

**Stock Code: 6283**



# **Annual Report 2023**

Printed on April 30, 2024

Annual Report is available at  
Market Observation Post System: [mops.twse.com.tw](https://mops.twse.com.tw)  
Company Website: [www.soe-ele.com](https://www.soe-ele.com)

**1. The names, title, telephone numbers, and e-mail addresses of the Spokesperson and Deputy spokesperson:**

Spokesperson:

Name: SHIH-CHANG CHEN

Title: Chief Executive Officer

Telephone: +886-2-2796-5628

Email address: [pr.tp@soe-ele.com](mailto:pr.tp@soe-ele.com)

Deputy Spokesperson:

Name: JUEI-CHEN CHANG

Title: Vice President

Telephone: +886-2-2796-5628

Email address: [pr.tp@soe-ele.com](mailto:pr.tp@soe-ele.com)

**2. Headquarter, branch office and factories:**

Address of Headquarter: 2F., No. 19, Ln. 146, Xinhua 2nd Rd., Neihu Dist., Taipei City,  
Taiwan (R.O.C.)

Phone number of Headquarter: +886-2-2796-5628

**3. The name, address, website, and telephone number of the stock transfer agent:**

Name: CTBC Bank

Website: <http://ecorp.ctbcbank.com/cts/index.jsp>

Address: 5F, No.83, Sec. 1, Chongcing S. Rd., Jhongjheng District, Taipei City 100, Taiwan  
(R.O.C.)

Phone number: +886-2-6636-5566

**4. The names, office name, address, website, and telephone number of the verifying CPAs of the most recent financial report:**

CPAs: You-Ling Cai / Wen-Qin Lin

Company: Deloitte Taiwan

Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City, Taiwan (R.O.C.)

Website: [www.deloitte.com.tw](http://www.deloitte.com.tw)

Phone number: +886-2-2725-9988

**5. The name of the Exchange where the overseas securities are listed and the method for querying the information of the overseas securities: None**

**6. Company website: [www.soe-ele.com](http://www.soe-ele.com)**

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## **IX. IN THE RECENT YEAR AND UP TO THE DATE OF PRINTING OF THE ANNUAL REPORT, THERE HAVE BEEN NO SIGNIFICANT EVENTS THAT WOULD HAVE A MAJOR IMPACT ON SHAREHOLDER EQUITY OR SECURITY PRICES AS DEFINED IN ARTICLE 36, PARAGRAPH 2, CLAUSE 2 OF THIS LAW 132**

## **I. REPORT TO SHAREHOLDERS**

Ladies and gentlemen, esteemed shareholders:

Our company experienced a slight decline in overall revenue and profitability in the fiscal year 2022. Consolidated operating revenues for 2023 was NT\$1,288,950 thousand, a decrease of NT\$441,785 thousand compared to the NT\$1,730,735 thousand in 2022, representing a 25.53% decline in revenue. Net loss attributable to the Company after tax was NT\$175,062 thousand. The decrease in revenue was due to excess inventory at customers' end, which made them more reluctant at placing purchase orders. Here is the summary of our 2023 business report:

### **1. Overview of 2023 Operational Plan**

#### **(1) Implementation of the business plan:**

Shun On Company continued to provide customers with high-quality and reliable thin film products in 2023. We actively expanded our business in the automotive sector and automotive electronic products.

In 2023

- 1) High-resolution automobile cameras and the surround-view image system have been accepted by major customers for use on new auto models, which affirms Shun On of the efforts it has committed into growing relationship with key auto makers. Meanwhile, Shun On's efforts at selling cameras overseas have also been fruitful, as the components are accepted by Japanese auto makers for use in many models that are targeted at the Southeast Asian market.
- 2) In the 4th quarter of 2023, the Company passed certification for ASIL D, the most rigorous safety level under ISO26262. Having met the specific requirements while being able to deliver more outstanding quality and performance have further strengthened European/American/Japanese customers' confidence in Shun On with regards to the safety, reliability, and compliance of electronic components.

#### **(2) Budget Execution Status**

Since the Company did not disclose financial budget figures for the fiscal year 2023, there is no budget achievement status to report at this time.

#### **(3) Financial Revenue and Profitability Analysis (IFRS):**

Item		Year	2022	2023
Financial Structure (%)	Debt-to-Asset Ratio		32.94%	31.80%
	Long-term Funds-to- Fixed Assets Ratio		357.58%	417.62%
Profitability Capacity (%)	Return on Assets		(2.94)%	(6.94)%
	Return on Equity		(4.59)%	(10.55)%
	Net Profit Margin		(5.33)%	(15.41)%
	Earnings Per Share (NT\$)		(0.62)	(1.19)

## 2. Summary of 2024 Operational Plan

### (1) Business Policy

- 1) Demand for electric vehicles has long been growing at a fast rate, especially in key markets such as China, Europe, and USA. Many conventional auto makers have increased investment into electric vehicles in an attempt to bring more varieties onto the market. Faced with the market's ever-growing demand for auto electronics with higher performance and more complex algorithms, the Company actively adjusts its product strategies and is directed R&D resources into new products such as domain controllers and subsystem control units.
- 2) With regards to the product portfolio, the Company will be expanding its development focus from fossil fuel and electric vehicle to include commercial vehicles, smart trucks, pickup trucks etc.
- 3) Starting with cameras, the Company will be bringing its solutions to South American customers.

**(2) Expected sales volume and basis of estimation:** The company has not disclosed financial forecast for the year 2024.

### (3) Key Production and Sales Policies:

- 1) Expand penetration in Chinese joint venture car manufacturers and reduce reliance on domestic customers to strengthen the business foundation.
- 2) Utilize the success of the European customers' surround view system development project to promote AVM (Around View Monitor) development to other customers.
- 3) Form more robust and long-term relationship with suppliers and make better use of suppliers' resources to capitalize on business opportunities for mutual benefit.
- 4) Promote platform-based products to reduce development costs and create advantages in automated and scaled production.

### **3. Company's Future Development Strategies**

- (1) Market expansion: Explore new markets and customers; expand product or service coverage both in terms of geographical coverage and product line coverage, or introduce innovative products for different market positions.
- (2) Innovation and R&D: More resources will be committed into the development of proprietary machine vision algorithms along with new products and services to satisfy the market's demand and to maintain competitive advantage.
- (3) Strategic cooperation: The Company aims to expand its operation, increase market share, and acquire new technologies and resources through merger and acquisition, and will continue working with key suppliers to create common value as well as competitive advantage.

### **4. Impact of External Competitive Environment, Regulations, and Overall**

In order to develop global markets, the Company constantly collects information on domestic and international policy trends and regulatory changes to adjust our operational strategies accordingly. The company is committed to complying with relevant international environmental agreements, fulfilling corporate social responsibilities, and actively engaging in environmental protection activities. In addition to registering the Environmental Impact Assessment (EIA) with the relevant authorities in our manufacturing locations, we have also obtained ISO 14001 certification. Recent changes in domestic and international policies and laws have not had a significant adverse impact on the financial operations of the group.

### **5. Conclusion**

Building upon our foundation in conductive film products, the Company actively expands into diversified automotive electronic products, resulting in continuous business growth. In 2024, we will continue to cultivate and establish our presence in the automotive electronics market, focusing on key technology advancement. We will also seek to attract talent and expand overall operations to create maximum benefits for shareholders, customers, suppliers, and employees, and to share the future success of our business.

