented in balance sheet are translated to the NT\$ at the exchange rate at the reporting date, and income and expense presented in comprehensive income statement are translated to the NT\$ at average exchange rates of the period. The exchange rates are as follows:

	US : NT	HK : NT	RMB : NT
2023.12.31	30.71	3.9290	4.3270
Average exchange rate in 2023	31.15	3.9792	4.3954

Note 2: The limited company has not issued shares and is not applicable.

(II) The consolidated financial statements of affiliates

The Company's entities that shall be included in preparing the Consolidated Financial Statements for Affiliates and the Parent Subsidiary Consolidated Financial Statements for International Financial Reporting Standards (IFRS) are the same. Moreover, the disclosure information required for the Consolidated Financial Statements for Affiliates has been fully disclosed in the aforementioned Parent Subsidiary Consolidated Financial Statements, and a separate Consolidated Financial Statements for Affiliates will not be prepared. For the Consolidated Financial Statements, please refer to attachment 3, pages 87-152.

(III) The affiliation report: Not applicable.

- II. Where the Company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose the date on which the placement was approved by the board of directors or by a shareholders meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, the reasons why the private placement method was necessary, the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the Company, participation in the operations of the Company, actual subscription (or



conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the effect of the private placement on shareholders' equity, and, for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of use of the capital raised through the private placement of securities, the implementation progress of the plan, and the realization of the benefits of the plan.: None.

- III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.: None.
- IV. Other matters that require additional description: None.
- V. If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one.: None.

Honey Hope Honesty Enterprise Co., Ltd.  
Statement on Internal Control

Date: March 8, 2024

Based on the findings of self-assessment, the Company states the following with regard to its internal control system in 2023:

- I. The Company acknowledges that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and managerial officers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance, and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company contains self-monitoring mechanisms, and the Company will take immediate corrective actions against any defects identified.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinbelow, the "Regulations"). Based on the process of control, the criteria adopted by the Regulations identify five constituent elements: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the findings of the self-assessment mentioned in the preceding paragraph, the Company believes that, as of December 31, 2023, its internal control system (including its supervision and management of subsidiaries), including understanding the degree of achievement of its objectives concerning operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of financial reporting, and compliance with the applicable laws, regulations and bylaws, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
- VI. This statement will constitute the main content of the Company's Annual Report and the prospectus and will be disclosed to the public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
- VII. This Statement has been passed by the Board of Directors in the meeting held on March 8, 2024 with zero of six attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Honey Hope Honesty Enterprise Co., Ltd.

Chairman: Lin, Hsun-Min

President: Hsu, Hung-Chih

Honey Hope Honesty Enterprise Co., Ltd.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 Business Report, Consolidated Financial Statements, Parent Company Only Financial Statements, and earnings distribution proposal. The foresaid Consolidated Financial Statements and Parent Company Only Financial Statements have been audited and the unqualified audit report has been issued by the independent auditors, Yeh, Tsui-Maio and Huang, Shih-Chun of PwC Taiwan. The Business Report, Consolidated Financial Statements, Parent Company Only Financial Statements and earnings distribution proposal have been reviewed by the Audit Committee and were deemed to be acceptable. Therefore, the Audit Committee hereby issues this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Submitted to 6

The Company's 2024 Regular Shareholders' Meeting

Honey Hope Honesty Enterprise Co., Ltd.

Audit Committee Convenor: Shih, Chun-Mei

March 8, 2024

HONEY HOPE HONESTY ENTERPRISE CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2023, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of the parent and subsidiary companies under International Financial Reporting Standard 10. If relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of the parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

HONEY HOPE HONESTY ENTERPRISE CO., LTD.

LIN HSUN-MIN

March 8, 2024

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23000599

To the Board of Directors and Shareholders of Honey Hope Honesty Enterprise Co., Ltd.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Honey Hope Honesty Enterprise Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated*

*financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

#### **Assessment of allowance for bad debts from accounts receivable**

##### **Description**

Refer to Note 4(8) for the accounting policies related to accounts receivable, Note 5(2) for the accounting estimates and assumption uncertainty of assessment of allowance for bad debts from accounts receivable, Note 6(3) for the details of accounts receivable and Note 12(2) for the disclosure of information relating to credit risk.

The Group manages the collections of accounts receivable and overdue accounts from customers and bears relevant credit risk. The management assesses the credit quality and collection of customers periodically to adjust the credit policy on customers on a timely

basis. In addition, the impairment assessment of accounts receivable applies the modified approach to estimate the expected credit loss based on IFRS 9. The management calculates the expected loss rate according to various factors which might affect the customers' payment ability such as the past due period on the balance sheet date and in the past, the financial position and the economic position as well as using the forecastability.

Given that the amounts of the Group's accounts receivable are significant to the consolidated financial statements and the determination of the loss provision ratio involves the management's judgement, we consider the estimates of loss allowance for accounts receivable a key audit matter.

#### **How our audit addressed the matter**

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding on the credit quality of the Group's customers and assessed the policies and procedures on the provision of loss allowance for accounts receivable.
2. Assessed the loss allowance for the amounts of accounts receivable whose impairment were individually assessed.
3. Conducted test for the movements in ageing of accounts receivable and examined supporting documents related to the invoice dates of accounts receivable to ascertain the classifications of ageing periods.
4. Acquired and reviewed the historical default possibility and past due circumstances of the accounts in the past years provided by the management and considered the forecastability to assess the provision amount of loss allowance.

#### **Cut-off of sales revenue**

##### **Description**

Refer to Note 4(24) for the accounting policies on revenue recognition and Note 6(13) for the details of revenue.

The Group has two primary types of sales, specifically, sales of goods directly shipped and sales of goods from distribution warehouses. For sales of goods from distribution warehouses, revenue is recognised when goods are picked up at the distribution warehouses by customers (the transfer of risk and rewards) based on the report of customers' actual pick up and other related information provided by the warehouse custodians. Given that the process of revenue recognition from distribution warehouse sales usually contains many manual adjustments, we consider the timing of revenue recognition from distribution warehouse sales a key audit matter.

**How our audit addressed the matter**

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding on the procedures of regular reconciliation between the Group, customer and warehouse custodians, acquired related forms to verify whether they comply with the procedures and checked the report of pick up to ascertain the accuracy of adjusting timing of revenue recognition.
2. Performed cut-off tests for sales transactions during a certain period before and after balance sheet date, including checking the supporting documents.
3. Sent confirmation letters or observed physical inventory count for certain critical inventories of the distribution warehouses and checked the records of inventories. In addition, inspected the reason for the discrepancies between the replied confirmations and accounting records, if any, and tested the reconciling items made by the Group to ascertain the significant discrepancies have been adjusted and recorded appropriately.

***Responsibilities of management and those charged with governance for the consolidated financial statements***



Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

***Auditors' responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the

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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists,

we are required to draw attention in our auditors' report to the related disclosures in the 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 Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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

of the current period 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.

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Yeh, Tsui-Miao

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Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2024

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Assets		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 486,416	13	\$ 378,828	9
1110	Financial assets at fair value through profit or loss - current	6(2)	38,511	1	36,362	1
1136	Current financial assets at amortised cost	6(1)	395,385	10	132,040	3
1150	Notes receivable, net	6(3)	656	-	489	-
1170	Accounts receivable, net	6(3) and 8	1,666,701	43	2,208,142	49
1200	Other receivables		19,491	1	14,706	-
1220	Current tax assets	6(18)	15,706	-	4,351	-
130X	Inventories	6(4) and 8	605,528	16	1,218,195	27
1410	Prepayments		53,097	1	55,052	1
11XX	Current Assets		3,281,491	85	4,048,165	90
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	23,200	1	-	-
1600	Property, plant and equipment	6(5) and 8	115,819	3	115,778	3
1755	Right-of-use assets	6(6)	9,544	-	5,558	-
1780	Intangible assets		4,328	-	3,485	-
1840	Deferred income tax assets	6(18)	21,071	1	17,682	1
1920	Guarantee deposits paid	7(2) and 8	385,760	10	285,837	6
1990	Other non-current assets, others		501	-	995	-
15XX	Non-current assets		560,223	15	429,335	10
1XXX	Total assets		\$ 3,841,714	100	\$ 4,477,500	100

(Continued)

**HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Liabilities and Equity			December 31, 2023		December 31, 2022					
			Notes	AMOUNT	%	AMOUNT	%			
Current liabilities										
2130	Current contract liabilities	6(11)	\$	42,561	1	\$	43,155	1		
2150	Notes payable			4,019	-		4,833	-		
2170	Accounts payable			222,185	6		84,970	2		
2180	Accounts payable - related parties	7(2)		787,801	21		1,397,161	31		
2200	Other payables			63,842	2		76,462	2		
2230	Current income tax liabilities	6(18)		-	-		36,569	1		
2280	Current lease liabilities			7,121	-		3,393	-		
2300	Other current liabilities			15,392	-		10,411	-		
21XX	Current Liabilities			1,142,921	30		1,656,954	37		
Non-current liabilities										
2570	Deferred income tax liabilities	6(18)		161,136	4		165,643	4		
2580	Non-current lease liabilities			2,566	-		2,243	-		
2600	Other non-current liabilities	6(7)		15,113	-		15,236	-		
25XX	Non-current liabilities			178,815	4		183,122	4		
2XXX	Total Liabilities			1,321,736	34		1,840,076	41		
Equity										
Share capital		6(8)								
3110	Share capital - common stock			799,072	21		799,072	18		
Capital surplus		6(9)								
3200	Capital surplus			303,910	8		303,910	6		
Retained earnings		6(10)								
3310	Legal reserve			369,966	10		354,738	8		
3320	Special reserve			45,043	1		72,041	2		
3350	Unappropriated retained earnings			1,082,888	28		1,175,476	26		
Other equity interest										
3400	Other equity interest		(	58,131)	(	1)	(	45,043)	(	1)
3500	Treasury stocks	6(8)	(	22,770)	(	1)	(	22,770)	-	
31XX	Equity attributable to owners of parent			2,519,978	66		2,637,424	59		
3XXX	Total equity			2,519,978	66		2,637,424	59		
Significant contingent liabilities and unrecognised contract commitments		9								
Significant events after the balance sheet date		11								
3X2X	Total liabilities and equity		\$	3,841,714	100	\$	4,477,500	100		

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

**HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS (LOSS) PER SHARE AMOUNTS)

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(11)		\$ 4,885,670	100	\$ 5,847,130	100
5000 Operating costs	6(4)(16) and 7(2)	(	4,749,917)	( 97)	( 5,594,117)	( 96)
5950 Net operating margin			<u>135,753</u>	<u>3</u>	<u>253,013</u>	<u>4</u>
Operating expenses	6(16)					
6100 Selling expenses		(	124,381)	( 3)	( 133,694)	( 2)
6200 General and administrative expenses		(	72,587)	( 1)	( 82,004)	( 1)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)		<u>7,920</u>	<u>-</u>	<u>4,331</u>	<u>-</u>
6000 Total operating expenses		(	189,048)	( 4)	( 211,367)	( 3)
6900 Operating (loss) profit		(	53,295)	( 1)	41,646	1
Non-operating income and expenses						
7100 Interest income	6(12) and 7(2)		15,854	-	7,772	-
7010 Other income	6(13)		21,564	-	40,273	1
7020 Other gains and losses	6(14)	(	200)	-	109,001	2
7050 Finance costs	6(15)	(	878)	-	( 603)	-
7000 Total non-operating income and expenses			<u>36,340</u>	<u>-</u>	<u>156,443</u>	<u>3</u>
7900 <b>(Loss) profit before income tax</b>		(	16,955)	( 1)	198,089	4
7950 Income tax expense	6(18)	(	2,105)	-	( 47,214)	( 1)
8200 <b>(Loss) profit for the year</b>		(	<u>19,060</u>	<u>( 1)</u>	<u>150,875</u>	<u>3</u>
<b>Other comprehensive income</b>						
8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(8)	\$	205	-	\$ 1,759	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(18)	(	41)	-	( 352)	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>						
8361 Financial statements translation differences of foreign operations		(	13,088)	-	26,998	-
8360 Components of other comprehensive (loss) income that will be reclassified to profit or loss		(	13,088)	-	26,998	-
8300 <b>Other comprehensive (loss) income for the year</b>		(	<u>12,924</u>	<u>-</u>	<u>28,405</u>	<u>-</u>
8500 <b>Total comprehensive (loss) income for the year</b>		(	<u>31,984</u>	<u>( 1)</u>	<u>179,280</u>	<u>3</u>
8610 Profit (loss) attributable to owners of parent		(	<u>19,060</u>	<u>( 1)</u>	<u>150,875</u>	<u>3</u>
8710 Comprehensive income (loss), attributable to owners of parent		(	<u>31,984</u>	<u>( 1)</u>	<u>179,280</u>	<u>3</u>
Basic earnings per share						
9750 Total basic earnings (loss) per share	6(20)	(	<u>0.24</u>		<u>1.91</u>	
Diluted earnings per share						
9850 Total diluted earnings (loss) per share	6(20)	(	<u>0.24</u>		<u>1.89</u>	

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

HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Equity attributable to owners of the parent									
	Notes	Capital surplus		Retained earnings				Financial statements translation differences of foreign operations	Treasury shares	Total equity
		Share capital - common stock	Capital surplus, additional paid-in capital	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings			
<u>Year ended December 31, 2022</u>										
Balance at January 1, 2022		\$ 799,072	\$ 282,828	\$ 21,082	\$ 340,630	\$ 61,717	\$ 1,126,757	(\$ 72,041)	(\$ 22,770)	\$ 2,537,275
Profit for the year		-	-	-	-	-	150,875	-	-	150,875
Other comprehensive income for the year		-	-	-	-	-	1,407	26,998	-	28,405
Total comprehensive income	6(10)	-	-	-	-	-	152,282	26,998	-	179,280
Distribution of 2021 earnings										
Provision for legal reserve	99	-	-	-	14,108	-	( 14,108 )	-	-	-
Provision for special reserve	99	-	-	-	-	10,324	( 10,324 )	-	-	-
Cash dividends		-	-	-	-	-	( 79,131 )	-	-	( 79,131 )
Balance at December 31, 2022		\$ 799,072	\$ 282,828	\$ 21,082	\$ 354,738	\$ 72,041	\$ 1,175,476	(\$ 45,043)	(\$ 22,770)	\$ 2,637,424
<u>Year ended December 31, 2023</u>										
Balance at January 1, 2023		\$ 799,072	\$ 282,828	\$ 21,082	\$ 354,738	\$ 72,041	\$ 1,175,476	(\$ 45,043)	(\$ 22,770)	\$ 2,637,424
Loss for the year		-	-	-	-	-	( 19,060 )	-	-	( 19,060 )
Other comprehensive income (loss) for the year		-	-	-	-	-	164	( 13,088 )	-	( 12,924 )
Total comprehensive loss		-	-	-	-	-	( 18,896 )	( 13,088 )	-	( 31,984 )
Distribution of 2022 earnings	6(10)									
Provision for legal reserve		-	-	-	15,228	-	( 15,228 )	-	-	-
Provision for special reserve		-	-	-	-	( 26,998 )	26,998	-	-	-
Cash dividends		-	-	-	-	-	( 85,462 )	-	-	( 85,462 )
Balance at December 31, 2023		\$ 799,072	\$ 282,828	\$ 21,082	\$ 369,966	\$ 45,043	\$ 1,082,888	(\$ 58,131)	(\$ 22,770)	\$ 2,519,978

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



HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Year ended December 31	
	Notes	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) profit before tax		( \$ 16,955 )	\$ 198,089
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation of property, plant and equipment and right-of-use assets	6(16)	11,964	13,229
Amortisation expense of intangible assets and other non-current assets	6(16)	6,321	9,746
Expected credit impairment loss (gain)	12(2)	( 7,920 )	( 4,331 )
Net loss (gain) on financial assets at fair value through profit or loss	6(14)	15,845	11,609
Interest expense	6(16)	878	603
Interest income	6(12)	( 15,854 )	( 7,772 )
Dividend income	6(14)	( 19,876 )	( 1,420 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		( 17,994 )	25,835
Notes receivable, net		( 167 )	346
Accounts receivable, net		549,425	653,689
Other receivables		( 4,649 )	77,149
Inventories		613,098	( 326,363 )
Prepayments		1,955	248,390
Changes in operating liabilities			
Current contract liabilities		( 594 )	( 311,016 )
Notes payable		( 814 )	1,329
Accounts payable		137,215	( 37,866 )
Accounts payable - related parties		( 609,360 )	( 367,311 )
Other payables		( 14,085 )	9,512
Other current liabilities		4,981	( 7,818 )
Other non-current liabilities		82	18
Cash inflow generated from operations		633,496	185,647
Interest received		15,707	7,312
Dividend received		19,876	1,420
Interest paid		( 878 )	( 613 )
Income tax paid		( 57,966 )	( 19,561 )
Net cash flows from operating activities		610,235	174,205