Chairman: Jong-Hwa Chin

Manager: Shih-Chang Chen

Accounting Supervisor: Yi-Hui Yeh

## II. COMPANY INTRODUCTION

### 1. DATE OF ESTABLISHMENT

January 12, 1996

### 2. COMPANY HISTORY

Recent annual and up-to-date information on mergers and acquisitions, investments in related companies, restructuring, significant transfers or changes in the ownership of major shareholders holding more than 10% of the Company's shares, changes in management control, significant changes in business operations or activities, and other important matters that may affect shareholders' equity, shall be disclosed, including any information from earlier years that has a significant impact on understanding the Company's development.

Year	History
1996	Shun On Electronic Co., Ltd. was established in Banqiao City, Taipei County, with a capital of NT\$5,000,000.
2001	In June, an investment was made in Dongguan Yongju Electronic Factory, engaged in the manufacturing of keyboard conductive film. In August, an investment was made in Dongguan Shun On Electronic Co., Ltd., engaged in the manufacturing of mobile phone keypad elastic panels and Membrane Switches. In December, the capital increased to NT\$195,000,000.
2002	In April, a cash capital increase of NT\$50,000,000 and a capitalization of retained earnings of NT\$34,850,000 were conducted, raising the capital to NT\$279,850,000, and an open issuance was subsequently carried out. In December, an investment was made in Jiaying Shunon Electronic Technology Co., Ltd., engaged in the manufacturing of conductive film for notebook computer keyboards.
2003	In July, a capitalization of retained earnings of NT\$53,150,000 was conducted, raising the capital to NT\$333,000,000 after the capital increase. In November, the Company's stock was officially listed for trading on the Over-The-Counter Securities Exchange.
2004	In March, the Company issued its first domestic unsecured convertible corporate bonds. In August, a capitalization of retained earnings of NT\$63,000,000 was conducted, raising the capital to NT\$396,000,000 after the capital increase.
2005	In September, a capitalization of retained earnings of NT\$59,000,000 was conducted, raising the paid-in capital to NT\$496,810,270 after the capital increase. In November, an investment was made in Dongguan Quanli Electronic Co., Ltd., engaged in the production of mobile phone keypads.

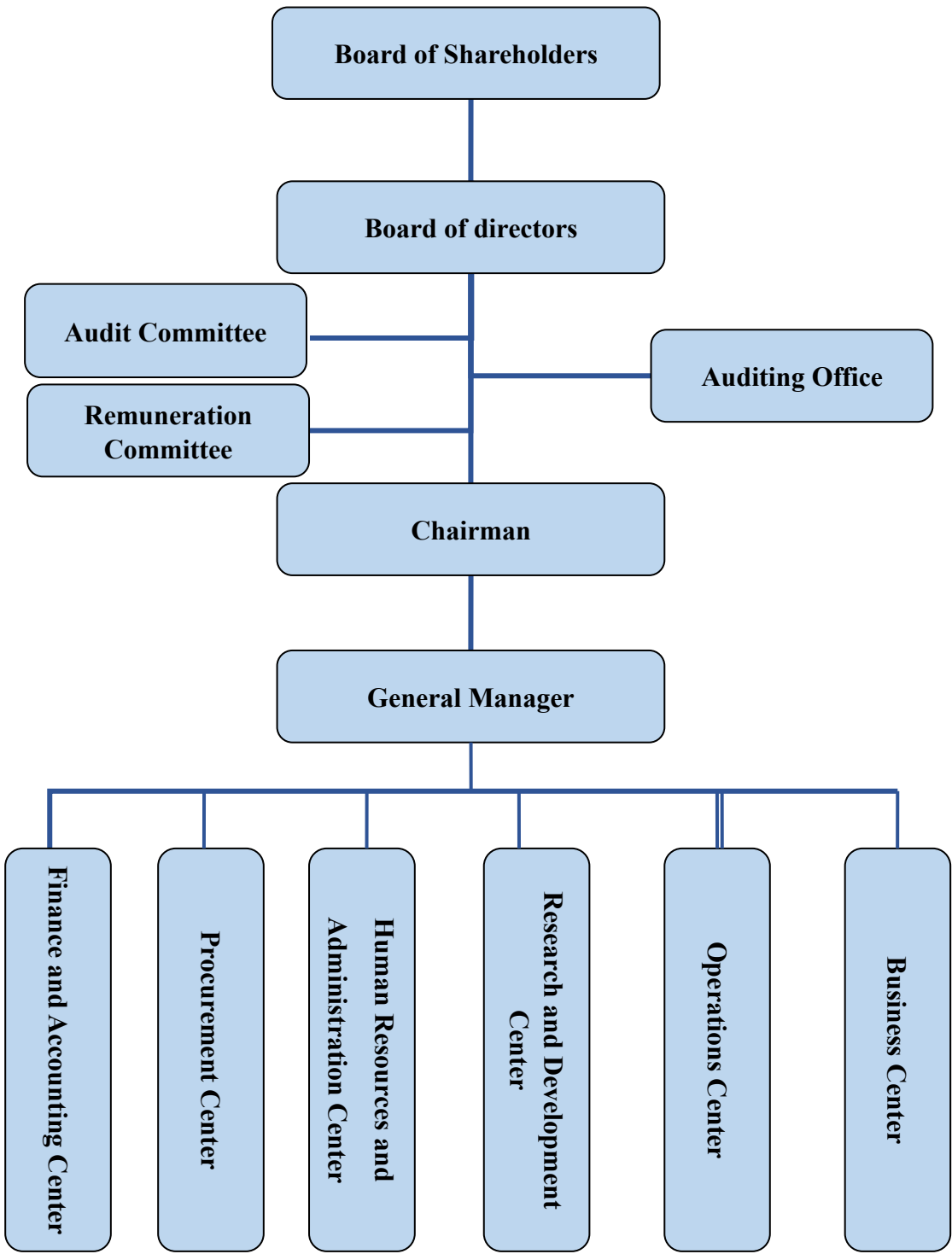
2006	<p>In September, a capitalization of retained earnings of NT\$55,489,730 was conducted, raising the paid-in capital to NT\$552,300,000 after the capital increase.</p> <p>In December, a cash capital increase of NT\$111,111,110 and the conversion of employee stock option warrants into shares worth NT\$20,480,000 were conducted, raising the paid-in capital to NT\$683,891,110 after the capital increase.</p> <p>In December, an investment was made in Jiaying Bo'an Technology Co., Ltd., engaged in the production of mobile phone plastic casings.</p>
2007	<p>In October, a capitalization of retained earnings of NT\$63,739,830, the conversion of employee stock option warrants into shares worth NT\$2,500,000, and the conversion of company bonds into shares worth NT\$5,999,950 were conducted, raising the paid-in capital to NT\$756,130,890 after the capital increase.</p>
2008	<p>In January, the Company was officially listed on the stock exchange.</p> <p>In September, a capitalization of retained earnings of NT\$129,874,140 was conducted, raising the paid-in capital to NT\$886,005,030 after the capital increase.</p>
2009	<p>In August, a capitalization of retained earnings of NT\$42,800,250 was conducted, raising the paid-in capital to NT\$928,805,280 after the capital increase.</p>
2010	<p>In April, a cash capital increase of NT\$150,000,000 was conducted, raising the paid-in capital to NT\$1,078,805,280 after the capital increase.</p>
2011	<p>In April, an investment was made in Taiwan Hsinchu Plant - Touch Panel Business Group, engaged in the research, development, manufacturing, sales, and services of touch devices for mobile phones and tablets.</p>
2012	<p>In December, a cash capital increase of NT\$200,000,000 was conducted, raising the paid-in capital to NT\$1,248,805,280 after the capital increase.</p>
2013	<p>In May, the Zhunan Branch was expanded to expand the touch panel business.</p> <p>In December, a cash capital increase of NT\$200,000,000 was conducted, raising the paid-in capital to NT\$1,448,805,280 after the capital increase.</p>
2015	<p>In March, a cancellation of treasury shares was conducted, reducing the capital by NT\$25,000,000. After the cancellation, the paid-in capital amounted to NT\$1,423,805,280.</p> <p>In June, the registration of the Zhunan Branch was abolished, and the business registration of the branch was cancelled.</p>
2016	<p>In August, a capital reduction to offset losses was conducted, reducing the capital by NT\$648,375,340. After the reduction, the paid-in capital amounted to NT\$775,429,940.</p> <p>In November, a cash capital increase of NT\$500,000,000 was conducted, raising the paid-in capital to NT\$1,275,429,940.</p>
2017	<p>In September, a capitalization of retained earnings of NT\$63,771,490 was conducted, raising the paid-in capital to NT\$1,339,201,430.</p> <p>The company also established two major divisions, the Automotive Electronics Division and the Automotive Engineering Division, and expanded into automotive products.</p>