(Continued)

HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31 2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in current financial assets at amortised cost		(\$ 263,345 )	\$ 19,680
Increase in financial assets at fair value through other comprehensive income-non-current		( 23,200 )	-
Acquisition of property, plant and equipment		( 5,774 )	( 4,243 )
Acquisition of intangible assets		( 5,687 )	( 4,857 )
Increase in guarantee deposits paid		( 100,086 )	( 107,640 )
Decrease in guarantee deposits paid		147	6
Increase in other non-current assets-other		( 40 )	( 1,180 )
Net cash flows used in investing activities		( 397,985 )	( 98,234 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(21)	536,259	1,239,954
Repayment for short-term borrowings	6(21)	( 536,259 )	( 1,378,354 )
Repayments of principal portion of lease liabilities	6(21)	( 5,694 )	( 7,156 )
Payments of cash dividends	6(21)	( 85,462 )	( 79,131 )
Net cash flows used in financing activities		( 91,156 )	( 224,687 )
Effect of exchange rate changes on cash and cash equivalents		( 13,506 )	26,662
Net increase (decrease) in cash and cash equivalents		107,588	( 122,054 )
Cash and cash equivalents at beginning of year		378,828	500,882
Cash and cash equivalents at end of year		\$ 486,416	\$ 378,828

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

HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

1. History and Organisation

Honey Hope Honesty Enterprise Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on May 20, 1989. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in general import and export (excluding futures), trading of electronic parts, agency for the distribution, quotation and bidding of domestic and foreign manufacturers’ products. The Company’s stocks have been listed on the Taipei Exchange starting from October 2003.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on March 8, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments that came into effect as endorsed by the FSC and became effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform—pillar two model rules’	May 23, 2023

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments that came into effect as endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC

Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through profit or loss.
  - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2023	Ownership(%) December 31, 2022	Description
Honey Hope Honesty Enterprise Co., Ltd.	OUTRANGE STAR LIMITED	Investment of various businesses	100	100	Note 1
Honey Hope Honesty Enterprise Co., Ltd.	Multileader Co., Ltd	Trading of electronic parts	100	100	Note 2
OUTRANGE STAR LIMITED	Honey Hope Honesty International Trading(Shanghai)	Trading of electronic parts	100	100	Note 3

Note 1: OUTRANGE STAR LIMITED (subsidiary) was incorporated in British Virgin Islands in March 2001. The Company acquired 100% of its share for the year ended December 31, 2001. The main business activities of the subsidiary are investments in various businesses.

Note 2: Multileader Co., Ltd (subsidiary) was incorporated in Hong Kong in May 2002. The Company acquired 100% of its share for the year ended December 31, 2002. The main

business activity of the subsidiary is trading of electronic parts.

Note 3: Honey Hope Honesty International Trading(Shanghai) Co., Ltd. (second-tier subsidiary) was incorporated in Shanghai, China in 2003. OUTRANGE STAR LIMITED held 100% of its ownership. The subsidiary is primarily engaged in warehousing and distribution of electronic parts and electronic products in the bonded area and after-sale service of related products; international trade, transit trade, trade between the entities in the bonded area and trade agency.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

#### (4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars which is the Company's functional and the Group's presentation currency. The Company's functional currency is New Taiwan Dollars, and the subsidiaries' functional currency are Hong Kong dollars 、US dollars and RMB.

##### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

##### B. Translation of foreign operations

The operating results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the gain or loss in profit or loss when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the

amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.



(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the comparison of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	10 ~ 50 years
Transportation equipment	10 ~ 15 years
Office equipment	2 ~ 5 years

(14) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.  
The Group subsequently measures the lease liability at amortised cost using the interest method

and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Intangible assets

Intangible assets, mainly computer software, are stated at cost and amortised on a straight-line basis over their estimated useful lives of 1 to 3 year(s).

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

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

(18) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive

income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(23) Dividends

The cash dividends distributed from earnings were recorded as liabilities in the Company financial statements in which they are resolved by the Board of Directors at their special meeting in accordance with the Articles of Incorporation of the Company. In addition, stock dividends are recorded as stock dividends to be distributed in the period in which they are resolved by the Group's shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

- A. The Group sells electronic components and other related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. The goods are often sold with sales discounts and allowances based on aggregate sales. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period.
- C. The sales are made with a major credit term of 90 to 120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods itself or to arrange for the other party to provide those goods based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods.

Indicators that the Group controls the good before it is provided to a customer include the following:

- A. The Group is primarily responsible for the provision of goods or services;
- B. The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- C. The Group has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

A. Bad debts assessment of accounts receivable

The Group manages the collections of accounts receivable and overdue accounts from customers and bears relevant credit risk. The management assesses the credit quality and collection of customers periodically to adjust the credit policy on customers timely. In addition, the impairment assessment of accounts receivable applies the modified approach to estimate the expected credit loss based on IFRS 9. The management calculates the expected loss rate according to various factors which might affect the customers' payment ability such as the past due period on the balance sheet date and in the past, the financial position and the economic position as well as using the forecastability.

As of December 31, 2023, the carrying amount of accounts receivable is provided in Note 6(3).

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be changes to the evaluation.

As of December 31, 2023, the carrying amount of inventories is provided in Note 6(4).

## 6. Details of Significant Accounts

### (1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 454	\$ 555
Checking accounts	554	1,016
Demand deposits	485,408	377,257
	<u>\$ 486,416</u>	<u>\$ 378,828</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group has no cash and cash equivalents pledged to others.
- C. The Group had classified the time deposits with maturity over three months and within one year amounting to \$395,385 and \$132,040 to current financial assets at amortised cost on December 31, 2023 and 2022, respectively. Details of the interest income from time deposits recognised for the years ended December 31, 2023 and 2022 are provided in Note 6(12). The Group has no current financial assets at amortised cost pledged to others.

### (2) Financial assets at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial assets mandatorily measured at fair through profit or loss		
Listed stocks	\$ 40,947	\$ 22,347
Private equity fund investment	-	19,193
Valuation adjustment	( 2,346)	( 5,178)
	<u>\$ 38,511</u>	<u>\$ 36,362</u>
Non-current items:		
Financial assets mandatorily measured at fair through profit or loss		
Convertible bonds	<u>\$ 23,200</u>	<u>\$ -</u>

- A. The Group recognised net (loss) profit on financial assets mandatorily measured at fair value through profit or loss held for the years ended December 31, 2023 and 2022 are provided in Note 6(14).
- B. The Group has no financial assets at fair value through profit or loss pledged to others.
- C. Information relating to fair value is provided in Note 12(3).

(3) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ 656	\$ 489
Accounts receivable	1,672,019	2,221,444
Less: Allowance for uncollectible accounts	( 5,318)	( 13,302)
	<u>\$ 1,666,701</u>	<u>\$ 2,208,142</u>

- A. The Group has no notes receivable that were past due. Information relating to ageing analysis and credit risk of notes and accounts receivable is provided in Note 12(2).
- B. As of December 31, 2023 and 2022, notes and accounts receivable were all from contracts with customers. Also, as of January 1, 2022, the balance of notes and accounts receivable from contracts with customers amounted to \$2,875,968.
- C. Details of the Group's accounts receivable pledged to others as collateral to replace the drawing of guarantee deposits for purchases are provided in Note 8.
- D. The Group did not hold any collateral for the abovementioned notes and accounts receivable.

(4) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Merchandise inventory	<u>\$ 680,733</u>	<u>\$ 75,205</u>	<u>\$ 605,528</u>
	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Merchandise inventory	<u>\$ 1,301,341</u>	<u>(\$ 83,146)</u>	<u>\$ 1,218,195</u>

- A. Details of the abovementioned inventories pledged to others as collateral to replace the payment of guarantee deposits for purchases are provided in Note 8.
- B. The cost of inventories recognised as expense for the year:

	Years ended December 31	
	2023	2022
Cost of goods sold	\$ 4,745,445	\$ 5,545,161
Loss on inventory obsolescence (net of claim income)	11,975	5,298
(Gain on reversal of) loss on decline in market value	( 7,510)	43,658
(Gain) loss on merchandise	7	-
	<u>\$ 4,749,917</u>	<u>\$ 5,594,117</u>

The Group reversed a previous inventory write-down which resulted in a decrease in allowance for valuation loss because of the sales of inventories which were previously provided with allowance.



(5) Property, plant and equipment

2023					
	Land	Buildings and structures	Transportation equipment	Office equipment	Total
	Owner- occupied	Owner- occupied	Owner- occupied	Owner- occupied	
At January 1					
Cost	\$ 66,463	\$ 80,671	\$ 2,472	\$ 14,855	\$ 164,461
Accumulated depreciation	-	( 39,127)	( 1,214)	( 8,342)	( 48,683)
	<u>\$ 66,463</u>	<u>\$ 41,544</u>	<u>\$ 1,258</u>	<u>\$ 6,513</u>	<u>\$ 115,778</u>
Opening net book amount as at January 1	\$ 66,463	\$ 41,544	\$ 1,258	\$ 6,513	\$ 115,778
Additions	-	-	-	6,286	6,286
Cost of assets disposed	-	-	-	( 4,168)	( 4,168)
Depreciation of assets disposed	-	-	-	4,168	4,168
Depreciation charge	-	( 2,281)	( 179)	( 3,745)	( 6,205)
Net exchange differences	-	( 42)	-	2	( 40)
Closing net book amount as at December 31	<u>\$ 66,463</u>	<u>\$ 39,221</u>	<u>\$ 1,079</u>	<u>\$ 9,056</u>	<u>\$ 115,819</u>
At December 31					
Cost	\$ 66,463	\$ 80,518	\$ 2,472	\$ 16,993	\$ 166,446
Accumulated depreciation	-	( 41,297)	( 1,393)	( 7,937)	( 50,627)
	<u>\$ 66,463</u>	<u>\$ 39,221</u>	<u>\$ 1,079</u>	<u>\$ 9,056</u>	<u>\$ 115,819</u>
2022					
	Land	Buildings and structures	Transportation equipment	Office equipment	Total
	Owner- occupied	Owner- occupied	Owner- occupied	Owner- occupied	
At January 1					
Cost	\$ 66,463	\$ 80,170	\$ 2,472	\$ 12,105	\$ 161,210
Accumulated depreciation	-	( 36,588)	( 1,027)	( 6,488)	( 44,103)
	<u>\$ 66,463</u>	<u>\$ 43,582</u>	<u>\$ 1,445</u>	<u>\$ 5,617</u>	<u>\$ 117,107</u>
Opening net book amount as at January 1	\$ 66,463	\$ 43,582	\$ 1,445	\$ 5,617	\$ 117,107
Additions	-	-	-	4,243	4,243
Cost of assets disposed	-	-	-	( 1,825)	( 1,825)
Depreciation of assets disposed	-	-	-	1,825	1,825
Depreciation charge	-	( 2,279)	( 187)	( 3,433)	( 5,899)
Net exchange differences	-	241	-	86	327
Closing net book amount as at December 31	<u>\$ 66,463</u>	<u>\$ 41,544</u>	<u>\$ 1,258</u>	<u>\$ 6,513</u>	<u>\$ 115,778</u>
At December 31					
Cost	\$ 66,463	\$ 80,671	\$ 2,472	\$ 14,855	\$ 164,461
Accumulated depreciation	-	( 39,127)	( 1,214)	( 8,342)	( 48,683)
	<u>\$ 66,463</u>	<u>\$ 41,544</u>	<u>\$ 1,258</u>	<u>\$ 6,513</u>	<u>\$ 115,778</u>

A. The significant components of buildings and structures mainly include office buildings and decorations, which are depreciated over their estimated useful lives of 20~50 and 10 years, respectively.

- B. Information about the Group's property, plant and equipment that were pledged to others as guarantee for purchases from Taiwan Taiyo Yuden Co., Ltd. is provided in Note 8.
- C. There was no interest capitalised as part of the Group's property, plant and equipment.

(6) Leasing arrangements - lessee

- A. The Group leases various assets including buildings and parking spaces. Rental contracts are from 2019 to 2024. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be subleased, lend or sold, buildings may not be used by others in any different form and leasehold may not be transferred to others.
- B. The carrying amount of right-of-use assets arising from the buildings leased by the Company and the depreciation charge are as follows:

	2023	2022
At January 1	\$ 5,558	\$ 12,244
Additions	9,722	-
Depreciation charge	( 5,759)	( 7,330)
Net exchange differences	23	644
At December 31	<u>\$ 9,544</u>	<u>\$ 5,558</u>

- C. The information on profit or loss accounts relating to lease contracts is as follows:

	Years ended December 31	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 299	\$ 178
Expense on short-term lease contracts	4,745	3,718
	<u>\$ 5,044</u>	<u>\$ 3,896</u>

- D. For the years ended December 31, 2023 and 2022, except for the cash outflow for expenses relating to leases described in Note 6(6)C. above, the cash outflow arising from repayments of principal of lease liabilities is provided in Note 6(21).

(7) Pensions

A. Defined benefit pension plan

- (a) The Group has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last

6 months prior to retirement. The Group contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 30,014	\$ 29,789
Fair value of plan assets	( 14,901)	( 14,553)
Net defined benefit liability		
(shown as other non-current liabilities)	<u>\$ 15,113</u>	<u>\$ 15,236</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>2023</u>			
At January 1	\$ 29,789	(\$ 14,553)	\$ 15,236
Current service cost	-	-	-
Interest expense (income)	<u>358</u>	<u>( 175)</u>	<u>183</u>
	<u>30,147</u>	<u>( 14,728)</u>	<u>15,419</u>
Remeasurements:			
Return on plan assets	-	( 72)	( 72)
(excluding amounts included in interest income or expense)	-	-	-
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	-	-
Experience adjustments	<u>( 133)</u>	<u>-</u>	<u>( 133)</u>
	<u>( 133)</u>	<u>( 72)</u>	<u>( 205)</u>
Pension fund contribution	-	( 101)	( 101)
Paid pension	<u>-</u>	<u>-</u>	<u>-</u>
At December 31	<u>\$ 30,014</u>	<u>( \$ 14,901)</u>	<u>\$ 15,113</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2022</u>			
At January 1	\$ 30,333	(\$ 13,356)	\$ 16,977
Current service cost		-	
Interest expense (income)	213	( 94)	119
	<u>30,546</u>	<u>( 13,450)</u>	<u>17,096</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 1,002)	( 1,002)
Change in demographic assumptions			
Change in financial assumptions	( 843)	-	( 843)
Experience adjustments	86	-	86
	<u>( 757)</u>	<u>( 1,002)</u>	<u>( 1,759)</u>
Pension fund contribution	-	( 101)	( 101)
Paid pension	-	-	-
At December 31	<u>\$ 29,789</u>	<u>(\$ 14,553)</u>	<u>\$ 15,236</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Group's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31	
	2023	2022
Discount rate	1.20%	1.20%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
December 31, 2023	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
Effect on present value of defined benefit obligation	(\$ <u>387</u> )	<u>\$ 397</u>	<u>\$ 315</u>	<u>(\$ 310)</u>
	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
December 31, 2022	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
Effect on present value of defined benefit obligation	(\$ <u>405</u> )	<u>\$ 416</u>	<u>\$ 334</u>	<u>(\$ 327)</u>

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

Except for discount rates and future salary increases, the methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2024 amount to \$101.
- (g) As of December 31, 2023, the weighted average duration of the retirement plan is 6 years. The analysis of timing of the future pension payment was as follows:

	Amount
Within 1 year	\$ 3,187
1-2 year(s)	4,768
2-5 years	14,370
Over 5 years	<u>5,095</u>
	<u>\$ 27,420</u>

#### B. Defined contribution pension plan

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022 were \$3,289 and \$3,168, respectively.

- C. According to the The Government of the Hong Kong Special Administrative Region's "Mandatory Provident Fund Scheme Regulations" (MPF Scheme), Multileader Co., Ltd can allocate 5% of the total salary to the retirement fund for employees who have been employed for more than 60 consecutive days. The pension costs recognized in 2023 and 2022 were \$214 and \$202, respectively.
- D. According to the Social Insurance Law of the People's Republic of China, Honey Hope Honesty Shanghai allocates pension insurance funds according to a certain ratio of the total salary of local employees every month, and the allocation rate is 20%. The retirement pension of each employee is managed and arranged by the government, and the Group has no further obligations other than the monthly appropriation. The pension costs recognized in 2023 and 2022 were \$936 and \$930, respectively.

(8) Share capital

- A. As of December 31, 2023, the Company's authorised capital was \$1,200,000 (including \$70,000 reserved for employee stock options), consisting of 120,000 thousand shares of ordinary stock, and the paid-in capital was \$799,072 with a par value of NT\$10 (in dollars) per share. All proceeds from shares issued have been collected. In addition, movements in the number of the Company's ordinary shares outstanding are as follows:

	(Unit: share in thousands)	
	2023	2022
<b><u>Share capital</u></b>		
At January 1	79,907	79,907
<b><u>Treasury stocks</u></b>		
At January 1 (that is, ending balance at December 31)	( 776)	( 776)
Number of shares outstanding at December 31	79,131	79,131

B. Treasury stocks

- (a) Reason for share reacquisition and movements in the number of the Company's treasury stocks are as follows:

		December 31, 2023	
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	776	\$ 22,770

		December 31, 2022	
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	776	\$ 22,770

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury stocks should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury stocks to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition. The transfer period of the treasury stocks shown as of December 31, 2023 is as follows:

Year repurchased	Number of shares (in thousands)	Amount	Expiry year
May 2021 to July 2021	776	\$ 22,770	May 2026 to July 2026

#### (9) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. In addition, there were no movements in the Company's capital surplus for the years ended December 31, 2023 and 2022.

(10) Retained earnings / events after the balance sheet date

- A. Where the Company has net profit after tax at the end of the fiscal year, after paying all relevant taxes and making up losses of previous years, the Company shall set aside ten percent of net profit as legal reserve and a special reserve shall be set aside or reversed in accordance with Article 41 of the Securities and Exchange Act. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. If there is still remaining net profit, the remaining net profit plus the beginning unappropriated earnings are the cumulative distributable surplus of shareholders, and shall be distributed to shareholders according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

The distributable bonuses, capital reserve and legal reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting, and the provisions of the preceding paragraph requiring the resolution of the shareholders' meeting shall not apply.

The Corporation will take into account the environment and growth of the Corporation, its future capital requirements and long-term financial planning, as well as the shareholders' need for cash, and distribute dividends and bonus to shareholders on the distributable surplus, of which cash dividends and bonus shall not be less than ten percent of the total dividends and bonus. The shareholders' meeting may adjust the ratio of aforesaid cash dividends and bonus according to actual amount profits, capital needs and operational needs of the Corporation.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. Special reserve

- (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1090150022, dated March 31, 2021, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. The balance of special reserve transferred because of the initial application of IFRSs was \$13,611 on January 1, 2013.



D. The Company's appropriations of earnings are as follows:

(a) The appropriations of 2022 and 2021 earnings as resolved by the shareholders at their meetings on June 12, 2023 and June 27, 2022 are as follows:

	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 15,228		\$ 14,108	
Special reserve	( 26,998)		10,324	
Cash dividends	85,462	1.08	79,131	1.00
	<u>\$ 73,692</u>		<u>\$ 103,563</u>	

(b) The appropriation of 2023 earnings as proposed by the Board of Directors on March 8, 2024 is as follows:

	2023	
	Amount	Dividends per share (in dollars)
Special reserve	13,088	
Cash dividends	15,826	0.20
	<u>\$ 28,914</u>	

(11) Operating revenue

A. Disaggregation of revenue from contracts with customers

The details of the Group derives revenue from the transfer of goods at a point in time provided in Note 14(3).

B. Contract liabilities

(a) The Group has recognised the following revenue-related contract liabilities:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities -			
sales of goods	<u>\$ 42,561</u>	<u>\$ 43,155</u>	<u>\$ 354,171</u>

(b) The Group had recognised revenue-related contract liabilities amounting to \$935 and \$311,952 for the years ended December 31, 2023 and 2022, respectively.

(12) Interest income

	Years ended December 31	
	2023	2022
Interest income from bank deposits	\$ 5,257	\$ 1,169
Interest income from financial assets measured at amortised cost	5,437	5,062
Other	5,160	1,541
	<u>\$ 15,854</u>	<u>\$ 7,772</u>

(13) Other income

	Years ended December 31	
	2023	2022
Government grants income	\$ 874	\$ 882
Rent income	137	137
Dividend income	19,876	1,420
Other	677	37,834
	<u>\$ 21,564</u>	<u>\$ 40,273</u>

(14) Other gains and losses

	Years ended December 31	
	2023	2022
Net foreign exchange gains	\$ 15,725	\$ 120,631
Net losses on financial assets at fair value through profit or loss	( 15,845)	( 11,609)
Other	( 80)	( 21)
	<u>(\$ 200)</u>	<u>\$ 109,001</u>

(15) Finance costs

	Years ended December 31	
	2023	2022
Interest expense on bank borrowings	\$ 579	\$ 425
Interest expense on lease liabilities	299	178
	<u>\$ 878</u>	<u>\$ 603</u>

(16) Expenses by nature

	Years ended December 31	
	2023	2022
Employee benefit expense	\$ 109,041	\$ 135,581
Depreciation charges on property, plant and equipment	\$ 6,205	\$ 5,899
Depreciation charges on right-of-use assets	\$ 5,759	\$ 7,330
Amortisation charges on intangible assets	\$ 5,793	\$ 5,708
Amortisation charges on other non- current assets	\$ 528	\$ 4,038

(17) Employee benefit expense

	Years ended December 31	
	2023	2022
Wages and salaries	\$ 91,634	\$ 113,897
Labour and health insurance fees	8,275	8,042
Pension costs	4,622	4,419
Directors' remuneration	-	3,904
Others (Note)	4,510	5,319
	\$ 109,041	\$ 135,581

Note: Including various expenses such as meal expense, employee benefits and training expense.

A. In accordance with the Articles of Incorporation of the Company, a ratio of pre-tax profit of the current year before deducting employees' compensation and director's remuneration, after reserving an amount to cover losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 5%~15% for employees' compensation and shall not be higher than 2% for directors' remuneration.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at \$0 and \$20,462, respectively; while directors' remuneration was accrued at \$0 and \$3,904, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were not estimated and accrued as there was loss for the year ended December 31, 2023.

Employees' compensation and directors' remuneration for 2022 amounting to \$20,462 and \$3,904, respectively, as resolved at the meeting of Board of Directors on March 10, 2023 were in agreement with those amounts recognised in the 2022 financial statements.

C. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(18) Income tax

A. Income tax expense

(a) Components of income tax expense :

	Years ended December 31	
	2023	2022
Current tax:		
Current tax (assets) liabilities	\$ (15,706)	\$ 32,218
Receivable (payable) on prior year income tax (unpaid) uncollected	(209)	-
Prior year income tax (over) underestimation	4,177	3,430
Withholding and provisional tax	21,780	12,329
Tax on undistributed surplus earnings	( 2,672)	( 1,876)
Total current tax	7,370	46,101
Deferred tax:		
Origination and reversal of temporary differences	( 7,937)	(764)
Others:		
Tax on undistributed surplus earnings	2,672	1,876
Net exchange differences	-	1
Income tax expense	\$ 2,105	\$ 47,214

(b) The income tax (credit)/charge relating to components of other comprehensive income is as follows:

	Years ended December 31	
	2023	2022
Remeasurement of defined benefit obligations	\$ 41	\$ 352

(c) The Company had no income tax (charge)/credit relating to components of other comprehensive income and income tax charged/(credited) to equity during the years ended December 31, 2023 and 2022.

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate (Note)	(\$ 3,023)	\$ 40,935
Expenses disallowed by tax regulation	30	-
Taxable loss not recognised as deferred tax assets	5,566	-
Tax exemption of income from domestic marketable securities transactions	- (	955)
Tax exemption of domestic dividend income	( 78)	( 284)
Temporary difference not recognised as deferred tax assets	( 6,797)	-
Tax on undistributed earnings	2,672	1,876
Prior year income tax (over) underestimation	4,177	3,430
Others	( 442)	2,212
Income tax expense	<u>\$ 2,105</u>	<u>\$ 47,214</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2023			
	January 1	Recognised in (loss) profit	Recognised in other comprehensive (loss) income	December 31
Deferred tax assets:				
-Temporary differences				
Unrealised inventory valuation loss	\$ 8,118	\$ 2,261	\$ -	\$ 10,379
Unrealised profit from sales	930	( 669)	-	261
Unrealised sales discounts and allowances	1,766	1,186	-	2,952
Unrealised exchange loss	-	3,302	-	3,302
Uncontributed pension funds	3,048	16	( 41)	3,023
Unused compensated absences	753	9	-	762
Loss on valuation of financial asset at fair value through profit or loss	107	(107)	-	-
Others	2,960	(2,568)	-	392
	<u>17,682</u>	<u>3,430</u>	<u>( 41)</u>	<u>21,071</u>
Deferred tax liabilities:				
-Temporary differences				
Unrealised foreign exchange gain	(2,588)	2,588	-	-
Gain on investments accounted for using the equity method	( 163,055)	1,919	-	( 161,136)
	<u>( 165,643)</u>	<u>4,507</u>	<u>-</u>	<u>( 161,136)</u>
	<u>(\$ 147,961)</u>	<u>\$ 7,937</u>	<u>(\$ 41)</u>	<u>(\$ 140,065)</u>

2022				
	January 1	Recognised in (loss) profit	Recognised in other comprehensive (loss) income	December 31
Deferred tax assets:				
-Temporary differences				
Unrealised inventory valuation loss	\$ 3,909	\$ 4,209	\$ -	\$ 8,118
Unrealised profit from sales	506	424	-	930
Unrealised sales discounts and allowances	3,331	(1,565)	-	1,766
Unrealised exchange loss	816	(816)	-	-
Uncontributed pension funds	3,396	4	(352)	3,048
Unused compensated absences	693	60	-	753
Revaluation losses on financial assets measured at fair value through loss	-	107	-	107
Others	2,239	721	-	2,960
	<u>14,890</u>	<u>3,144</u>	<u>(352)</u>	<u>17,682</u>
Deferred tax liabilities:				
-Temporary differences				
Gain on financial assets at fair value through profit or loss	(1,169)	1,169	-	-
Unrealised foreign exchange gain	-	(2,588)	-	(2,588)
Gain on investments accounted for using the equity method	(162,094)	(961)	-	(163,055)
	<u>(163,263)</u>	<u>(2,380)</u>	<u>-</u>	<u>(165,643)</u>
	<u>(\$ 148,373)</u>	<u>\$ 764</u>	<u>(\$ 352)</u>	<u>(\$ 147,961)</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

	Year ended December 31, 2023				
	Year incurred	Tax losses amount	Unused amount	Unrecognise d deferred	Expiry year
Honey Hope Honesty International Trading (Shanghai) Co.,Ltd	2023 - filed	\$ 22,266	\$ 22,266	\$ 22,266	117

There were no such transactions as of December 31, 2022.

E. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows

Years ended December 31		
	2023	2022
Deductible temporary differences	<u>\$ 26,075</u>	<u>\$ 53,584</u>

F. The Company's profit-making enterprise income tax has been approved by the tax collection authority until 2021.

(19) (Loss) earnings per share

Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)      Losses per share (in dollars)
<u>Basic loss per share</u>		
Loss attributable to ordinary shareholders of the parents	(\$ 19,060)	79,131 ( 0.24)
<u>Diluted loss per share</u>		
Loss attributable to ordinary shareholders of the parents	(\$ 19,060)	79,131
Assumed conversion of all dilutive potential ordinary shares		
- Employees' compensation	-	-
Loss plus assumed conversion of all dilutive potential ordinary shares	(\$ 19,060)	79,131 ( 0.24)

Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)      Earnings per share (in dollars)
<u>Basic earnings per share</u>		
Profit attributable to ordinary shareholders	\$ 150,875	79,131 1.91
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders	\$ 150,875	79,131
Assumed conversion of all dilutive potential ordinary shares		
- Employees' compensation	-	832
Profit plus assumed conversion of all dilutive potential ordinary shares	\$ 150,875	79,963 1.89

(20) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31, 2023	Year ended December 31, 2022
Purchase of property, plant and equipment	\$ 6,286	\$ 4,243
Less: Ending balance of payable on equipment	( 512)	-
Cash paid during the year	<u>\$ 5,774</u>	<u>\$ 4,243</u>
	Year ended December 31, 2023	Year ended December 31, 2022
Purchase of intangible assets	\$ 6,639	\$ 4,857
Less: Ending balance of payable on software	( 952)	-
Cash paid during the year	<u>\$ 5,687</u>	<u>\$ 4,857</u>

(21) Changes in liabilities from financing activities

	Short-term borrowings	Dividends payable (shown as other payables)	Lease liabilities (Current/Non-current)
At January 1, 2023	\$ -	\$ -	\$ 5,636
Proceeds from borrowings	536,259	-	-
Repayments of borrowings	( 536,259)	-	-
Dividends declared	-	85,462	-
Dividends distributed	- (	85,462)	-
Repayments of principal portion of lease liabilities	-	- (	5,694)
Increase in lease liabilities			9,722
Net exchange differences	-	-	23
At December 31, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,687</u>

	Short-term borrowings	Dividends payable (shown as other payables)	Lease liabilities (Current/Non-current)
At January 1, 2022	\$ 138,400	\$ -	\$ 12,144
Proceeds from borrowings	1,239,954	-	-
Repayments of borrowings	( 1,378,354)	-	-
Dividends declared	-	79,131	-
Dividends distributed	- (	79,131)	-
Repayments of principal portion of lease liabilities	-	- (	7,156)
Net exchange differences	-	-	648
At December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,636</u>



## 7. Related Party Transactions

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Taiwan Taiyo Yuden Co., Ltd (Taiwan Taiyo Yuden)	Shareholder that holds more than 10% of the Company's shares
Taiyo Yuden Co., Ltd	Parent company of the shareholder that holds more than 10% of the Company's shares
Hong Kong Taiyo Co.,Ltd	Affiliated company of Taiwan Taiyo Yuden
All directors, independent directors, general manager and vice general manager	Key management personnel and those charged with governance of the Company

### (2) Significant related party transactions

#### A. Purchases

Details of purchasing from related parties are as follows:

	<u>Years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Taiwan Taiyo Yuden	\$ 2,949,532	\$ 5,190,164
Hong Kong Taiyo Yuden	12,271	24,265
	<u>\$ 2,961,803</u>	<u>\$ 5,214,429</u>

The Group mainly acts as an agent of and sells products produced by Taiwan Taiyo Yuden. The purchase prices of the Group to the aforementioned related parties are determined based on mutual agreements. The payment terms are 60~90 days after monthly billings that would be available to general suppliers. Refer to Note 8 for details of the assets pledged to related parties for the purpose of providing guarantee for purchases and repayment of accounts payable.

#### B. Accounts payable

Details of accounts payable from purchases to related parties are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taiwan Taiyo Yuden	\$ 785,702	\$ 1,394,231
Hong Kong Taiyo Yuden	2,099	2,930
	<u>\$ 787,801</u>	<u>\$ 1,397,161</u>

#### C. Other non-current assets - guarantee deposits paid

The Group had paid guarantee deposits of \$377,454 and \$277,454 to Taiwan Taiyo Yuden as guarantee for purchases and repayment of accounts payable on December 31, 2023 and 2022, respectively. Refer to Note 8 for details. The interest income arising from the aforementioned transactions with related parties was \$4,835 and \$1,541 for the years ended December 31, 2023 and 2022, respectively. There were no other receivables - interest receivable on December 31, 2023 and 2022.