2018	<p>In July, a cash capital increase of NT\$139,530,000 was conducted, raising the paid-in capital to NT\$1,478,731,430.</p> <p>In August, invested in Ningbo Shun Min Electronic Co., Ltd., engaged in the design, manufacturing, and sales of automotive electronic products.</p> <p>In September, issued restricted employee rights new shares worth NT\$2,300,000, increasing the paid-in capital to NT\$1,481,031,430.</p>
2019	<p>In March, recovered NT\$450,000 of restricted employee rights new shares, reducing the paid- in capital to NT\$1,480,581,430.</p> <p>In March, issued restricted employee rights new shares worth NT\$550,000, increasing the paid- in capital to NT\$1,481,131,430.</p> <p>In August, recovered NT\$150,000 of restricted employee rights new shares, reducing the paid- in capital to NT\$1,480,981,430.</p> <p>In August, recovered NT\$150,000 of restricted employee rights new shares, reducing the paid- in capital to NT\$1,480,981,430.</p>
2020	<p>In May, recovered NT\$160,000 of restricted employee rights new shares, reducing the paid-in capital to NT\$1,480,631,430.</p> <p>In May, invested in Jiaying Chun Min Electronic Co., Ltd., engaged in the manufacturing, sales, and research and development of automotive electronic products.</p> <p>In June, recovered NT\$435,000 of restricted employee rights new shares, reducing the paid-in capital to NT\$1,480,196,430.</p> <p>In August, recovered NT\$198,000 of restricted employee rights new shares, reducing the paid- in capital to NT\$1,479,998,430.</p> <p>In September, invested in Min Yih Electronics Co., Ltd., engaged in the design, manufacturing, and sales of automotive electronic products.</p>
2021	<p>In March, recovered NT\$500,000 of restricted employee rights new shares, reducing the paid- in capital to NT\$1,479,498,430.</p> <p>In May, recovered NT\$425,000 of restricted employee rights new shares, reducing the paid-in capital to NT\$1,479,073,430.</p> <p>In August, recovered NT\$10,000 of restricted employee rights new shares, reducing the paid-in capital to NT\$1,479,063,430.</p> <p>In November, issued the second domestically guaranteed convertible corporate bonds.</p>

**III. CORPORATE GOVERNANCE REPORT**

**1. ORGANIZATION SYSTEM**

(1) Organizational structure



(2) Business operations of each major department

Department	Main Business
General Manager's Office	Responsible for the formulation and tracking of the Company's annual plans, conducting overall operational analysis, devising response strategies, evaluating investment proposals, and planning project plans. Also involved in information system planning and management.
Auditing Office	Responsible for implementing and maintaining the internal control system within the group, handling audit matters, providing recommendations for anomalies and improvement.
Finance and Accounting Center	Responsible for group financial management, banking transactions, and fund utilization. Also involved in group accounting and tax planning, preparation and analysis of financial statements, shareholder relations, and stock-related operations.
Procurement Center	Establishes procurement processes and procurement organization based on business needs. Develops strategies and executes plans for procurement, including supplier selection, material quality, price cost, time schedule, quantity, etc. Also involved in supporting infrastructure development for procurement operations and conducting quantitative evaluations of operational performance.
Human Resources and Administration Center	Plans and executes group performance assessments, compensation, manpower recruitment, employee bonuses, and stock options. Responsible for implementing employee welfare programs and handling various administrative and general affairs tasks.
Research and Development Center	Plans product design specifications, process improvement and optimization, development of testing and inspection tools, prototype production, and control of drawing data.
Operations Center	Manufactures core components for automotive digital imaging modules and advanced driver assistance systems. Responsible for production, quality planning, standard setting, and management to enhance productivity, reduce costs, execute production plans, and achieve various production targets.
Business Center	Engages in domestic and international business activities, such as product sales, new customer development, customer service, handling customer complaints and returns.

## 2. Directors, Supervisors, General Manager, Deputy General Manager, Assistant General Manager, Department Heads, And Branch Managers' Information

### (1) Director information

April 30, 2024

Title	Nationality or Place of Registration	Name	Gender / Age	Appointment Date	Term of office	Initial Appointment Date	Shares held at the time of appointment		Current Number of Shares Held		Current Shares Held by Spouses and Minor Children		Shareholding Held in the Name of Others		Principal Education and Career Background	Current Positions Held in the Company and Other Companies	Spouse or Second Degree of Kinship as Heads of Departments, Directors, or Supervisors			Remarks
							Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %			Title	Name	Relationship	
Chairman	Republic of China	Jong-Hwa Chin	Male 60-70	2023.6.27		2022.6.30	0	0	0	0	—	—	13,125,000	8.87	China Municipal Vocational School Founder of Minth Group Ltd. Founder of Minth Group Founding Director and Standing Chairman of Zhejiang Xinhua Love Education Foundation	Chairman of the Company, Founding Director and Standing Chairman of Zhejiang Xinhua Love Education Foundation	Director	Kuo-Feng Chin	Father and son.	—
Director	Republic of China	CTBC Bank acts as the custodian for the Lung Hung Limited investment portfolio.	—	2023.6.27		2019.6.10	12,600,000	8.52	12,600,000	8.52	—	—	—	—	—	—	—	—	—	—
	Republic of China	Representative: Kuo-Feng Chin	Male 30-40	2023.6.27	3 years	2017.5.3	0	0	0	0	—	—	12,600,000	8.52	Education and Professional Qualifications: Department of Business Administration, University of Toronto, Canada	Chairman of subsidiary companies including Soe Investments Ltd., Shun Holdings Ltd., Min Yih Electronic Co., Ltd.	Chairman	Jong-Hwa Chin	Father and son.	—