(3) Key management compensation

	Years ended December 31	
	2023	2022
Short-term employee benefits	\$ 17,592	\$ 27,063
Post-employment benefits	520	465
	<u>\$ 18,112</u>	<u>\$ 27,528</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value	Book value	Purpose
	December 31, 2023	December 31, 2022	
Property, plant and equipment	\$ -	\$ 97,296	Guarantee for purchases from Taiwan Taiyo Yuden
Other non-current assets			Guarantee for purchases from Taiwan Taiyo Yuden
guarantee deposits paid	377,454	277,454	
	<u>\$ 377,454</u>	<u>\$ 374,750</u>	

Except for the abovementioned pledged assets as guarantee for purchases, the Group entered into a relevant contract with the main supplier, Taiwan Taiyo Yuden Co., Ltd (Taiwan Taiyo Yuden). The main content of the contract is as follows:

- (1) In order to fulfill the guarantee deposit requirements in the agency contract that it entered into with the main supplier, Taiwan Taiyo Yuden, the Company entered into the 'Contract of Transferring Aggregate Claims (Accounts Receivable) as Guarantee' and 'Contract of Transferring Aggregations (Inventories) as Guarantee' with Taiwan Taiyo Yuden on January 15, 2009 to replace the payment of guarantee deposits for purchases.
- (2) The abovementioned contracts can prevent the Company from paying actual cash so as to achieve the purpose of reducing cost of capital and maintaining the flexibility of capital procurement.
- (3) The subsidiary of the Company, Honey Hope Honesty International Trading (Shanghai) Co., Ltd (Honey Hope Honesty Shanghai), also entered into the 'Contract of Transferring Aggregate Claims (Accounts Receivable) as Guarantee' and 'Contract of Transferring Aggregations (Inventories) as Guarantee' with Taiwan Taiyo Yuden to assist the Company in fulfilling the abovementioned contracts.
- (4) In order to safeguard the interests of the Company, the contracts stipulated that limit on the total transfer amount of the aggregate claims (accounts receivable) and aggregations (inventories) from the Company and Honey Hope Honesty Shanghai is the Company's accounts payable to Taiwan Taiyo Yuden.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Significant Contingent Liabilities

None.

(2) Significant Unrecognised Contract Commitments

A. The Group's letters of guarantee issued by the bank for the fast customs clearance of imported goods both amounted to \$2,000 on December 31, 2023 and 2022.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

Refer to Note 6(10) for details of the appropriation of 2023 earnings as resolved by the Board of Directors on March 8, 2024.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust to the optimal capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total capital. Total liabilities refer to total liabilities as shown in the consolidated balance sheet. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus total liabilities.

During the year ended December 31, 2023, the Group's strategy was unchanged from 2022. For the Group's debt-to-capital ratio, please refer to the consolidated balance sheet.

(2) Financial instruments

A. Financial instruments by category

The information of the Company's financial assets (including cash and cash equivalents, financial assets at fair value through profit or loss (current and non-current), non-current financial assets at amortised cost, notes receivable, accounts receivable (including related parties), other receivables, guarantee deposits paid and financial liabilities (including notes payable, accounts payable (including related parties), other payables, lease liabilities (current and non-current)) are provided in parent company only balance sheet and Note 6.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign

exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### C. Significant financial risks and degrees of financial risks

##### (a) Market risk

##### i. Foreign exchange risk

- (i) The Group operates internationally and is exposed to foreign exchange risk arising from the transactions used in various currencies, primarily with respect to the USD. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- (ii) Management has set up a policy to require group segments to manage their foreign exchange risk against their functional currency. The Company is required to hedge their entire foreign exchange risk exposure with the Company treasury.
- (iii) The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; the subsidiaries' functional currency: USD, HKD, and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	53,930	30.7100	\$ 1,656,190
USD:HKD	4,858	7.8162	149,189
USD:RMB	29,007	7.0973	890,805
<u>Non-monetary items</u>			
CAD:NTD	1,000	23.2000	\$ 23,200
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	32,687	30.7100	\$ 1,003,818
USD:HKD	712	7.8162	21,866
USD:RMB	17,743	7.0973	544,888

December 31, 2022			
	Foreign currency		
	amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	77,693	30.7100	\$ 2,385,952
USD:HKD	4,703	7.7984	144,429
USD:RMB	56,245	6.9669	1,727,284
<u>Non-monetary items</u>			
USD:NTD	608	30.7100	\$ 18,659
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	48,099	30.7100	\$ 1,477,120
USD:HKD	1,596	7.7984	49,013
USD:RMB	61,537	6.9669	1,889,801
(iv) The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022 are provided in Note 6(14).			
(v) Analysis of foreign currency market risk arising from significant foreign exchange variation:			

	Year ended December 31, 2023			
	Sensitivity analysis			
	Degree of variation	Effect on (loss) profit	Effect on other comprehensive (loss) income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 16,562	\$	-
USD:HKD	1%	1,492		-
USD:RMB	1%	8,908		-
<u>Non-monetary items</u>				
CAD:NTD	1%	\$ 232	\$	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 10,038)	\$	-
USD:HKD	1%	( 219)		-
USD:RMB	1%	( 5,449)		-

Year ended December 31, 2022			
Sensitivity analysis			
	Degree of variation	Effect on (loss) profit	Effect on other comprehensive (loss) income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 23,860	\$ -
USD:HKD	1%	1,444	-
USD:RMB	1%	17,273	-
<u>Non-monetary items</u>			
USD:NTD	1%	\$ 187	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 14,771)	\$ -
USD:HKD	1%	( 490)	-
USD:RMB	1%	( 18,898)	-

ii. Price risk

- (i) The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- (ii) The Group's investments in financial instruments comprise domestic and foreign listed shares, and beneficiary certificates. The prices of financial instruments would change due to the change of the future value of investee companies. If the prices of these financial instruments had increased/decreased by 1% with all other variables held constant, profit before tax for the years ended December 31, 2023 and 2022 would have increased/decreased by \$617 and \$364, respectively, as a result of gains/losses on financial instruments classified as at fair value through profit or loss.

iii. Cash flow and fair value interest rate risk

- (i) The Company's short-term borrowings are at fixed rate. Borrowings with fixed rates expose the Company to fair value interest rate risk.
- (ii) On December 31, 2023 and 2022, if the borrowing interest rate had increased by 1% with all other variables held constant, profit before tax for the years ended December 31, 2023 and 2022 would all have decreased by \$0 ,respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main

factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through profit or loss.

- ii. The Group manages their credit risk taking into consideration the entire Group's concern. According to the Group's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The Group applies the modified approach using a provision matrix based on the customer types to estimate the expected credit loss.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of notes and accounts receivable. The provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>December 31, 2023</u>					
Expected loss rate	0.14%~0.88%	0.40%~4.29%	0.60%~100.00%	100.00%	
Notes and accounts receivable, gross	<u>\$ 1,644,260</u>	<u>\$ 26,768</u>	<u>\$ 1,546</u>	<u>\$ 101</u>	<u>\$ 1,672,675</u>
Loss allowance	<u>\$ 3,098</u>	<u>\$ 1,073</u>	<u>\$ 1,046</u>	<u>\$ 101</u>	<u>\$ 5,318</u>
	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>December 31, 2022</u>					
Expected loss rate	0.07%~0.68%	0.45%~4.35%	0.50%~54.39%	100.00%	
Notes and accounts receivable, gross	<u>\$ 2,200,673</u>	<u>\$ 19,736</u>	<u>\$ 1,408</u>	<u>\$ 116</u>	<u>\$ 2,221,933</u>
Loss allowance	<u>\$ 12,401</u>	<u>\$ 284</u>	<u>\$ 501</u>	<u>\$ 116</u>	<u>\$ 13,302</u>

The above ageing analysis was based on past due date.

viii. Movements in relation to the Group applying the modified approach to provide loss allowance for notes and accounts receivable are as follows:

	2023	2022
At January 1	\$ 13,302	\$ 17,357
Expected credit (gain) loss	( 7,920)	( 4,331)
Net exchange differences	( 64)	276
At December 31	<u>\$ 5,318</u>	<u>\$ 13,302</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.
- ii. Treasury of each operating entity invests surplus cash held by the operating entity over and above balance required for working capital management in marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As at December 31, 2023 and 2022, the Group held marketable securities of \$38,511 and \$36,362, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Group had no derivative financial liabilities. In addition, except for those listed in the table below, non-derivative financial liabilities grouped based on the remaining period at the balance sheet date to the contractual maturity date were all expiring within a year and approximate to the amounts shown in the balance sheets. The amounts disclosed in the



table are the contractual undiscounted cash flows.

<u>December 31, 2023</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Lease liability(Current/Non-Current)	\$ 7,330	\$ 2,587	\$ 9,917

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Lease liability(Current/Non-Current)	\$ 3,482	\$ 2,264	\$ 5,746

### (3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in private equity fund investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, current financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable (including related parties), other payables, current lease liabilities, non-current lease liabilities and other current liabilities - refund liabilities, are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets - recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 38,511	\$ -	\$ -	\$ 38,511
Conversion of convertible bonds	-	-	23,200	23,200
	<u>\$ 38,511</u>	<u>\$ -</u>	<u>\$ 23,200</u>	<u>\$ 61,711</u>

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets - recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 17,703	\$ -	\$ -	\$ 17,703
Private equity fund investment	-	-	18,659	18,659
	<u>\$ 17,703</u>	<u>\$ -</u>	<u>\$ 18,659</u>	<u>\$ 36,362</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments.
- iii. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3:

	2023	2022
At January 1	\$ 18,659	\$ 35,832
Losses (gains) recognised in profit or loss	( 18,052)	( 5,323)
Acquired in the year	23,200	-
Sold in the year	( 607)	( 11,850)
At December 31	<u>\$ 23,200</u>	<u>\$ 18,659</u>

F. For the years ended December 31, 2023 and 2022, there was no transfer in or out from Level 3.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Hybrid instrument					
		Binary Tree	Volatility/	32.6%	The higher the volatility, the higher the fair value
Convertible bond	<u>\$ 23,200</u>	Model	Discount Rate	6.40%	The higher the discount rate, the lower the fair value
	<u>Fair value at December 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument: Private equity fund investment	<u>\$ 18,659</u>	Net asset value	Not applicable	Not applicable	Not applicable

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. There was no significant effect of profit or loss for the years ended December 31, 2023 and 2022 from financial assets categorised within Level 3 if the inputs used to valuation models have increased or decreased by 0.1%.

### 13. Supplementary Disclosures

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 13(1)10.

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The chief operating decision-maker considers the business from a geographic type perspective; the Group currently focuses on trading of electronic parts and agency for the distribution of domestic and foreign manufacturers' products in Taiwan and Asia.

Overseas holding company is excluded in the report to the chief operating decision-maker; therefore, is not disclosed in the reportable operating segments. The operating results are expressed in 'others'.

(2) Measurement of segment information

The chief operating decision-maker uses profit after tax as the basis for assessing segment income (loss). The measure amounts are provided to the chief operating decision-maker to allocate resources to segments and measure their performance; the measure amounts of resources are not provided to the chief operating decision-maker.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Year ended December 31, 2023	Taiwan	Asia	Other	Adjustments (Note 1)	Total
Revenue from external customers	\$ 2,062,093	\$ 2,823,577	\$ -	\$ -	\$ 4,885,670
Inter-segment revenue	2,767,436	176,904	-	( 2,944,340)	-
Total segment revenue	\$ 4,829,529	\$ 3,000,481	\$ -	(\$ 2,944,340)	\$ 4,885,670
Depreciation	\$ 8,370	\$ 3,594	\$ -	\$ -	\$ 11,964
Expense of income tax	(\$ 2,060)	\$ 4,165	\$ -	\$ -	\$ 2,105
Segment income (loss)	(\$ 19,060)	(\$ 9,557)	\$ 575	\$ 8,982	(\$ 19,060)
Segment assets	\$ 3,823,304	\$ 1,426,172	\$ 688,311	(\$ 2,096,073)	\$ 3,841,714

Year ended December 31, 2022	Taiwan	Asia	Other	Adjustments (Note 1)	Total
Revenue from external customers	\$ 1,755,219	\$ 4,091,911	\$ -	\$ -	\$ 5,847,130
Inter-segment revenue	4,005,384	175,274	-	( 4,180,658)	-
Total segment revenue	\$ 5,760,603	\$ 4,267,185	\$ -	(\$ 4,180,658)	\$ 5,847,130
Depreciation	\$ 9,437	\$ 3,792	\$ -	\$ -	\$ 13,229
Expense of income tax	\$ 44,070	\$ 3,144	\$ -	\$ -	\$ 47,214
Segment income (loss)	\$ 150,875	\$ 4,852	\$ 4,528	(\$ 9,380)	\$ 150,875
Segment assets	\$ 4,454,705	\$ 2,824,913	\$ 700,567	(\$ 3,502,685)	\$ 4,477,500

Note 1: Eliminate the segment revenue and segment income(loss).

Note 2: The Group did not provide the operating decision of liability. Therefore, the item was not disclosed.

#### (4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

The performance of the reportable segments was assessed based on profit/(loss) after tax, which is consistent with the income/(loss) after tax from continuing operations. Therefore, no additional reconciliation was needed.

The amounts provided to the chief operating decision-maker with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements.

#### (5) Information on products and services

Revenue from external customers is mainly from selling of electronic component.

Details of revenue are as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Sales revenue of electronic component	\$ 4,885,670	\$ 5,847,130

(6) Geographical information

Geographical information of the group is as follows:

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 387,835	\$ 122,866	\$ 625,622	\$ 114,837
Asia and Others	<u>4,497,835</u>	<u>7,326</u>	<u>5,221,508</u>	<u>10,979</u>
	<u>\$ 4,885,670</u>	<u>\$ 130,192</u>	<u>\$ 5,847,130</u>	<u>\$ 125,816</u>

(7) Major customer information

Major customer information of the Group is as follows:

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
Company GHI	\$ 1,588,146	Asia	\$ 1,858,167	Asia
Company MNO	<u>311,879</u>	Asia	<u>736,524</u>	Asia
	<u>\$ 1,900,025</u>		<u>\$ 2,594,691</u>	

HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2023

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

As of December 31, 2023							
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Ownership (%)			Footnote
				Number of shares	Book value	Fair value	
Honey Hope Honesty Enterprise Co., Ltd.	Domestic listed common stock - Cathay Financial Holding Co., Ltd.	None	Current financial assets at fair value through profit or loss	432,647	\$ 19,794	\$ 19,794	-
Honey Hope Honesty Enterprise Co., Ltd.	Domestic listed preferred stock - Shin Kong Financial Holding Co., Ltd.	None	Current financial assets at fair value through profit or loss	11,070	317	317	-
Honey Hope Honesty Enterprise Co., Ltd.	Domestic listed common stock - Giant Manufacturing Co., Ltd.	None	Current financial assets at fair value through profit or loss	6,400	18,400	18,400	-
				Total	\$ 38,511	\$ 38,511	
Honey Hope Honesty Enterprise Co., Ltd.	Convertible corporate bonds of foreign unlisted convertible bonds - FTEx Inc.	None	Non-current financial assets at fair value through profit or loss	-	\$ 23,200	\$ 23,200	

HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of purchases (sales)	Differences in transaction terms compared to third party transactions			Footnote
						Unit price	Credit term	Balance	
Honey Hope Honesty Enterprise Co., Ltd.	Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Second-tier subsidiary	(Sales)	\$ 2,544,816	( 53)	Note 1	Note 1	\$ 233,310	22
Honey Hope Honesty Enterprise Co., Ltd.	Multileader Co., Ltd	Subsidiaries	(Sales)	( 222,620)	( 5)	Note 1	Note 1	19,535	2
Honey Hope Honesty Enterprise Co., Ltd.	Taiwan Taiyo Yuden Co., Ltd	Shareholder that holds more than 10% of the Company's shares	Purchases	2,949,532	72	Note 2	Note 2	( 785,702)	( 78)
Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Honey Hope Honesty Enterprise Co., Ltd.	Parent company	Purchases	2,544,816	92	Note 1	Note 1	( 233,310)	( 90)
Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Multileader Co., Ltd	Fellow subsidiary	Purchases	176,705	8	Note 2	Note 2	( 56,730)	( 10)
Multileader Co., Ltd	Honey Hope Honesty Enterprise Co., Ltd.	Parent company	Purchases	222,620	95	Note 1	Note 1	( 19,535)	( 90)
Multileader Co., Ltd	Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Fellow subsidiary	(Sales)	( 176,705)	( 63)	Note 2	Note 2	56,730	56

Note 1: The collection terms of the Company's sales to related parties are 90~135 days after monthly billings which are longer than the terms for major customers of 90~120 days after monthly billings as considering the subsidiaries still need time to organise after collecting payments. The prices of sales to related parties are determined based on normal sales condition that would be available to third parties.

Note 2: The purchase prices to related parties are determined based on mutual agreements. The payment terms are 60~90 days after monthly billings that would be available to general suppliers.



HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES  
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2023

Table 3

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Honey Hope Honesty Enterprise Co., Ltd.	Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Second-tier subsidiary	\$ 233,310	4.03	\$ -	\$ -	554,672	\$ -

Table 3
 Expressed in thousands of NTD  
(Except as otherwise indicated)

HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

Year ended December 31, 2023

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Honey Hope Honesty Enterprise Co., Ltd.	Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	(1)	Operating revenue	\$ 2,544,816	(Note 4)	52
0	Honey Hope Honesty Enterprise Co., Ltd.	Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	(1)	Notes and accounts receivable	233,310	(Note 5)	6
0	Honey Hope Honesty Enterprise Co., Ltd.	Multileader Co., Ltd	(1)	Operating revenue	222,620	(Note 4)	5
0	Honey Hope Honesty Enterprise Co., Ltd.	Multileader Co., Ltd	(1)	Notes and accounts receivable	19,535	(Note 5)	1
1	Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Multileader Co., Ltd	(3)	Operating costs	176,705	(Note 4)	4
1	Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Multileader Co., Ltd	(3)	Notes and accounts receivable	56,730	(Note 5)	1

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The prices of sales to related parties are determined based on normal sales condition that would be available to third parties.

Note 5: The collection terms are 90~135 days after monthly billings for the transactions of the Company's sales to related parties and 90~120 days after monthly billings for major customers.

Note 6: No disclosure will be made if the transaction amount is less than NT\$10 million.

HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2023

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net (loss) profit of the investee for the year ended December 31, 2023	Investment (loss) income recognised by the Company for the year ended December 31, 2023	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
Honey Hope Honesty Enterprise Co., Ltd.	OUTRANGE STAR LIMITED	British Virgin IS	Investment of various businesses	\$ 10,749	\$ 10,749	350,000	100	\$ 688,311	\$ 575	\$ 575	Note 1
Honey Hope Honesty Enterprise Co., Ltd.	Multileader Co., Ltd	Hong Kong	Trading of electronic parts	50,291	50,406	12,800,000	100	157,272	( 10,168)	( 10,168)	Note 2

Note 1: Balance of the initial investment amount as at January 1, 2023 and December 31, 2023 is expressed in US:NT=1:30.7100 and US:NT=1:30.7050. The original currency is US\$350 thousand.

Note 2: Balance of the initial investment amount as at January 1, 2023 and December 31, 2023 is expressed in HK:NT=1:3.9380 and HK:NT=1:3.9290. The original currency is HK\$12,800 thousand.

HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2023

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Amount remitted from		Net (loss) income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment (loss) income recognised by the Company for the year ended December 31, 2023 (Note 2)	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	China/Amount remitted back to Taiwan for the year ended December 31, 2023					
Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Trading of electronic parts	\$ 6,142	(2)	\$ 6,142	\$ -	\$ -	100	\$ 611	\$ 685,602	\$ -

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: Investment income (loss) recognised by the Company for the year ended December 31, 2023 was recognised according to the audited financial statements of the investee for the corresponding period.

Note 3: Expressed in US:NT=1:30.71. The original currency is US\$200 thousand.

Note 4: On March 28, 2003, the Board of Directors resolved the Company to incorporate Honey Hope Honesty International Trading(Shanghai) Co.,Ltd in Mainland China through OUTRANGE STAR LIMITED.

Company name	December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 5)

Honey Hope Honesty Enterprise Co., Ltd. \$ 6,142 \$ 6,142 1,511,986

Note 5: Ceiling is 60% of net assets according to the regulations.

HONEY HOPE HONESTY ENTERPRISE CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2023

Table 7

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Taiwan Taiyo Yuden Co., Ltd	11,548,398	14.45%
Yuanqiang Investment Co., Ltd.	6,961,489	8.71%
LIN HSUN-MIN	5,759,139	7.20%
CHEN LU-HSI	4,044,877	5.06%

Note: (1) The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) in dematerialised form which were held by the shareholders above 5% on the operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

(2) If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee. As for the shareholder who equity as an insider whose shareholding ratio was greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio included the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information on reported share equity of insiders, please refer to the Market Observation Post System.

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Honey Hope Honesty Enterprise Co., Ltd.

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Honey Hope Honesty Enterprise Co., Ltd. (the “Company”) as at December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and 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 2023 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2023 parent company only financial statements are stated as follows:

### **Assessment of allowance for bad debts from accounts receivable**

#### **Description**

Refer to Note 4(7) for the accounting policies related to accounts receivable, Note 5(2) for the accounting estimates and assumption uncertainty of assessment of allowance for bad debts from accounts receivable, Note 6(3) for the details of accounts receivable and Note 12(2) for the disclosure of information relating to credit risk.

The Company manages the collections of accounts receivable and overdue accounts from customers and bears relevant credit risk. The management assesses the credit quality and collection of customers periodically to adjust the credit policy on customers timely. In addition, the impairment assessment of accounts receivable applies the modified approach

to estimate the expected credit loss based on IFRS 9. The management calculates the expected loss rate according to various factors which might affect the customers' payment ability such as the past due period on the balance sheet date and in the past, the financial position and the economic position as well as using the forecastability.

Given that the amounts of the Company's accounts receivable are significant to the parent company only financial statements and the determination of the loss provision ratio involves the management's judgement, we consider the estimates of loss allowance for accounts receivable a key audit matter.

#### **How our audit addressed the matter**

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding on the credit quality of the Company's customers and assessed the policies and procedures on the provision of loss allowance for accounts receivable.
2. Assessed the loss allowance for the amounts of accounts receivable whose impairment were individually assessed.
3. Conducted test for the movements in ageing of accounts receivable and examined supporting documents related to the invoice dates of accounts receivable to ascertain the classifications of ageing periods.
4. Acquired and reviewed the historical default possibility and past due circumstances of the accounts in the past years provided by the management and considered the forecastability to assess the provision amount of loss allowance.

#### **Cut-off of sales revenue**

##### **Description**

Refer to Note 4(24) for the accounting policies on revenue recognition and Note 6(12) for



the details of revenue.

The Company has two primary types of sales, specifically, sales of goods directly shipped and sales of goods from distribution warehouses. For sales of goods from distribution warehouses, revenue is recognised when goods are picked up at the distribution warehouses by customers (the transfer of risk and rewards) based on the report of customers' actual pick up and other related information provided by the warehouse custodians. Given that the process of revenue recognition from distribution warehouse sales usually contains many manual adjustments, we consider the timing of revenue recognition from distribution warehouse sales a key audit matter.

**How our audit addressed the matter**

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding on the procedures of regular reconciliation between the Company, customer and warehouse custodians, acquired related forms to verify whether they comply with the procedures and checked the report of pick up to ascertain the accuracy of adjusting timing of revenue recognition.
2. Performed cut-off tests for sales transactions during a certain period before and after balance sheet date, including checking the supporting documents.
3. Sent confirmation letters or observed physical inventory count for certain critical inventories of the distribution warehouses and checked the records of inventories. In addition, inspected the reason for the discrepancies between the replied confirmations and accounting records, if any, and tested the reconciling items made by the Company to ascertain the significant discrepancies have been adjusted and recorded appropriately.

***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 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 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 company 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 of the current period 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.

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Yeh, Tsui-Miao

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Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2024

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HONEY HOPE HONESTY ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets		Notes	December 31, 2023		December 31, 2022			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	239,291	6	\$	287,735	6
1110	Financial assets at fair value through profit or loss - current	6(2)		38,511	1		36,362	
1136	Current financial assets at amortised cost	6(1)		384,568	10		110,000	3
1150	Notes receivable, net	6(3)		656	-		489	-
1170	Accounts receivable, net	6(3) and 8		830,044	22		408,366	9
1180	Accounts receivable - related parties	6(3) and 7(2)		252,845	7		1,076,695	24
1200	Other receivables			18,925	1		14,061	-
1220	Current tax assets	6(19)		15,706	-		-	-
130X	Inventories	6(4) and 8		600,012	16		1,191,794	27
1410	Prepayments			51,202	1		52,943	1
11XX	Current Assets			2,431,760	64		3,178,445	71
Non-current assets								
1510	Non-current financial assets at fair value through profit or loss	6(2)		23,200	1		-	-
1550	Investments accounted for using equity method	6(5)		845,583	22		864,917	20
1600	Property, plant and equipment	6(6) and 8		111,747	3		110,745	3
1755	Right-of-use assets	6(7)		7,367	-		758	-
1780	Intangible assets			3,493	-		2,723	-
1840	Deferred income tax assets	6(19)		21,071	-		17,682	-
1920	Guarantee deposits paid	7(2) and 8		378,824	10		278,824	6
1990	Other non-current assets, others			259	-		612	-
15XX	Non-current assets			1,391,544	36		1,276,261	29
1XXX	Total assets		\$	3,823,304	100	\$	4,454,706	100

(Continued)

**HONEY HOPE HONESTY ENTERPRISE CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity			December 31, 2023		December 31, 2022					
			Notes	AMOUNT	%	AMOUNT	%			
Current liabilities										
2100	Short-term borrowings	6(9)	\$	-	-	\$	-	-		
2130	Current contract liabilities	6(12)		42,514	1		43,155	1		
2150	Notes payable			4,019	-		4,833	-		
2170	Accounts payable			221,831	6		84,970	2		
2180	Accounts payable - related parties	7(2)		785,702	21		1,394,231	31		
2200	Other payables			50,177	1		61,477	2		
2230	Current income tax liabilities	6(19)		-	-		36,569	1		
2280	Current lease liabilities			4,884	-		764	-		
2300	Other current liabilities			15,384	-		10,404	-		
21XX	Current Liabilities			1,124,511	29		1,636,403	37		
Non-current liabilities										
2570	Deferred income tax liabilities	6(19)		161,136	4		165,643	4		
2580	Non-current lease liabilities			2,566	-		-	-		
2600	Other non-current liabilities	6(8)		15,113	1		15,236	-		
25XX	Non-current liabilities			178,815	5		180,879	4		
2XXX	Total Liabilities			1,303,326	34		1,817,282	41		
Equity										
	Share capital	6(9)								
3110	Share capital - common stock			799,072	21		799,072	18		
	Capital surplus	6(10)								
3200	Capital surplus			303,910	8		303,910	6		
	Retained earnings	6(11)								
3310	Legal reserve			369,966	10		354,738	8		
3320	Special reserve			45,043	1		72,041	2		
3350	Unappropriated retained earnings			1,082,888	28		1,175,476	26		
	Other equity interest									
3400	Other equity interest		(	58,131)	(	1)	(	45,043)	(	1)
3500	Treasury shares	6(9)	(	22,770)	(	1)	(	22,770)	-	
3XXX	Total equity			2,519,978	66		2,637,424	59		
	Significant contingent liabilities and unrecognised contract commitments	9								
	Significant events after the balance sheet date	11								
3X2X	Total liabilities and equity		\$	3,823,304	100	\$	4,454,706	100		

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

**HONEY HOPE HONESTY ENTERPRISE CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS (LOSS) PER SHARE AMOUNTS)

Items		Notes	Year ended December 31			
			2023		2022	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(12) and 7(2)	\$ 4,829,529	100	\$ 5,760,603	100
5000	Operating costs	6(4) and 7(2)	( 4,707,574)	( 98)	( 5,522,830)	( 96)
5900	Net operating margin		121,955	2	237,773	4
5910	Unrealized profit from sales	6(5)	( 1,305)	-	( 4,652)	-
5920	Realized profit on from sales	6(5)	4,652	-	2,530	-
5950	Net operating margin		125,302	2	235,651	4
	Operating expenses	6(17)				
6100	Selling expenses		( 110,617)	( 2)	( 119,878)	( 2)
6200	General and administrative expenses		( 50,657)	( 1)	( 58,676)	( 1)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	( 2,153)	-	( 306)	-
6000	Total operating expenses		( 163,427)	( 3)	( 178,860)	( 3)
6900	Operating (loss) profit		( 38,125)	( 1)	56,791	1
	Non-operating income and expenses					
7100	Interest income	6(13) and 7(2)	15,049	-	7,187	-
7010	Other income	6(14)	20,685	-	39,371	1
7020	Other gains and losses	6(15)	( 8,347)	-	87,246	2
7050	Finance costs	6(16)	( 789)	-	( 454)	-
7070	Share of (loss) profit of associates and joint ventures accounted for using equity method, net	6(5)	( 9,593)	-	4,804	-
7000	Total non-operating income and expenses		17,005	-	138,154	3
7900	<b>Profit (loss) before income tax</b>		( 21,120)	( 1)	194,945	4
7950	Income tax (expense) benefit	6(19)	2,060	-	( 44,070)	( 1)
8200	<b>Profit (loss) for the year</b>		<u>( \$ 19,060)</u>	<u>( 1)</u>	<u>\$ 150,875</u>	<u>3</u>
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(8)	\$ 205	-	\$ 1,759	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(19)	( 41)	-	( 352)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		164	-	1,407	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations		( 13,088)	-	26,998	-
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss		( 13,088)	-	26,998	-
8300	<b>Other comprehensive (loss) income for the year</b>		<u>( \$ 12,924)</u>	<u>-</u>	<u>\$ 28,405</u>	<u>-</u>
8500	<b>Total comprehensive (loss) income for the year</b>		<u>( \$ 31,984)</u>	<u>( 1)</u>	<u>\$ 179,280</u>	<u>3</u>
	Basic earnings per share					
9750	Total basic earnings (loss) per share	6(20)	<u>( \$ 0.24)</u>		<u>\$ 1.91</u>	
	Diluted earnings per share					
9850	Total diluted earnings (loss) per share	6(20)	<u>( \$ 0.24)</u>		<u>\$ 1.89</u>	

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



HONEY HOPE HONESTY ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Capital surplus			Retained earnings			Unappropriated retained earnings	Financial statements translation differences of foreign operations	Treasury stocks	Total equity
		Share capital - common stock	Additional paid-in capital	Employee stock warrants	Legal reserve	Special reserve					
<u>Year ended December 31, 2022</u>											
Balance, January 1, 2022		\$ 799,072	\$ 282,828	\$ 21,082	\$ 340,630	\$ 61,717		\$ 1,126,757	(\$ 72,041)	(\$ 22,770)	\$ 2,537,275
Profit for the year		-	-	-	-	-		150,875	-	-	150,875
Other comprehensive income for the year		-	-	-	-	-		1,407	26,998	-	28,405
Total comprehensive income		-	-	-	-	-		152,282	26,998	-	179,280
Appropriation of 2021 earnings	6(11)										
Legal reserve		-	-	-	14,108	-		( 14,108 )	-	-	-
Special reserve		-	-	-	-	10,324		( 10,324 )	-	-	-
Cash dividends		-	-	-	-	-		( 79,131 )	-	-	( 79,131 )
Balance at December 31, 2022		\$ 799,072	\$ 282,828	\$ 21,082	\$ 354,738	\$ 72,041		\$ 1,175,476	(\$ 45,043)	(\$ 22,770)	\$ 2,637,424
<u>Year ended December 31, 2023</u>											
Balance, January 1, 2023		\$ 799,072	\$ 282,828	\$ 21,082	\$ 354,738	\$ 72,041		\$ 1,175,476	(\$ 45,043)	(\$ 22,770)	\$ 2,637,424
Loss for the year		-	-	-	-	-		( 19,060 )	-	-	( 19,060 )
Other comprehensive income (loss) for the year		-	-	-	-	-		164	( 13,088 )	-	( 12,924 )
Total comprehensive loss		-	-	-	-	-		( 18,896 )	( 13,088 )	-	( 31,984 )
Appropriation of 2022 earnings	6(11)										
Legal reserve		-	-	-	15,228	-		( 15,228 )	-	-	-
Special reserve		-	-	-	-	( 26,998 )		26,998	-	-	-
Cash dividends		-	-	-	-	-		( 85,462 )	-	-	( 85,462 )
Balance at December 31, 2023		\$ 799,072	\$ 282,828	\$ 21,082	\$ 369,966	\$ 45,043		\$ 1,082,888	(\$ 58,131)	(\$ 22,770)	\$ 2,519,978