Title	Nationality or Place of Registration	Name	Gender / Age	Appointment Date	Term of office	Initial Appointment Date	Shares held at the time of appointment		Current Number of Shares Held		Current Shares Held by Spouses and Minor Children		Shareholding Held in the Name of Others		Principal Education and Career Background	Current Positions Held in the Company and Other Companies	Spouse or Second Degree of Kinship as Heads of Departments, Directors, or Supervisors			Remarks
							Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %			Title	Name	Relationship	
															Experience: Chairman of Shun On Electronic Co., Ltd.	Director of Erindale Investment Limited Director of Minth University of Science and Technology Director of Cayman Shun On Electronic Co., Ltd.				
Director	Republic of China	Min Tai International Co., Ltd.	—	2023.6.27	3 years	2017.5.3	26,251,691	17.75	26,251,691	17.75	—	—	—	—	—	—	—	—	—	—
	Japan	Representative: TOMOYUKI YAMADA	Male 40-50	2023.6.27	3 years	2019.6.10	0	0	0	0	—	—	—	—	Education and Professional Qualifications: Postgraduate Program of Law, Nanzan University Nanzan University Master of Law Nanzan University Bachelor of Law  Experience: Minth Group Limited Director Assistant · Minth Automotive Parts(INDIA)Private Limited Director · Minth Automotive Parts (THAILAND)Co., Ltd. Director	Minth Japan Co., Ltd. President Representative Director	—	—	—	—

Title	Nationality or Place of Registration	Name	Gender / Age	Appointment Date	Term of office	Initial Appointment Date	Shares held at the time of appointment		Current Number of Shares Held		Current Shares Held by Spouses and Minor Children		Shareholding Held in the Name of Others		Principal Education and Career Background	Current Positions Held in the Company and Other Companies	Spouse or Second Degree of Kinship as Heads of Departments, Directors, or Supervisors			Remarks
							Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %			Title	Name	Relationship	
Director	Republic of China	Zhijia Investment Co., Ltd.	—	2023.6.27	3 years	2019.6.10	13,953,000	9.43	13,953,000	9.43	—	—	—	—	—	Supervisor of Hui Yang Venture Capital Co., Ltd. Director of Senyun Precision Optics Co., Ltd. Director of Lianjia International Investment Co., Ltd. Director of Selita Precision Co., Ltd. Supervisor of Jijia Communications Co., Ltd.	—	—	—	—
Director	Republic of China	Representative: Pei-Cheng Yeh	Male 60-70	2023.6.27	3 years	2019.6.10	—	—	—	—	—	—	—	—	Education and Professional Qualifications: EMBA, National Chengchi University Ming Hsin University of Science and Technology  Experience: Chairman of GIGABYTE Technology Co., Ltd. Chairman of Zhijia Investment Co., Ltd. Chairman of Jijia Communications Co., Ltd. Director (corporate representative) of Yingjia Technology Co., Ltd. Chairman of Lianjia International Investment Co., Ltd. Chairman of Baojia Union Co., Ltd.  Director (corporate representative) of Wahsin Technology Co., Ltd. Director (corporate representative) of Pepsi International Co., Ltd. Director of Albatron technology Co.,	Chairman of GIGABYTE Technology Co., Ltd. Chairman of Zhijia Investment Co., Ltd. Chairman of Jijia Communications Co., Ltd. Director (corporate representative) of Yingjia Technology Co., Ltd. Chairman of Lianjia International Investment Co., Ltd. Chairman of Baojia Union Co., Ltd. Director of Wahsin Technology Co., Ltd. Director (corporate representative) of Pepsi International Co., Ltd. Director of Albatron technology Co.,	—	—	—	—

Title	Nationality or Place of Registration	Name	Gender / Age	Appointment Date	Term of office	Initial Appointment Date	Shares held at the time of appointment		Current Number of Shares Held		Current Shares Held by Spouses and Minor Children		Shareholding Held in the Name of Others		Principal Education and Career Background	Current Positions Held in the Company and Other Companies	Spouse or Second Degree of Kinship as Heads of Departments, Directors, or Supervisors			Remarks
							Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %			Title	Name	Relationship	
															Director of Wahsin Technology Co., Ltd., Director (corporate representative) of Pepsi International Co., Ltd., Director (corporate representative) of Albatron technology Co., Ltd., Director (corporate representative) of AMIDA Technology, Inc., Director (corporate representative) of Spirox Corporation	Ltd. Director (corporate representative) of AMIDA Technology, Inc. Director (corporate representative) of Spirox Corporation				
Director	Republic of China	Chicony Electronics Co., Ltd.	—	2023.6.27	3 years	2008.6.13	10,752,254	7.27	10,752,254	7.27	—	—	—	—	—	Director of Unikey Electronics Co., Ltd., Director and Supervisor of Hipro Electronics (Taiwan) Co., Ltd. Director of XAVi Technologies Corporation, Director of Chicony Power Technology Co., Ltd., Director of Newmax Technology Co., Ltd., and Director of Laster Tech Co., Ltd. Director of Beike Zhixing Venture Investment Co., Ltd., Director of TOP TAIWAN XI VENTURE CAPITAL CO., LTD., Director of Shengda Venture Investment Co., Ltd., Director of Maishi No.2	—	—	—	—

Title	Nationality or Place of Registration	Name	Gender / Age	Appointment Date	Term of office	Initial Appointment Date	Shares held at the time of appointment		Current Number of Shares Held		Current Shares Held by Spouses and Minor Children		Shareholding Held in the Name of Others		Principal Education and Career Background	Current Positions Held in the Company and Other Companies	Spouse or Second Degree of Kinship as Heads of Departments, Directors, or Supervisors			Remarks
							Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %			Title	Name	Relationship	
																Venture Investment Co., Ltd., Director of Puxunjiu Phase 2 and Puxunjiu Venture Investment Co., Ltd., Director of Chengding Venture Investment Co., Ltd., and Director of Zhengdazhixing Venture Investment Co., Ltd.				
Director	Republic of China	Representative: Chin-Chung Lu	Male 60-70	2020.6.11	3 years	2018.9.20	—	—	—	—	—	—	—	—	Education and Professional Qualifications: Department of Business Administration and MBA Program, National Chengchi University  Experience: Vice General Manager of Chicony Electronics Co., Ltd. Chicony Power Technology Co., Ltd. Chairman of XAVi Technologies Corporation Chairman of Unikey Electronics Co., Ltd.  Director/President of Chicony Electronics Co., Ltd. and Chicony Electronics (Dongguan) Co., Ltd. Chairman (corporate representative) of Unikey Electronics Co., Ltd. and XAVi Technologies Corporation Chairman of XAVi (Suzhou) Technologies Co., Ltd. Director (corporate representative) of Hipro Electronics, Kuang Sheng Investment, Chun Ching Power Technology, Newmax Technology, and Zhengdazhixing Venture Investment Co., Ltd. Director/CEO/Secretary of Chicony America Inc. Director/CEO of Chicony America Group Inc. Director of Chicony subsidiaries:	—	—	—	—	