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

HONEY HOPE HONESTY ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Year ended December 31	
	Notes	2023	2022
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
(Loss) profit before tax		( \$ 21,120 )	\$ 194,945
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including depreciation on right-of-use assets)	6(17)	8,370	9,437
Amortisation expense of intangible assets and other non-current assets	6(17)	5,103	8,513
Expected credit impairment loss (gain)	12(2)	2,153	306
Net loss (gain) on financial assets at fair value through profit or loss	6(15)	15,845	11,609
Interest expense	6(16)	789	454
Interest income	6(13)	( 15,049 )	( 7,187 )
Dividend income	6(14)	( 19,876 )	( 1,420 )
Share of profit (loss) of subsidiaries accounted for using equity method	6(5)	9,593	( 4,804 )
Unrealized profit from sales	6(5)	1,305	4,652
Realized profit from sales	6(5)	( 4,652 )	( 2,530 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		( 17,994 )	25,835
Notes receivable, net		( 167 )	346
Accounts receivable, net		( 423,831 )	242,651
Accounts receivable-related parties		823,850	422,908
Other receivables		( 4,649 )	77,149
Inventories		591,782	( 324,869 )
Prepayments		1,741	250,250
Changes in operating liabilities			
Current contract liabilities		( 641 )	( 311,008 )
Notes payable		( 814 )	1,504
Accounts payable		136,861	( 37,866 )
Accounts payable-related parties		( 608,529 )	( 358,119 )
Other payables		( 12,764 )	9,759
Other current liabilities		4,980	( 7,801 )
Other non-current liabilities		82	18
Cash inflow generated from operations		472,368	204,732
Interest received		14,834	7,192
Dividend received		19,876	1,420
Interest paid		( 789 )	( 464 )
Income tax (paid) received		( 58,152 )	( 11,590 )
Net cash flows from operating activities		448,137	201,290

(Continued)

HONEY HOPE HONESTY ENTERPRISE CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in current financial assets at amortised cost		(\$ 274,568 )	\$ 20,000
Increase in financial assets at fair value through other comprehensive income-non current		( 23,200 )	-
Acquisition of property, plant and equipment	6(21)	( 5,747 )	( 4,045 )
Increase in guarantee deposits paid		( 100,000 )	( 107,640 )
Decrease in guarantee deposits paid		-	6
Acquisition of intangible assets	6(21)	( 4,528 )	( 3,845 )
Increase in other non-current assets-other		( 40 )	( 774 )
Net cash flows used in investing activities		( 408,083 )	( 96,298 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(22)	536,258	1,239,954
Repayment for short-term borrowings	6(22)	( 536,258 )	( 1,378,354 )
Repayments of principal portion of lease liabilities	6(22)	( 3,036 )	( 4,679 )
Payments of cash dividends	6(22)	( 85,462 )	( 79,131 )
Net cash flows used in financing activities		( 88,498 )	( 222,210 )
Net decrease in cash and cash equivalents		( 48,444 )	( 117,218 )
Cash and cash equivalents at beginning of year		287,735	404,953
Cash and cash equivalents at end of year		\$ 239,291	\$ 287,735

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

HONEY HOPE HONESTY ENTERPRISE CO., LTD.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE  
INDICATED)

1. History and Organisation

Honey Hope Honesty Enterprise Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on May 20, 1989. The Company is primarily engaged in general import and export (excluding futures), trading of electronic parts, agency for the distribution, quotation and bidding of domestic and foreign manufacturers’ products. The Company’s stocks have been listed on the Taipei Exchange starting from October 2003.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These parent company only financial statements were authorised for issuance by the Board of Directors on March 8, 2024.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform—pillar two model rules’	March 23, 2023

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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
The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.	

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025
The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.	

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through profit or loss.
  - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

The operating results and financial position of all the company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

- D. The Company recognises the gain or loss in profit or loss when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(6) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.



(9) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Leasing arrangements (lessor) – lease receivables / operating lease

Lease income from an operating lease net of any incentives given to the lessee is recognised in profit or loss on a straight-line basis over the lease term.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the comparison of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(12) Investments accounted for using the equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	10 ~ 50 years
Transportation equipment	10 ~ 15 years
Office equipment	2 ~ 5 years

(14) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.  
The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Intangible assets

Intangible assets, mainly computer software, are stated at cost and amortised on a straight-line basis over their estimated useful lives of 1 to 3 year(s).

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

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

(18) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

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

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(23) Dividends

The cash dividends distributed from earnings were recorded as liabilities in the Company's financial statements in which they are resolved by the Board of Directors at their special meeting in accordance with the Articles of Incorporation of the Company. In addition, stock dividends are recorded as stock dividends to be distributed in the period in which they are resolved by the Company's shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

- A. The Company sells electronic components and other related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. The goods are often sold with sales discounts and allowances based on aggregate sales. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period.
- C. The sales are made with a major credit term of 90 to 120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets

and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

Revenue recognition on a net/gross basis

The Company determines whether the nature of its performance obligation is to provide the specified goods itself or to arrange for the other party to provide those goods based on the transaction model and its economic substance. The Company is a principal if it controls a promised good or service before it transfers the good to a customer. The Company recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods transferred. The Company is an agent if its performance obligation is to arrange for the provision of goods by another party. The Company recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods.

Indicators that the Company controls the good before it is provided to a customer include the following:

- A. The Company is primarily responsible for the provision of goods or services;
- B. The Company assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- C. The Company has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

A. Bad debts assessment of accounts receivable

The Company manages the collections of accounts receivable and overdue accounts from customers and bears relevant credit risk. The management assesses the credit quality and collection of customers periodically to adjust the credit policy on customers timely. In addition, the impairment assessment of accounts receivable applies the modified approach to estimate the expected credit loss based on IFRS 9. The management calculates the expected loss rate according to various factors which might affect the customers' payment ability such as the past due period on the balance sheet date and in the past, the financial position and the economic position as well as using the forecastability.

As of December 31, 2023, the carrying amount of accounts receivable is provided in Note 6(3).

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be changes to the evaluation.

As of December 31, 2023, the carrying amount of inventories is provided in Note 6(4).

## 6. Details of Significant Accounts

### (1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 130	\$ 147
Checking accounts	554	1,016
Demand deposits	<u>238,607</u>	<u>286,572</u>
	<u>\$ 239,291</u>	<u>\$ 287,735</u>

- A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Company has no cash and cash equivalents pledged to others.
- C. The Company had classified the time deposits with maturity over three months and within one year amounting to \$384,568 and \$110,000 to current financial assets at amortised cost on December 31, 2023 and 2022, respectively. The interest income from time deposits recognised for the years ended December 31, 2023 and 2022 was provided in Note 6(13), respectively. The Company has no current financial assets at amortised cost pledged to others.

### (2) Financial assets at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial assets mandatorily measured at fair through profit or loss		
Listed stocks	\$ 40,947	\$ 22,347
Private equity fund investment	-	19,193
Valuation adjustment	( 2,436)	( 5,178)
	<u>\$ 38,511</u>	<u>\$ 36,362</u>
Non-current items:		
Financial assets mandatorily measured at fair through profit or loss		
Convertible Bond	<u>\$ 23,200</u>	<u>\$ -</u>

- A. The Company recognised net (loss) profit on financial assets mandatorily measured at fair value through profit or loss held for the years ended December 31, 2023 and 2022 are provided in Note 6(15).
- B. The Company has no financial assets at fair value through profit or loss pledged to others.
- C. Information relating to fair value is provided in Note 12(3).



(3) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ 656	\$ 489
Accounts receivable	833,274	\$ 409,443
Accounts receivable due from related parties	252,845	1,076,695
Subtotal	1,086,119	1,486,138
Less: Allowance for uncollectible accounts	( 3,230)	( 1,077)
	<u>\$ 1,082,889</u>	<u>\$ 1,485,061</u>

- A. The Company has no notes receivable that were past due. Information relating to ageing analysis and credit risk of notes and accounts receivable is provided in Note 12(2).
- B. As of December 31, 2023 and 2022, notes and accounts receivable were all from contracts with customers. Also, as of January 1, 2022, the balance of notes and accounts receivable from contracts with customers amounted to \$2,152,532.
- C. Details of the Company's accounts receivable pledged to others as collateral to replace the drawing of guarantee deposits for purchases are provided in Note 8.
- D. The Company did not hold any collateral for the abovementioned notes and accounts receivable.

(4) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Merchandise inventory	<u>\$ 651,906</u>	<u>(\$ 51,894)</u>	<u>\$ 600,012</u>
	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Merchandise inventory	<u>\$ 1,232,384</u>	<u>(\$ 40,590)</u>	<u>\$ 1,191,794</u>

- A. Details of the abovementioned inventories pledged to others as collateral to replace the payment of guarantee deposits for purchases are provided in Note 8.
- B. The cost of inventories recognised as expense for the year:

	Years ended December 31	
	2023	2022
Cost of goods sold	\$ 4,684,920	\$ 5,496,488
Loss on decline in market value	11,304	21,044
Loss on inventory obsolescence (net of claim income)	11,343	5,298
Loss on inventory	7	-
	<u>\$ 4,707,574</u>	<u>\$ 5,522,830</u>

(5) Investments accounted for using the equity method

	2023	2022
At January 1	\$ 864,917	\$ 835,237
Unrealised profit from sales	( 1,305)	( 4,652)
Realised profit from sales	4,652	2,530
Share of (loss) profit of subsidiaries accounted for using the equity method	( 9,593)	4,804
Changes in other equity items	( 13,088)	26,998
At December 31	<u>\$ 845,583</u>	<u>\$ 864,917</u>

Subsidiaries:	December 31, 2023	December 31, 2022
Outrange Star Limited	\$ 688,311	\$ 700,567
Multileader Co., Limited	157,272	164,350
	<u>\$ 845,583</u>	<u>\$ 864,917</u>

Details of the Company's subsidiaries are provided in Note 4(3) of the Company's 2023 consolidated financial statements.

(6) Property, plant and equipment

	2023				
	Land	Buildings and structures	Transportation equipment	Office equipment	Total
	Owner- occupied	Owner- occupied	Owner- occupied	Owner- occupied	
At January 1					
Cost	\$ 66,463	\$ 68,942	\$ 2,472	\$ 11,021	\$ 148,898
Accumulated depreciation	-	( 31,813)	( 1,214)	( 5,126)	( 38,153)
	<u>\$ 66,463</u>	<u>\$ 37,129</u>	<u>\$ 1,258</u>	<u>\$ 5,895</u>	<u>\$ 110,745</u>
Opening net book amount as at January 1	\$ 66,463	\$ 37,129	\$ 1,258	\$ 5,895	\$ 110,745
Additions	-	-	-	6,259	6,259
Cost of assets disposed	-	-	-	( 1,289)	( 1,289)
Depreciation of assets disposed	-	-	-	1,289	1,289
Depreciation charge	-	( 1,819)	( 179)	( 3,259)	( 5,257)
Closing net book amount as at December 31	<u>\$ 66,463</u>	<u>\$ 35,310</u>	<u>\$ 1,079</u>	<u>\$ 8,895</u>	<u>\$ 111,747</u>
<u>At December 31</u>					
Cost	\$ 66,463	\$ 68,942	\$ 2,472	\$ 15,991	\$ 153,868
Accumulated depreciation	-	( 33,632)	( 1,393)	( 7,096)	( 42,121)
	<u>\$ 66,463</u>	<u>\$ 35,310</u>	<u>\$ 1,079</u>	<u>\$ 8,895</u>	<u>\$ 111,747</u>

	2022				
	Land	Buildings and structures	Transportation equipment	Office equipment	Total
	Owner- occupied	Owner- occupied	Owner- occupied	Owner- occupied	
At January 1					
Cost	\$ 66,463	\$ 68,942	\$ 2,472	\$ 8,691	\$ 146,568
Accumulated depreciation	-	( 29,994)	( 1,027)	( 4,209)	( 35,230)
	<u>\$ 66,463</u>	<u>\$ 38,948</u>	<u>\$ 1,445</u>	<u>\$ 4,482</u>	<u>\$ 111,338</u>
Opening net book amount as at January 1	\$ 66,463	\$ 38,948	\$ 1,445	\$ 4,482	\$ 111,338
Additions	-	-	-	4,045	4,045
Cost of assets disposed	-	-	-	( 1,715)	( 1,715)
Depreciation of assets disposed	-	-	-	1,715	1,715
Depreciation charge	-	( 1,819)	( 187)	( 2,632)	( 4,638)
Closing net book amount as at December 31	<u>\$ 66,463</u>	<u>\$ 37,129</u>	<u>\$ 1,258</u>	<u>\$ 5,895</u>	<u>\$ 110,745</u>
At December 31					
Cost	\$ 66,463	\$ 68,942	\$ 2,472	\$ 11,021	\$ 148,898
Accumulated depreciation	-	( 31,813)	( 1,214)	( 5,126)	( 38,153)
	<u>\$ 66,463</u>	<u>\$ 37,129</u>	<u>\$ 1,258</u>	<u>\$ 5,895</u>	<u>\$ 110,745</u>

- A. The significant components of buildings and structures mainly include office buildings and decorations, which are depreciated over their estimated useful lives of 35~50 and 10 years, respectively.
- B. Information about the Company's property, plant and equipment that were pledged to others as guarantee for purchases from Taiwan Taiyo Yuden Co., Ltd. is provided in Note 8.
- C. There was no interest capitalised as part of the Company's property, plant and equipment.

(7) Leasing arrangements - lessee

- A. The Company leases various assets including buildings and parking spaces. Rental contracts are from 2021 to 2025. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be subleased, lend or sold, buildings may not be used by others in any different form and leasehold may not be transferred to others.
- B. The carrying amount of right-of-use assets arising from the buildings leased by the Company and the depreciation charge are as follows:

	2023	2022
At January 1	\$ 758	\$ 5,557
Additions	9,722	-
Depreciation charge	( 3,113)	( 4,799)
At December 31	<u>\$ 7,367</u>	<u>\$ 758</u>

C. The information on profit or loss accounts relating to lease contracts is as follows:

	Years ended December 31	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 211	\$ 29
Expense on short-term lease contracts	496	691
	<u>\$ 707</u>	<u>\$ 720</u>

D. For the years ended December 31, 2023 and 2022, except for the cash outflow for expenses relating to leases described in Note 6(7)C. above, the cash outflow arising from repayments of principal of lease liabilities is provided in Note 6(22).

#### (8) Pensions

##### A. Defined benefit pension plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 30,014	\$ 29,789
Fair value of plan assets	(14,901)	(14,553)
Net defined benefit liability		
(shown as other non-current liabilities)	<u>\$ 15,113</u>	<u>\$ 15,236</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2023</u>			
At January 1	\$ 29,789	(\$ 14,553)	\$ 15,236
Current service cost	-	-	-
Interest expense (income)	358	(175)	183
	<u>30,147</u>	<u>(14,728)</u>	<u>15,419</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(72)	(72)
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	-	-
Experience adjustments	(133)	-	(133)
	<u>(133)</u>	<u>(72)</u>	<u>(205)</u>
Pension fund contribution	-	(101)	(101)
Paid pension	-	-	-
At December 31	<u>\$ 30,014</u>	<u>(\$ 14,901)</u>	<u>\$ 15,113</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2022</u>			
At January 1	\$ 30,333	(\$ 13,356)	\$ 16,977
Current service cost	-	-	-
Interest expense (income)	213	(94)	119
	<u>30,546</u>	<u>(13,450)</u>	<u>17,096</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,002)	(1,002)
Change in demographic assumptions	-	-	-
Change in financial assumptions	(843)	-	(843)
Experience adjustments	86	-	86
	<u>(757)</u>	<u>(1,002)</u>	<u>(1,759)</u>
Pension fund contribution	-	(101)	(101)
Paid pension	-	-	-
At December 31	<u>\$ 29,789</u>	<u>(\$ 14,553)</u>	<u>\$ 15,236</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Years ended December 31	
	2023	2022
Discount rate	1.20%	1.20%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
December 31, 2023	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation	(\$ 387)	\$ 397	\$ 315	(\$ 310)
	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
December 31, 2022	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation	(\$ 405)	\$ 416	\$ 334	(\$ 327)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

Except for discount rates and future salary increases, the methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 amount to \$101.
- (g) As of December 31, 2023, the weighted average duration of the retirement plan is 6 years. The analysis of timing of the future pension payment was as follows:

	Amount
Within 1 year	\$ 3,187
1-2 year(s)	4,768
2-5 years	14,370
Over 5 years	5,095
	<u>\$ 27,420</u>

#### B. Defined contribution pension plan

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022 were \$3,289 and \$3,168, respectively.