Title	Nationality or Place of Registration	Name	Gender / Age	Appointment Date	Term of office	Initial Appointment Date	Shares held at the time of appointment		Current Number of Shares Held		Current Shares Held by Spouses and Minor Children		Shareholding Held in the Name of Others		Principal Education and Career Background	Current Positions Held in the Company and Other Companies	Spouse or Second Degree of Kinship as Heads of Departments, Directors, or Supervisors			Remarks
							Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %			Title	Name	Relationship	
																Chicony Overseas, Thailand, Czech Republic, Guang Hsin, Japan, Mao Feng, Suzhou, Guang Mau, Jui Yang, and HIPRO Overseas Director of XAVi subsidiaries: XAVi Overseas, Thailand, Directmax, and Systemax Director of Chicony Power subsidiaries: Chicony Power Holdings, Chicony Power International, Hong Kong, Thailand, USA, Suzhou, Dongguan, Chongqing, Guang Sheng Electronics Nan Chang, Chicony Energy Shanghai, and Dongguan Chicony Power Trading Director of Clevo Co. Supervisor of Maorui Electronics Dongguan Co., Ltd. Supervisor of Chicony Electronics (Chongqing) Co., Ltd.				
Director	Republic of China	Min Tai International Co., Ltd.	—	2023.6.27	3 years	2017.5.3	26,251,691	17.75	26,251,691	17.75	—	—	—	—	—	—	—	—	—	—

Title	Nationality or Place of Registration	Name	Gender / Age	Appointment Date	Term of office	Initial Appointment Date	Shares held at the time of appointment		Current Number of Shares Held		Current Shares Held by Spouses and Minor Children		Shareholding Held in the Name of Others		Principal Education and Career Background	Current Positions Held in the Company and Other Companies	Spouse or Second Degree of Kinship as Heads of Departments, Directors, or Supervisors			Remarks
							Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %			Title	Name	Relationship	
	Republic of China	Representative: Juei-Chen Chang	Female 30-40	2023.6.27	3 years	2023.6.27	0	0	0	0	—	—	—	—	Education and Professional Qualifications: Department of Business Administration, National Chengchi University Department of Industrial Engineering, University of Toronto  Experience: Director of Rui Yu Enterprise Co., Ltd. Director of Li Pin Food Industry Co., Ltd.	Deputy General Manager of the Company Director of Min Yih Electronic Co., Limited Director of Rui Yu Enterprise Co., Ltd. Chairman of Rui Wei Investment Co., Ltd.	—	—	—	—
Independent Director	Republic of China	Wen-Jung Cheng	Male 40-50	2023.6.27	3 years	2023.6.27	—	—	—	—	—	—	—	—	Education and Professional Qualifications: Master of Accounting, National Taiwan University  Experience: Lead Accountant of Fu Po Accounting Firm Adjunct Lecturer, Department of Public Finance and Tax Administration, National Taipei	Lead Accountant of Fu Po Accounting Firm Independent Director of Pan-International Industrial Corp. Supervisor of Top Food Industry Corporation	—	—	—	—

Title	Nationality or Place of Registration	Name	Gender / Age	Appointment Date	Term of office	Initial Appointment Date	Shares held at the time of appointment		Current Number of Shares Held		Current Shares Held by Spouses and Minor Children		Shareholding Held in the Name of Others		Principal Education and Career Background	Current Positions Held in the Company and Other Companies	Spouse or Second Degree of Kinship as Heads of Departments, Directors, or Supervisors			Remarks
							Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %			Title	Name	Relationship	
															University of Business					
Independent Director	Republic of China	Sheng-Kung Tai	Male 70-80	2023.6.27	3 years	2017.5.3	—	—	—	—	—	—	—	—	Education and Professional Qualifications: Ph.D. in Commerce, University of South Australia Master of Finance, University of Houston Department of Pharmacy, Massachusetts College of Pharmacy and Health Sciences School of Pharmacy, Taipei Medical University  Experience: CEO of Taipei-Ningbo Exchange Foundation, founder of Ningbo Smart Pharmaceutical Co.,		—	—	—	—

Title	Nationality or Place of Registration	Name	Gender / Age	Appointment Date	Term of office	Initial Appointment Date	Shares held at the time of appointment		Current Number of Shares Held		Current Shares Held by Spouses and Minor Children		Shareholding Held in the Name of Others		Principal Education and Career Background	Current Positions Held in the Company and Other Companies	Spouse or Second Degree of Kinship as Heads of Departments, Directors, or Supervisors			Remarks
							Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %			Title	Name	Relationship	
															Ltd. Founder of Ningbo Harvest Polymer					
Independent Director	Republic of China	Kuo-Fei Li	Female 40-50	2023.6.27	3 years	2023.6.27	—	—	—	—	—	—	—	—	Education and Professional Qualifications: Department of Business Administration, Fujian Catholic University Master of Accounting, University of Hawai'i Experience: President of Zhejiang Expo Holdings Group Co., Ltd.	President of Zhejiang Expo Holdings Group Co., Ltd.	—	—	—	—

Note 1: The appointment date of the 10th Board of Directors (including independent directors) of the Company is June 27, 2023, with a term of 3 years.

A. Major Shareholders of the Company among Corporate Shareholders (with a shareholding ratio of 10% or ranking within the top ten)

April 30, 2024

Name of corporate shareholder (Note 1)	Major shareholder of corporate shareholder (Note 2)
Zhijia Investment Co., Ltd.	GIGABYTE Technology Co., Ltd. (100%)
Chicony Electronics Co., Ltd.	Kun-Tai Hsu (7.45%), Yuanta Taiwan High Dividend Equity Fund (4.73%), Taipei Fubon Commercial Bank Co., Ltd. in its Capacity as Master Custodian for securities investment trust account of Fuh Hwa Taiwan Technology Dividend Highlight ETF (4.23%), Capital Tip Customized Taiwan Select High Dividend ETF (3.80%), Unikey Electronics Co., Ltd. (2.58%), Hua Nan Commercial Bank in its Capacity as Master Custodian for securities investment trust account of UPAMC Taiwan High Dividend Momentum ETF (2.37%), Hongwell Co., Ltd. (2.08%), Labor Pension Fund (The New Fund)(1.79%), JP Morgan Chase Bank Taipei Branch in its Capacity as Master Custodian for Investment Account of J.P. Morgan Securities (1.73%), Hipro Electronics (Taiwan) Co., Ltd. (1.68%)
Min Tai International Co., Ltd.	MAX VIEWER DEVELOPMENT LIMITED (100%)
Lung Hung Co., Ltd., British Virgin Islands	William Chin (100%)

B. The major shareholders of corporate shareholders who are themselves corporations

April 30, 2024

Legal Entity Name (Note 1)	Major Shareholders and their Shareholding Ratios (Note 2)
GIGABYTE Technology Co., Ltd.	Ming Wei Global Co., Ltd (6.70%), Taishin International Bank Co., Ltd. in its Capacity as Master Custodian for securities investment trust account of Cathay High Dividend Taiwan Equity Fund - Cathay Sustainability High Dividend ETF (5.00%), Pei-Cheng Yeh(4.75%), Fubon Life Insurance Co., Ltd. (4.18%), Mou-Ming Ma (3.73%), Ming Wei Investment Co., Ltd. (2.21%), Labor Pension Fund (The New Fund)(1.57%), Yuanta Taiwan High Dividend Equity Fund (1.46%), Xi Wei Investment Co., Ltd (1.45%), Wahsin Technology Co., Ltd. (1.35%)
UNIKEY ELECTRONICS CO., LTD.	Chicony Electronics Co., Ltd. (100%)
Hongwell Co., Ltd	Kun-Tai Hsu (63.80%), Fuhwa Investment Co., Ltd. (14.30%), Tung Ling Investment Co., Ltd. (9.10%), Jing Yuan Investment Co., Ltd. (6.90%), Min-Zhen Kang (4.80%), Wen-Hsin Hsu (1.00%), Feng-Zhu Lin (0.10%)
HIPRO ELECTRONICS CO., LTD.	Chicony Electronics Co., Ltd. (100%)
MAX VIEWER DEVELOPMENT LIMITED, British Virgin Islands MAX VIEWER DEVELOPMENT LIMITED	Max Viewer Investments Limited(100%)

(2) Disclosure of Director's Professional Qualifications and Independence Information

Requirements Name	Professional Qualifications and Experience	Independence status	Number of Independent Directorships in Other Publicly Listed Companies
Jong-Hwa Chin	Please refer to the "Director Information" section in this annual report (pages 9-17) for directors' professional qualifications and experience.  All directors have not been involved in any of the situations specified in Article 30 of the Company Law.	The information provided above applies to non-independent directors.	0
Representative of Lung Hung Co., Ltd.: Kuo-Feng Chin			0
Representative of Min Tai International Co., Ltd.: TOMOYUKI YAMADA			0
Representative of Chicony Electronics Co., Ltd.: Chin-Chung Lu			0
Representative of Zhijia Investment Co., Ltd.: Pei-Cheng Yeh			0
Representative of Min Tai International Co., Ltd.: Juei-Chen Chang			0
Wen-Jung Cheng		All independent directors meet the following criteria: 1. They comply with the relevant provisions of the "Regulations Governing the Establishment and Compliance Matters of Independent Directors in Public Companies" (Note 1). 2. They, their spouse, and minor children do not hold any shares of the Company. 3. They have not received any remuneration from the Company or its affiliated enterprises in the past two years for providing business, legal, financial, accounting, or other services.	1
Sheng-Kung Tai			0
Kuo-Fei Li			0

Note 1: In the two years prior to appointment and during the term of office, none of the following circumstances apply:

- (1) Being an employee of the Company or its affiliated enterprises.
- (2) Being a director or supervisor of the Company or its affiliated enterprises.
- (3) The individual, their spouse, minor children, or any person acting on their behalf holds more than 1% of the total issued shares of the Company or is among the top ten shareholders.
- (4) The individual's spouse, relatives within the second degree of kinship, or lineal blood relatives within the third degree of kinship are managers as mentioned in the first or second circumstances.
- (5) Being a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, is among the top five shareholders, or is appointed as a director or supervisor of the Company pursuant to Article 27, Paragraph 1 or 2 of the Company Act.
- (6) The majority of the director seats or voting shares with the Company are controlled by the same person who is a director, supervisor, or employee of another company or institution.
- (7) The chairman, general manager, or equivalent position of the Company and another company or institution are the same person or spouse, and the other company or institution has directors (trustees), supervisors (supervisors), or employees.
- (8) Being a director (trustee), supervisor (supervisor), manager, or shareholder holding more than 5% of the shares of a specific company or institution that has financial or business transactions with the Company.
- (9) Professionals, sole proprietors, partners, directors (trustees), supervisors (supervisors), managers, and their spouses who have provided business, legal, financial, accounting, or other related services to the Company or its affiliated enterprises and have received a cumulative remuneration exceeding NT\$ 500,000 in the past two years. This includes individuals, sole proprietorships, partnerships, companies, or institutions. However, members of the Remuneration Committee, the Public Tender Offer Review Committee, or the Merger Special Committee fulfilling their duties under the Company Act or relevant laws related to corporate mergers are not subject to this restriction.
- (10) Government entities, juridical persons, or their representatives who are not covered by the provisions of Article 27 of the Company Act.

### (3) Board Diversity and Independence

#### 1) Board of Directors' Diversity Situation

The company has set up a board of directors consisting of 9 members, including 3 independent directors, to ensure diversity in terms of professional backgrounds covering industries, law, management, and financial accounting. This promotes a diverse composition of board members. The main policy objectives include:

- i The composition of the board of directors should consider diversity and develop appropriate diversity policies based on its own operations, business models, and development needs. These policies may include, but are not limited to, the following two major aspects:
  - (i) Basic criteria and values: Gender, age, nationality, and culture, among others.
  - (ii) Professional knowledge and skills: Professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience, among others.
- ii Board members should generally possess the necessary knowledge, skills, and qualities required for carrying out their duties. The overall competencies that should be possessed include:
  - (i) Operational judgment ability.
  - (ii) Accounting and financial analysis ability.
  - (iii) Management capability
  - (iv) Crisis management ability.
  - (v) Industry knowledge
  - (vi) international market insight.
  - (vii) Leadership and decision-making ability.

The current board of directors of our company consists of nine directors, and the specific management objectives of our board's diversified composition policy have been achieved as follows:

Management objectives	Achievement status
Independent directors occupy more than one-third of the total director seats.	Achieved.
Directors who also hold executive positions should not exceed one-third of the total director seats.	Achieved.
The tenure of independent directors does not exceed three terms.	Achieved.
Adequate diversity in professional knowledge and skills.	Achieved.

iii The implementation of diversity among the members of our board of directors is reflected in the following aspects:

Core Elements of Diversification  Director's Name	Basic Composition					Operational Judgment and Management	Crisis Handling and Leadership Decision-making	Industry Knowledge	International Market Insight.	Financial Accounting	Legal Expertise
	Nationality	Gender	Simultaneously Holding a Position as an Employee of The Company	Independent Director Tenure							
				Less Than 3 Years	3 to 6 Years						
Chairman: Jong-Hwa Chin	Republic of China	Male	No			✓	✓	✓	✓	✓	
Director - Lung Hung Co., Ltd., entrusted by China Trust Commercial Bank for the management of investment portfolio; representative: Kuo-Feng Chin	Republic of China	Male	No			✓	✓	✓	✓	✓	
Director - Min Tai International Co., Ltd.; Representative: TOMOYUKI YAMADA	Japan	Male	No			✓	✓	✓	✓		✓
Representative of Chia Jia Investment Co., Ltd.: Pei-Cheng Yeh	Republic of China	Male	No			✓	✓	✓	✓	✓	
Representative of Chicony Electronics Co., Ltd.: Chin-Chung Lu	Republic of China	Male	No			✓	✓	✓	✓	✓	
Director - Min Tai International Co., Ltd.; Representative: Juei-Chen Chang	Republic of China	Female	Yes			✓	✓	✓	✓		
Independent Director - Wen-Jung Cheng	Republic of China	Male	No	✓		✓	✓		✓	✓	
Independent Director - Sheng-Kung Tai	Republic of China	Male	No	✓		✓	✓		✓	✓	
Independent Director - Kuo-Fei Li	Republic of China	Female	No	✓		✓	✓		✓	✓	

2) Board independence status.