#### (9) Share capital

- A. As of December 31, 2023, the Company’s authorised capital was \$1,200,000 (including \$70,000 reserved for employee stock options), consisting of 120,000 thousand shares of ordinary stock, and the paid-in capital was \$799,072 with a par value of NT\$10 (in dollars) per share. All proceeds from shares issued have been collected. In addition, movements in the number of the Company’s ordinary shares outstanding are as follows:

	(Unit: share in thousands)	
	2023	2022
<b><u>Share capital</u></b>		
At January 1 (that is, ending balance at December 31)	79,907	79,907
<b><u>Treasury stocks</u></b>		
At January 1 (that is, ending balance at December 31)	( 776)	( 776)
at December 31	<u>79,131</u>	<u>79,131</u>

## B. Treasury stocks

- (a) Reason for share reacquisition and movements in the number of the Company's treasury stocks are as follows:

		December 31, 2023	
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	776	\$ 2,270

		December 31, 2022	
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	776	\$ 2,270

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury stocks to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition. The transfer period of the treasury stocks shown as of December 31, 2023 is as follows:

Year repurchased	Number of shares (in thousands)	Amount	Expiry year
May 2021 to July 2021	776	\$ 22,770	May 2026 to July 2026

## (10) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. In addition, there were no movements in the Company's capital surplus for the years ended December 31, 2023 and 2022.



(11) Retained earnings / events after the balance sheet date

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the authorised capital. In addition, after setting aside or reversing special reserve according to Article 41 of the Securities and Exchange Act, the remainder along with the beginning unappropriated earnings comprise the accumulated distributable earnings which shall be proposed by the Board of Directors as dividends and submitted to the shareholders for resolution.

The Company will consider its business environment and growing stage, respond to future capital needs and long-term financial plans and fulfil shareholders' needs for cash inflow to distribute dividends based on the distributable earnings. Cash dividends shall account for at least 10% of the total dividends distributed. The abovementioned ratio of cash dividends may be adjusted as resolved by the shareholders depending on the Company's profitability, capital position and operational needs.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. Special reserve

- (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1090150022, dated March 31, 2021, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. The balance of special reserve transferred because of the initial application of IFRSs was \$13,611 on January 1, 2013.

D. The Company's appropriations of earnings are as follows:

- (a) The appropriations of 2022 and 2021 earnings as resolved by the shareholders at their meetings on June 12, 2023 and June 27, 2022 are as follows:

	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 15,228		\$ 14,108	
Special reserve	( 26,998)		10,324	
Cash dividends	85,462	1.08	79,131	1.00
	<u>\$ 73,692</u>		<u>\$ 103,563</u>	

(b) The appropriation of 2023 earnings as proposed by the Board of Directors on March 8, 2024 is as follows:

	2023	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 13,088	
Cash dividends	15,826	0.20
	<u>\$ 28,914</u>	

(12) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major geographical regions:

	Asia		
<u>Year ended December 31, 2023</u>	Taiwan	and others	Total
Revenue from contracts customers	<u>\$ 387,835</u>	<u>\$ 4,441,694</u>	<u>\$ 4,829,529</u>
	Asia		
<u>Year ended December 31, 2022</u>	Taiwan	and others	Total
Revenue from contracts customers	<u>\$ 625,622</u>	<u>\$ 5,134,981</u>	<u>\$ 5,760,603</u>

B. Contract liabilities

(a) The Company has recognised the following revenue-related contract liabilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities -			
sales of goods	<u>\$ 42,514</u>	<u>\$ 43,155</u>	<u>\$ 354,163</u>

(b) The Company had recognised revenue-related contract liabilities amounting to \$935 and \$311,943 for the years ended December 31, 2023 and 2022, respectively.

(13) Interest income

	Years ended December 31	
	2023	2022
Interest income from bank deposits	\$ 4,833	\$ 1,049
Interest income from financial assets at fair value through profit or loss	5,079	4,597
Others	5,137	1,541
	<u>\$ 15,049</u>	<u>\$ 7,187</u>

(14) Other income

	Years ended December 31	
	2023	2022
Rent income	\$ 137	\$ 137
Dividend income	19,876	1,420
Others	672	37,814
	<u>\$ 20,685</u>	<u>\$ 39,371</u>

(15) Other gains and losses

	Years ended December 31	
	2023	2022
Net losses on financial assets at fair value through profit or loss	(\$ 15,845)	(\$ 11,609)
Net foreign exchange gains	7,498	98,875
Others	-	( 20)
	<u>(\$ 8,347)</u>	<u>\$ 87,246</u>

(16) Finance costs

	Years ended December 31	
	2023	2022
Interest expense on bank borrowings	\$ 578	\$ 425
Interest expense on lease liabilities	211	29
	<u>\$ 789</u>	<u>\$ 454</u>

(17) Expenses by nature

	Years ended December 31	
	2023	2022
Employee benefit expense	\$ 90,219	\$ 116,288
Depreciation charges on property, plant and equipment	\$ 5,257	\$ 4,638
Depreciation charges on right-of-use assets	\$ 3,113	\$ 4,799
Amortisation charges on intangible assets	\$ 4,710	\$ 4,666
Amortisation charges on other non- current assets	\$ 393	\$ 3,847

(18) Employee benefit expenses

	Years ended December 31	
	2023	2022
Wages and salaries	\$ 74,068	\$ 97,221
Labour and health insurance fees	7,384	7,138
Pension costs	3,472	3,287
Directors' remuneration	1,372	3,904
Others (Note)	3,923	4,738
	\$ 90,219	\$ 116,288

Note: Including various expenses such as meal expense, employee benefits and training expense.

A. In accordance with the Articles of Incorporation of the Company, a ratio of pre-tax profit of the current year before deducting employees' compensation and director's remuneration, after reserving an amount to cover losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 5%~15% for employees' compensation and shall not be higher than 2% for directors' remuneration.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at \$0 and \$20,462, respectively; while directors' remuneration was accrued at \$0 and \$3,904, respectively. The aforementioned amounts were recognised in salary expenses.

For the years ended December 31, 2023 is loss, the employees' compensation and directors' remuneration were not estimated.

Employees' compensation and directors' remuneration for 2022 amounting to \$20,462 and \$3,904, respectively, as resolved at the meeting of Board of Directors on March 10, 2023 were in agreement with those amounts recognised in the 2022 financial statements.

C. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(19) Income tax

A. Income tax (benefit) expense

(a) Components of income tax (benefit) expense :

	Years ended December 31	
	2023	2022
Current tax:		
Current tax (assets) liabilities	\$ (15,706)	\$ 36,569
Receivable (payable) on prior year income tax (unpaid) uncollected	( 209)	-
Prior year income tax (over) underestimation	12	2,232
Withholding and provisional tax	21,780	6,033
Tax on undistributed surplus earnings	( 2,672)	( 1,876)
Total current tax	3,205	42,958
Deferred tax:		
Origination and reversal of temporary differences	( 7,937)	( 764)
Others:		
Tax on undistributed surplus earnings	2,672	1,876
Income tax (benefit) expense	(\$ 2,060)	\$ 44,070

(b) The income tax (credit)/charge relating to components of other comprehensive income is as follows:

	Years ended December 31	
	2023	2022
Remeasurement of defined benefit obligations	\$ 41	\$ 352

(c) The Company had no income tax charged/(credited) to equity during the years ended December 31, 2023 and 2022.

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	(\$ 4,224)	\$ 38,989
Tax exemption of income from domestic marketable securities transactions	- ( 955)	
Tax exemption of domestic dividend income (	78)	( 284)
Tax on undistributed earnings	2,672	1,876
Prior year income tax (over) underestimation	12	2,232
Others	( 442)	2,212
Income tax (benefit) expense	(\$ 2,060)	\$ 44,070

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	2023			
	January 1	Recognised in (loss) profit	Recognised in other comprehensive (loss) income	December 31
Deferred tax assets:				
-Temporary differences				
Unrealised inventory valuation loss	\$ 8,118	\$ 2,261	\$ -	\$ 10,379
Unrealised profit from sales	930	(669)	-	261
Unrealised sales discounts and allowances	1,766	1,186	-	2,952
Unrealised exchange loss	-	3,302	-	3,302
Uncontributed pension funds	3,048	16	(41)	3,023
Unused compensated absences	753	9	-	762
Loss on financial assets at fair value through profit or loss	107	(107)	-	-
Others	2,960	(2,568)	-	392
	<u>17,682</u>	<u>3,430</u>	<u>(41)</u>	<u>21,071</u>
Deferred tax liabilities:				
-Temporary differences				-
Unrealised exchange profit	( 2,588)	2,588	-	-
Gain on investments accounted for using the equity method	( 163,055)	1,919	-	( 161,136)
	<u>( 165,643)</u>	<u>4,507</u>	<u>-</u>	<u>( 161,136)</u>
	<u>(\$ 147,961)</u>	<u>\$ 7,937</u>	<u>(\$ 41)</u>	<u>(\$ 140,065)</u>

2022				
	January 1	Recognised in (loss) profit	Recognised in other comprehensive (loss) income	December 31
Deferred tax assets:				
-Temporary differences				
Unrealised inventory valuation loss	\$ 3,909	\$ 4,209	\$ -	\$ 8,118
Unrealised profit from sales	506	424	-	930
Unrealised sales discounts and allowances	3,331	( 1,565)	-	1,766
Unrealised exchange loss	816	( 816)	-	-
Uncontributed pension funds	3,396	4	( 352)	3,048
Unused compensated absences	693	60	-	753
Loss on financial assets at fair value through profit or loss	-	107		107
Others	2,239	721	-	2,960
	<u>14,890</u>	<u>3,144</u>	<u>( 352)</u>	<u>17,682</u>
Deferred tax liabilities:				
-Temporary differences				-
Gain on financial assets at fair value through profit or loss	( 1,169)	1,169	-	-
Unrealised exchange profit	-	( 2,588)	-	( 2,588)
Gain on investments accounted for using the equity method	( 162,094)	( 961)	-	( 163,055)
	<u>( 163,263)</u>	<u>( 2,380)</u>	<u>-</u>	<u>( 165,643)</u>
	<u>(\$ 148,373)</u>	<u>\$ 764</u>	<u>(\$ 352)</u>	<u>(\$ 147,961)</u>

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

(20) (Loss) earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders	(\$ 19,060)	79,131	( 0.24)
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders	(\$ 19,060)	79,131	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	-	
Loss plus assumed conversion of all dilutive potential ordinary shares	(\$ 19,060)	79,131	( 0.24)

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 150,875	79,131	1.91
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 150,875	79,131	
Assumed conversion of all dilutive potential ordinary shares			
- Employees' compensation	-	832	
Profit plus assumed conversion of all dilutive potential ordinary shares	\$ 150,875	79,963	1.89



(21) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31, 2023	Year ended December 31, 2022
Purchase of property, plant and equipment	\$ 6,259	\$ 4,045
Less: Ending balance of payable on equipment	( 512)	-
Cash paid during the year	<u>\$ 5,747</u>	<u>\$ 4,045</u>

	Year ended December 31, 2023	Year ended December 31, 2022
Purchase of intangible assets	\$ 5,480	\$ 3,845
Less: Ending balance of payable on equipment	( 952)	-
Cash paid during the year	<u>\$ 4,528</u>	<u>\$ 3,845</u>

(22) Changes in liabilities from financing activities

	Short-term borrowings	Dividends payable (shown as other payables)	Lease liabilities (current/non-current)
At January 1, 2023	\$ -	\$ -	\$ 764
Repayments of borrowings	( 536,258)	-	-
Proceeds from borrowings	536,258	-	-
Dividends declared	-	85,462	-
Dividends distributed	-	( 85,462)	-
Repayments of principal portion of lease liabilities	-	-	( 3,036)
Additional lease liabilities	-	-	9,722
At December 31, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,450</u>

	Short-term borrowings	Dividends payable (shown as other payables)	Lease liabilities (current/non-current)
At January 1, 2022	\$ 138,400	\$ -	\$ 5,443
Repayments of borrowings	( 1,378,354)	-	-
Proceeds from borrowings	1,239,954	-	-
Dividends declared	-	79,131	-
Dividends distributed	-	( 79,131)	-
Repayments of principal portion of lease liabilities	-	-	( 4,679)
At December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 764</u>

## 7. Related Party Transactions

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Taiwan Taiyo Yuden Co., Ltd (Taiwan Taiyo Yuden)	Shareholder that holds more than 10% of the Company's shares
Taiyo Yuden Co., Ltd	Parent company of the shareholder that holds more than 10% of the Company's shares
Multileader Co., Ltd	Wholly-owned subsidiary accounted for using the equity method
OUTRANGE STAR LIMITED (OUTRANGE)	Wholly-owned subsidiary accounted for using the equity method
Honey Hope Honesty International Trading (Shanghai) Co.,Ltd (Honey Hope Honesty Shanghai)	Wholly-owned second-tier subsidiary accounted for using the equity method
All directors, independent directors, general manager and vice general manager	Key management personnel and those charged with governance of the Company

### (2) Significant related party transactions

#### A. Operating revenue

	<u>Years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Sales of goods:		
Subsidiary - Multileader Co., Ltd	\$ 222,620	\$ 295,015
Second-tier subsidiary - Honey Hope Honesty Shanghai	2,544,816	3,710,369
	<u>\$ 2,767,436</u>	<u>\$ 4,005,384</u>

The collection terms of the transactions of the Company's sales to the abovementioned related parties are 90~135 days after monthly billings which are longer than the terms for major customers of 90~120 days after monthly billings as considering the subsidiaries still need time to organise after collecting payments. The prices of sales to related parties are determined based on normal sales condition that would be available to third parties.

#### B. Purchases

	<u>Years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Purchases of goods:		
Second-tier subsidiary - Honey Hope Honesty Shanghai	\$ 200	\$ -
Taiwan Taiyo Yuden	2,949,532	5,190,164
	<u>\$ 2,949,732</u>	<u>\$ 5,190,164</u>

The Company mainly acts as an agent of and sells products produced by Taiwan Taiyo Yuden. The purchase prices of the Company to the aforementioned related parties are determined based on mutual agreements. The payment terms are 60~90 days after monthly billings that would be available to general suppliers. Refer to Note 8 for details of the assets pledged to related parties for the purpose of providing guarantee for purchases and repayment of accounts payable.

C. Accounts receivable

	Years ended December 31	
	2023	2022
Subsidiary - Multileader Co., Ltd	\$ 19,535	\$ 45,988
Second-tier subsidiary - Honey Hope Honesty Shanghai	233,310	1,030,707
	<u>\$ 252,845</u>	<u>\$ 1,076,695</u>

D. Accounts payable

	December 31, 2023	December 31, 2022
Taiwan Taiyo Yuden	<u>\$ 785,702</u>	<u>\$ 1,394,231</u>

E. Other non-current assets - guarantee deposits paid

The Company had paid guarantee deposits of \$377,454 and \$277,454 to Taiwan Taiyo Yuden as guarantee for purchases and repayment of accounts payable on December 31, 2023 and 2022, respectively. Refer to Note 8 for details. The interest income arising from the aforementioned transactions with related parties was \$4,835 and \$1,541 for the years ended December 31, 2023 and 2022, respectively. There were no other receivables - interest receivable on December 31, 2023 and 2022.