Independent directors account for 33% of board members; directors who hold concurrent employment roles account for 11% of board members; there are 3 independent directors who have served for less than 3 years on the board. As of the end of 2023, all independent directors complied with the regulations of the Financial Supervisory Commission Securities and Futures Bureau regarding independent directors. There was no situation as specified in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act between the directors and independent directors, thus ensuring the independence of the board of directors (please refer to pages 19-20 for information on director qualifications and disclosure of independence).

## (4) General Manager, Deputy General Manager, Assistant Manager, department heads, and branch managers' information

April 30, 2024

Title	Nationality	Name	Gender	Appointment Date	Shareholding		Shares Held by Spouses and Minor Children		Shareholding Held in the Name of Others		Principal Education and Career Background	Concurrent Positions in Other Companies	Spouse or Relatives of Second Degree or Closer Acting as Managers			Remarks (Note 1)
					Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %			Title	Name	Relationship	
Chairman	Republic of China	Jong-Hwa Chin	Male	2022.06.30	26,251,691	17.75%	—	—	13,125,000	8.87%	China Municipal Vocational School Founder of Minth Group Ltd. Founder of Minth Group Founding Director and Standing Chairman of Zhejiang Xinhua Love Education Foundation	Founding Director and Standing Chairman of Zhejiang Xinhua Love Education Foundation	—	—	—	—
General Manager	Republic of China	Shih-Chang Chen	Male	2022.11.11	—	—	—	—	—	—	Snow City University - Computer Engineering Department National Chiao Tung University - Control Engineering Department Gigabyte Technology Co., Ltd. - Assistant Vice President Motorola - Application Engineer Intel - Technical Application Engineer	Gigabyte Technology Co., Ltd.- Chairman's Assistant	—	—	—	—
Vice General Manager	Republic of China	Juei-Chen Chang	Female	2022.11.11	8,000	0.01%	—	—	—	—	Department of Business Administration, National Chengchi University Department of Industrial Engineering, University of Toronto Shun On Electronic Co., Ltd. - Deputy General Manager Minth Group - Chairman's Assistant Lian Xiang Wedding Cake Co., Ltd.- Operations Manager Li Pin Food Industry Co., Ltd. - Director	Rui Yu Enterprise Co., Ltd. - Responsible Person	—	—	—	—

Title	Nationality	Name	Gender	Appointment Date	Shareholding		Shares Held by Spouses and Minor Children		Shareholding Held in the Name of Others		Principal Education and Career Background	Concurrent Positions in Other Companies	Spouse or Relatives of Second Degree or Closer Acting as Managers			Remarks (Note 1)
					Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %			Title	Name	Relationship	
Chief Operating Officer	Republic of China	Cheng-Hsia Yen	Male	2022.11.11	—	—	—	—	—	—	National Central University, Department of Business Administration Executive Assistant to the Chairman, Shun On Electronic Co., Ltd. Deputy General Manager, GIGABYTE Technology Co., Ltd. Factory Manager, GIGABYTE Technology Co., Ltd. Section Manager, ASUS Computer Inc.	—	—	—	—	Note 2
Finance and Accounting Center Chief Financial Officer	Republic of China	Yi-Hui Yeh	Female	2013.08.09	15,820	0.01%	—	—	—	—	Department of Accounting, Chung Yuan Christian University. Shun On Electronic Co., Ltd. Director of Finance, Finance Department. Shun On Electronic Co., Ltd. Assistant Manager of Audit. Shun On Electronic Co., Ltd. Assistant Manager of Accounting. Auditor at PwC Taiwan.	—	—	—	—	—
Purchasing Center Purchasing Manager	Republic of China	Shu-Chin Tsao	Female	2018.12.17	—	—	—	—	—	—	Tamkang University, Department of English Literature Unigen Taiwan Corp., Deputy General Manager Lite-On Technology Corporation, Senior Global Strategic Procurement Manager Silicon Power Computer & Communications, Overseas Business Manager Apacer Technology Inc., Purchasing Supervisor	—	—	—	—	Note 2

Title	Nationality	Name	Gender	Appointment Date	Shareholding		Shares Held by Spouses and Minor Children		Shareholding Held in the Name of Others		Principal Education and Career Background	Concurrent Positions in Other Companies	Spouse or Relatives of Second Degree or Closer Acting as Managers			Remarks (Note 1)
					Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %			Title	Name	Relationship	
Research and Development Center Chief Technology Officer	Republic of China	Tzu-Chien Hsu	Male	2017.08.07	—	—	—	—	—	—	National Chung Hsing University, Institute of Biomedical and Electrical Engineering Autoeqips Tech Technology Co., Ltd., Technical Director Vehicle Research and Testing Center, Assistant Engineer	—	—	—	—	Note 2
Human Resources Center Department Head	Republic of China	I-Ying Chen	Female	2019.05.10	—	—	—	—	—	—	Chihlee University of Technology University, Department of Finance and Banking AUTOTEKI Co., Ltd., HR Manager Innovative Food Co., Ltd., HR Manager Japanese-Style Horn Co., Ltd., Operations Supervisor	—	—	—	—	—

Note 1: When the General Manager or an equivalent position is the same person as the Chairman, spouse, or close relative, the reasons, rationale, necessity, and corresponding measures should be disclosed (e.g., increasing the number of independent director seats, ensuring that over half of the directors do not hold positions as employees or executives) with respect to such arrangement.

Note 2: Chief Operating Officer Cheng-Hsia Yen departed from duty on October 31, 2023; Purchasing Manager Shu-Chin Tsao departed from duty on December 31, 2023; Chief Technical Officer Tzu-Chien Hsu departed from duty on March 8, 2024.

### 3. Remuneration of Directors, General Manager, and Deputy General Manager for the Most Recent Fiscal Year.

#### (1) Remuneration of general directors and independent directors for the year 2023.

Unit: NT\$1,000

Title	Name	Remuneration of Directors								A, B, C, and D Total Amount and Proportion to Ratio of Net Income After Tax. (Note 6)		Remuneration Received as an Employee Concurrently								A, B, C, D, E, F, and G Total Amount and Proportion to Ratio of Net Income (Note 6)		Compensati on Paid to Directors by a Reinvested Company Other than the Company' s Subsidiary (Note 7)
		Remuneration (A) (Note 1)		Retirement Benefits (B)		Director's Remuneration (C) (Note 2)		Business Execution Expenses (D) (Note 3)				Salary, Bonus, and Special Expenses, etc.(E) (Note 4)		Retirement Benefits (F)		Employee Compensation (G) (Note 5)						
		The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company		All Companies in the Financial Report		The Company	All Companies in the Financial Report	
Chairman	Jong-Hwa Chin	0	0	0	0	0	0	70	70	70 -0.04%	70 -0.04%	0	0	0	0	0	0	0	0	70 -0.04%	70 -0.04%	None
Director	Lung Hung Co., Ltd., British Virgin Islands Representative: Kuo-Feng Chin	0	0	0	0	0	0	70	70	70 -0.04%	70 -0.04%	0	0	0	0	0	0	0	0	70 -0.04%	70 -0.04%	None
Director	Min Tai International Co., Ltd. Representative: Juei-Chen Chang (Note 9)	0	0	0	0	0	0	40	40	40 -0.02%	40 -0.02%	587	587	0	0	0	0	0	0	627 -0.36%	627 -0.36%	None