(3) Key management compensation

	Years ended December 31	
	2023	2022
Short-term employee benefits	\$ 17,592	\$ 27,063
Post-employment benefits	520	465
	<u>\$ 18,112</u>	<u>\$ 27,528</u>

## 8. Pledged Assets

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
Property, plant and equipment	\$ -	\$ 97,296	Guarantee for purchases from Taiwan Taiyo Yuden
Other non-current assets guarantee deposits paid	377,454	277,454	Guarantee for purchases from Taiwan Taiyo Yuden
	<u>\$ 377,454</u>	<u>\$ 374,750</u>	

Except for the abovementioned pledged assets as guarantee for purchases, the Company entered into a relevant contract with the main supplier, Taiwan Taiyo Yuden Co., Ltd (Taiwan Taiyo Yuden). The main content of the contract is as follows:

- (1) In order to fulfill the guarantee deposit requirements in the agency contract that it entered into with the main supplier, Taiwan Taiyo Yuden, the Company entered into the 'Contract of Transferring Aggregate Claims (Accounts Receivable) as Guarantee' and 'Contract of Transferring Aggregations (Inventories) as Guarantee' with Taiwan Taiyo Yuden on January 15, 2009 to replace the payment of guarantee deposits for purchases.
- (2) The abovementioned contracts can prevent the Company from paying actual cash so as to achieve the purpose of reducing cost of capital and maintaining the flexibility of capital procurement.
- (3) The subsidiary of the Company, Honey Hope Honesty International Trading (Shanghai) Co.,Ltd (Honey Hope Honesty Shanghai), also entered into the 'Contract of Transferring Aggregate Claims (Accounts Receivable) as Guarantee' and 'Contract of Transferring Aggregations (Inventories) as Guarantee' with Taiwan Taiyo Yuden to assist the Company in fulfilling the abovementioned contracts.
- (4) In order to safeguard the interests of the Company, the contracts stipulated that limit on the total transfer amount of the aggregate claims (accounts receivable) and aggregations (inventories) from the Company and Taiwan Taiyo Yuden is the Company's accounts payable to Taiwan Taiyo Yuden.

## 9. Significant Contingent Liabilities and Unrecognised Contract Commitments

### (1) Significant Contingent Liabilities

None.

### (2) Significant Unrecognised Contract Commitments

- A. The Company's letters of guarantee issued by the bank for the fast customs clearance of imported goods amounted to \$2,000 on December 31, 2023 and 2022.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

Refer to Note 6(11) for details of the appropriation of 2023 earnings as resolved by the Board of Directors on March 8, 2024.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust to the optimal capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total capital. Total liabilities refer to total liabilities as shown in the parent company only balance sheet. Total capital is calculated as 'equity' as shown in the parent company only balance sheet plus total liabilities.

During the year ended December 31, 2023, the Company's strategy was unchanged from 2022. For the Company's debt-to-capital ratio, please refer to the individual balance sheet.

(2) Financial instruments

A. Financial instruments by category

The information of the Company's financial assets (including cash and cash equivalents, financial assets at fair value through profit or loss (current and non-current), non-current financial assets at amortised cost, notes receivable, accounts receivable (including related parties), other receivables, guarantee deposits paid and financial liabilities (including notes payable, accounts payable (including related parties), other payables, lease liabilities (current and non-current)) are provided in parent company only balance sheet and Note 6.

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### i. Foreign exchange risk

- (i) The Company operates internationally and is exposed to foreign exchange risk arising from the transactions used in various currencies, primarily with respect to the USD. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- (ii) Management has set up a policy to require company segments to manage their foreign exchange risk against their functional currency. The Company is required to hedge their entire foreign exchange risk exposure with the Company treasury.
- (iii) The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	53,935	30.7100	\$1,656,344
JPY:NTD	950	0.2172	206
<u>Non-monetary items</u>			
CAD:NTD	1,000	23.2000	\$ 23,200
<u>Investments accounted for using the equity method</u>			
USD:NTD	22,413	30.7100	\$ 688,311
HKD:NTD	40,029	3.9290	157,272
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	32,692	30.7100	\$1,003,971

	December 31, 2022		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	77,693	30.7100	\$2,385,952
JPY:NTD	926	0.2324	215
<u>Non-monetary items</u>			
USD:NTD	608	30.7100	\$ 18,659
<u>Investments accounted for using the     equity method</u>			
USD:NTD	22,812	30.7100	\$ 700,567
HKD:NTD	41,735	3.9380	164,350
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	48,096	30.7100	\$1,477,028

- (iv) The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022 are provided in Note 6(15).
- (v) Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2023		
	Sensitivity analysis		
	Degree of variation	Effect on (loss) profit	Effect on other comprehensive (loss) income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 16,563	\$ -
JPY:NTD	1%	2	-
<u>Non-monetary items</u>			
CAD:NTD	1%	\$ 232	\$ -
<u>Investments accounted for using the     equity method</u>			
USD:NTD	1%	\$ 6,883	\$ -
HKD:NTD	1%	1,573	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 10,040)	\$ -

	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on (loss) profit	Effect on other comprehensive (loss) income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 23,860	\$ -
JPY:NTD	1%	2	-
<u>Non-monetary items</u>			
USD:NTD	1%	187	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 14,770)	\$ -

ii. Price risk

- (i) The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- (ii) The Company's investments in financial instruments comprise domestic and foreign listed shares, beneficiary certificates and foreign unlisted convertible bond. The prices of financial instruments would change due to the change of the future value of investee companies. If the prices of these financial instruments had increased/decreased by 1% with all other variables held constant, profit before tax for the years ended December 31, 2023 and 2022 would have increased/decreased by \$617 and \$364, respectively, as a result of gains/losses on financial instruments classified as at fair value through profit or loss.

iii. Cash flow and fair value interest rate risk

- (i) The Company's short-term borrowings are at fixed rate. Borrowings with fixed rates expose the Company to fair value interest rate risk.
- (ii) On December 31, 2023 and 2022, if the borrowing interest rate had increased by 1% with all other variables held constant, profit before tax for the years ended December 31, 2023 and 2022 would all have decreased by \$0, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based



on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through profit or loss.

- ii. The Company manages their credit risk taking into consideration the entire company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The Group applies the modified approach using a provision matrix based on the customer types to estimate the expected credit loss.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of notes and accounts receivable. The provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>December 31, 2022</u>					
Expected loss rate	0.14%	4.29%	72.97%~100.00%	100%	
Notes payable and accounts receivable, gross	\$ 1,061,089	\$ 24,644	\$ 1,042	\$ -	\$ 1,086,775
Loss allowance	\$ 1,131	\$ 1,057	\$ 1,042	\$ -	\$ 3,230

	Not past due	Up to 30 days past due	31~90 days past due	Over 90 days past due	Total
<u>December 31, 2021</u>					
Expected loss rate	0.07%	4.35%	35.58%~54.39%	100.00%	
Notes payable and accounts receivable, gross	\$ 1,480,747	\$ 4,355	\$ 1,408	\$ 116	\$ 1,486,626
Loss allowance	\$ 271	\$ 189	\$ 501	\$ 116	\$ 1,077

The above ageing analysis was based on past due date.

viii. Movements in relation to the Company applying the modified approach to provide loss allowance for notes and accounts receivable are as follows:

	2023	2022
At January 1	\$ 1,077	\$ 771
Expected credit (gain) loss	2,153	306
At December 31	\$ 3,230	\$ 1,077

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.
- ii. Treasury of each operating entity invests surplus cash held by the operating entity over and above balance required for working capital management in marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As at December 31, 2023 and 2022, the Company held marketable securities of \$38,511 and \$36,362, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Company had no derivative financial liabilities. In addition, except for those listed in the table below, non-derivative financial liabilities grouped based on the remaining period at the balance sheet date to the contractual maturity date were all expiring within a year and approximate to the amounts shown in the balance sheets. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2023	Less than 1 year	Over 1 year	Total
Lease liability(Current/Non-current) \$	5,070	\$ 2,587	\$ 7,657

December 31, 2022	Less than 1 year	Over 1 year	Total
Lease liability(Current/Non-current) \$	765	\$ -	\$ 765

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in private equity fund investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of the Company's financial instruments not measured at fair value, including cash and cash equivalents, current financial assets at amortised cost, notes receivable, accounts receivable (including related parties), other receivables, guarantee deposits paid, notes payable, accounts payable (including related parties), other payables and current lease liabilities (current/non-current), are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets - recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 38,511	\$ -	\$ -	\$ 38,511
Private equity fund investment	-	-	23,200	23,200
	<u>\$ 38,511</u>	<u>\$ -</u>	<u>\$ 23,200</u>	<u>\$ 61,711</u>

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets - recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 17,703	\$ -	\$ -	\$ 17,703
Private equity fund investment	-	-	18,659	18,659
	<u>\$ 17,703</u>	<u>\$ -</u>	<u>\$ 18,659</u>	<u>\$ 36,362</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments.
- iii. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

D. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3:

	2023	2022
At January 1	\$ 18,659	\$ 35,832
Purchased in the year	23,200	-
Losses (gains) recognised in profit or loss	( 18,052)	( 5,323)
Sold in the year	( 607)	( 11,850)
At December 31	<u>\$ 23,200</u>	<u>\$ 18,659</u>

F. For the years ended December 31, 2023 and 2022, there was no transfer in or out from Level 3.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Private equity fund investment	\$ <u>23,200</u>	Binomial Model	Volatility/Discount Rate	32.6%/6.4%	The higher the volatility, the higher the fair value
	<u>Fair value at December 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Private equity fund investment	\$ <u>18,659</u>	Net asset value	Not applicable	Not applicable	The higher the discount rate, the lower the fair value

H. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. There was no significant effect of profit or loss for the years ended December 31, 2023 and 2022 from financial assets categorised within Level 3 if the inputs used to valuation models have increased or decreased by 0.1%.

### 13. Supplementary Disclosures

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 13(1)J.

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

HONEY HOPE HONESTY ENTERPRISE CO., LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2023

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

As of December 31, 2023							Footnote
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value
Honey Hope Honesty Enterprise Co., Ltd.	Domestic listed common stock - Cathay Financial Holding Co., Ltd.	None	Current financial assets at fair value through profit or loss	432,647	\$ 19,794	-	\$ 19,794
Honey Hope Honesty Enterprise Co., Ltd.	Domestic listed preferred stock - Shin Kong Financial Holding Co., Ltd.	None	Current financial assets at fair value through profit or loss	11,070	317	-	317
Honey Hope Honesty Enterprise Co., Ltd.	Domestic listed common stock - Giant Manufacturing Co., Ltd.	None	Current financial assets at fair value through profit or loss	100,000	18,400	-	18,400
				Total	\$ 38,511		\$ 38,511
Honey Hope Honesty Enterprise Co., Ltd.	Foreign unlisted convertible bond - FTEx Inc.	None	Non-current financial assets at fair value through profit or loss	Not applicable	\$ 23,200		\$ 23,200

HONEY HOPE HONESTY ENTERPRISE CO., LTD.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of purchases (sales)	Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)	
						Unit price	Credit term	Balance	Percentage of notes/accounts receivable (payable)	Footnote
Honey Hope Honesty Enterprise Co., Ltd.	Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Second-tier subsidiary	(Sales)	(\$ 2,544,816)	( 53)	Note 1	135 days after monthly billings	\$ 233,310	22	
Honey Hope Honesty Enterprise Co., Ltd.	Multileader Co., Ltd	Subsidiaries	(Sales)	( 222,620)	( 5)	Note 1	90 days after monthly billings	19,535	2	
Honey Hope Honesty Enterprise Co., Ltd.	Taiwan Taiyo Yuden Co., Ltd	Shareholder that holds more than 10% of the Company's shares	Purchases	2,949,532	72	Note 2	90 days after monthly billings	( 785,702)	( 78)	
Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Honey Hope Honesty Enterprise Co., Ltd.	Parent company	Purchases	2,544,816	92	Note 1	135 days after monthly billings	( 233,310)	( 90)	
Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Multileader Co., Ltd	Fellow subsidiary	Purchases	176,705	8	Note 2	90 days after monthly billings	( 56,730)	( 10)	
Multileader Co., Ltd	Honey Hope Honesty Enterprise Co., Ltd.	Parent company	Purchases	222,620	95	Note 1	90 days after monthly billings	( 19,535)	( 90)	
Multileader Co., Ltd	Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Fellow subsidiary	(Sales)	( 176,705)	( 63)	Note 2	90 days after monthly billings	56,730	56	

Note 1: The collection terms of the Company's sales to related parties are 90~135 days after monthly billings which are longer than the terms for major customers of 90~120 days after monthly billings as considering the subsidiaries still need time to organise after collecting payments. The prices of sales to related parties are determined based on normal sales condition that would be available to third parties.

Note 2: The purchase prices to related parties are determined based on mutual agreements. The payment terms are 60~90 days after monthly billings that would be available to general suppliers.



HONEY HOPE HONESTY ENTERPRISE CO., LTD.  
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2023

Table 3

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Honey Hope Honesty Enterprise Co., Ltd.	Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Second-tier subsidiary	\$ 233,310	4.03	\$ -	\$ 554,672	\$ -	

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

HONEY HOPE HONESTY ENTERPRISE CO., LTD.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2023

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Honey Hope Honesty Enterprise Co., Ltd.	Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	(1)	Operating income	\$ 2,544,816	(Note 4)	52
0	Honey Hope Honesty Enterprise Co., Ltd.	Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	(1)	Notes and accounts receivable	233,310	(Note 5)	6
0	Honey Hope Honesty Enterprise Co., Ltd.	Multileader Co., Ltd	(1)	Operating income	222,620	(Note 4)	5
0	Honey Hope Honesty Enterprise Co., Ltd.	Multileader Co., Ltd	(1)	Notes and accounts receivable	19,535	(Note 5)	1
1	Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Multileader Co., Ltd	(3)	Operating cost	176,705	(Note 4)	4
1	Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Multileader Co., Ltd	(3)	Notes and accounts payable	56,730	(Note 5)	1

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories: fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The prices of sales to related parties are determined based on normal sales condition that would be available to third parties.

Note 5: The collection terms are 90~135 days after monthly billings for the transactions of the Company's sales to related parties and 90~120 days after monthly billings for major customers.

Note 6: No disclosure will be made if the transaction amount is less than NT\$10 million.

HONEY HOPE HONESTY ENTERPRISE CO., LTD.

Information on investees

Year ended December 31, 2023

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net (loss) profit of the investee for the year ended December 31, 2023	Investment (loss) income recognised by the Company for the year ended December 31, 2023	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
Honey Hope Honesty Enterprise Co., Ltd.	OUTRANGE STAR LIMITED	British Virgin IS	Investment of various businesses	\$ 10,749	\$ 10,749	350,000	100	\$ 688,311	\$ 575	\$ 575	Note 1
Honey Hope Honesty Enterprise Co., Ltd.	Multileader Co., Ltd	Hong Kong	Trading of electronic parts	50,291	50,406	12,800,000	100	157,272 (	10,168) (	10,168) (	Note 2

Note 1: Balance of the initial investment amount as at January 1, 2023 and December 31, 2023 is expressed in US:NT=1:30.7100 and US:NT=1:30.7050. The original currency is US\$350 thousand.

Note 2: Balance of the initial investment amount as at January 1, 2023 and December 31, 2023 is expressed in HK:NT=1:3.9380 and HK:NT=1:3.9290. The original currency is HK\$12,800 thousand.

HONEY HOPE HONESTY ENTERPRISE CO., LTD.  
Information on investments in Mainland China  
Year ended December 31, 2023

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Amount remitted from		Net (loss) income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment (loss) income recognised by the Company for the year ended December 31, 2023 (Note 2)	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan
				China/Amount remitted from Taiwan to December 31, 2023	Remitted back to Taiwan					
				as of January 1, 2023	Mainland China					
Honey Hope Honesty International Trading(Shanghai) Co.,Ltd	Trading of electronic parts	\$ 6,142	(2)	\$ 6,142	- \$	- \$	611	\$ 100	\$ 685,602	\$ -

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others.
- Note 2: Investment income (loss) recognised by the Company for the year ended December 31, 2023 was recognised according to the audited financial statements of the investee for the corresponding period.
- Note 3: Expressed in US:NT=1:30.71. The original currency is US\$200 thousand.
- Note 4: On March 28, 2003, the Board of Directors resolved the Company to incorporate Honey Hope Honesty International Trading(Shanghai) Co.,Ltd in Mainland China through OUTRANCE STAR LIMITED.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 5)
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Honey Hope Honesty Enterprise Co., Ltd.	\$ 6,142	\$ 6,142	1,511,986
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Note 5: Ceiling is 60% of net assets according to the regulations.

HONEY HOPE HONESTY ENTERPRISE CO., LTD.

Major shareholders information

December 31, 2023

Table 7

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Taiwan Taiyo Yuden Co., Ltd	11,548,398	14.45%
Yuanqiang Investment Co., Ltd.	6,961,489	8.71%
LIN HSUN-MIN	5,759,139	7.20%
CHEN LU-HSI	4,044,877	5.06%

Note: (1) The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) in dematerialised form which were held by the shareholders above 5% on the operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

(2) If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee. As for the shareholder who equity as an insider whose shareholding ratio was greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio included the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information on reported share equity of insiders, please refer to the Market Observation Post System.