Director	Lung Hung Co., Ltd., British Virgin Islands Representative: Yi-Hui Yeh (Note 8)	0	0	0	0	0	0	40	40	40 -0.02%	40 -0.02%	1,114	1,114	0	0	0	0	0	0	1,154 -0.66%	1,154 -0.66%	None
Director	Representative of Chicony Electronics Co., Ltd.: Lu, Chin-Tsung	0	0	0	0	0	0	70	70	70 -0.04%	70 -0.04%	0	0	0	0	0	0	0	0	70 -0.04%	70 -0.04%	None
Director	Representative of Chia Jia Investment Co., Ltd.: Pei-Cheng Yeh	0	0	0	0	0	0	70	70	70 -0.04%	70 -0.04%	0	0	0	0	0	0	0	0	70 -0.04%	70 -0.04%	None
Director	Representative of Min Tai International Co., Ltd.: TOMOYU KI YAMADA	0	0	0	0	0	0	70	70	70 -0.04%	70 -0.04%	0	0	0	0	0	0	0	0	70 -0.04%	70 -0.04%	None
Independent Director	Marianne Chao (Note 8)	0	0	0	0	0	0	60	60	60 -0.03%	60 -0.03%	180	180	0	0	0	0	0	0	240 -0.14%	240 -0.14%	None
Independent Director	Shin-Yuan Lai (Note 8)	0	0	0	0	0	0	50	50	50 -0.03%	50 -0.03%	180	180	0	0	0	0	0	0	230 -0.13%	230 -0.13%	None

Independent Director	Hsin-Ying Yang (Note 8)	0	0	0	0	0	0	60	60	60 -0.03%	60 -0.03%	180	180	0	0	0	0	0	0	240 -0.14%	240 -0.14%	None
Independent Director	Wen-Jung Cheng (Note 9)	0	0	0	0	0	0	70	70	70 -0.04%	70 -0.04%	120	120	0	0	0	0	0	0	190 -0.11%	190 -0.11%	None
Independent Director	Sheng-Kung Tai (Note 9)	0	0	0	0	0	0	70	70	70 -0.04%	70 -0.04%	120	120	0	0	0	0	0	0	190 -0.11%	190 -0.11%	None
Independent Director	Kuo-Fei Li (Note 9)	0	0	0	0	0	0	70	70	70 -0.04%	70 -0.04%	120	120	0	0	0	0	0	0	190 -0.11%	190 -0.11%	None

1. Please explain the policy, system, standards and structure by which independent director compensation is paid, and association between the amount paid and independent directors' responsibilities, risks, and time committed:

Independent directors of the Company are compensated with professional service fee and travel allowance for the services rendered, regardless of profitability, for which the Company may choose to pay in fixed amounts. The level of compensation is set after taking into consideration their participation and contribution to the Company's operations and peer levels.

2. In addition to the disclosed information in the table above, the remuneration received by directors of the Company in the latest fiscal year for providing services to all companies in the financial report (such as serving as non-employee consultants) is none.

Note 1: Refers to the salary, allowances, retirement benefits, various bonuses, and incentives received by directors in the latest fiscal year.

Note 2: Refers to the director's remuneration amount distributed by the board of directors for the most recent fiscal year.

Note 3: Refers to the car and travel expenses, special expenses, various allowances, dormitories, vehicle provision, and other items received by directors in the latest fiscal year.

Note 4: Refers to the remuneration received by directors who also hold positions as employees in the latest fiscal year (including those who also hold positions as general managers, deputy general managers, other managers, and employees), including salaries, allowances, retirement benefits, various bonuses, incentives, car and travel expenses, special expenses, various allowances, dormitories, vehicle provision, and other items.

Note 5: Refers to the employee compensation (including stocks and cash) received by directors who also hold positions as employees (including those who also hold positions as general managers, deputy general managers, other managers, and employees) in the latest fiscal year.

Note 6: Net income after tax refers to the net income after tax for the most recent year of the individual or separate financial statements.

Note 7: The amount of remuneration received by directors from investees other than subsidiaries or the parent company (if none, indicate "none").

Note 8: Departed on June 27, 2023.

Note 9: Elected on June 27, 2023.

\* The contents of the remuneration disclosed in this table are different from the income concept under the Income Tax Act. Therefore, the purpose of this table is for information disclosure purposes and not for tax purposes.

(2) Compensation for the General Manager and Deputy General Manager in 2023

Unit: NT\$1,000

Title	Name	Salary (A) (Note 1)		Retirement Benefits (B)		Bonus and Special Allowances (C) (Note 2)		Employee Compensation (D) (Note 3)				A, B, C, and D Total Amount and Proportion to Ratio of Net Income After Tax (%) (Note 4)		Whether There Is Remuneration Received From Subsidiaries or Non-subsidiary Investment Enterprises (Note 5)
		The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company		All Companies in the Financial Report		The Company	All Companies in the Financial Report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
General Manager	Shih-Chang Chen	2,083	2,083	0	0	0	0	0	0	0	0	2,083 -1.19%	2,083 -1.19%	None
Vice General Manager	Juei-Chen Chang	1,245	1,245	0	0	91	91	0	0	0	0	1,336 -0.76%	1,336 -0.76%	None

Note 1: Refers to the salary, position allowance, severance pay, various bonuses, and incentives received by the General Manager in the most recent fiscal year.

Note 2: Please provide the details of bonuses, incentives, transportation expenses, special allowances, subsidies, accommodation, company-provided vehicles, and other remuneration received by the General Manager and Vice General Manager in the most recent fiscal year.

Note 3: Indicates the amount of employee remuneration (including stock and cash) allocated to the General Manager by the Board of Directors in the most recent fiscal year.

Note 4: Net income after tax refers to the net income after tax for the most recent year of the individual or separate financial statements.

Note 5: Amount of remuneration received by the General Manager from subsidiary companies or non-consolidated investee companies or related parties of the parent company (indicate "N/A" if none).

\* The contents of the remuneration disclosed in this table are different from the income concept under the Income Tax Act. Therefore, the purpose of this table is for information disclosure purposes and not for tax purposes.

(3) The remuneration of the top five highest-paid executives in the Company for the fiscal year 2023.

Unit: NT\$1,000

Title	Name	Salary (A) (Note 1)		Retirement Benefits (B)		Bonus and special allowances (C) (Note 2)		Employee Compensation (D) (Note 3)				A, B, C, and D Total Amount and Proportion to Ratio of Net Income After Tax (%) (Note 4)		Whether There Is Remuneration Received From Subsidiaries or Non- subsidiary Investment Enterprises (Note 5)
		The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company		All Companies in the Financial Report		The Company	All Companies in the Financial Report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
General Manager	Shih- Chang Chen	2,083	2,083	0	0	0	0	0	0	0	0	2,083 -1.19%	2,083 -1.19%	None
Chief Financial Officer	Yi-Hui Yeh	2,375	2,375	0	0	160	160	0	0	0	0	2,535 -1.45%	2,535 -1.45%	None
Chief Technical Officer (Note 6)	Tzu- Chien Hsu	2,333	2,333	0	0	188	188	0	0	0	0	2,521 -1.44%	2,521 -1.44%	None
Purchasing Manager (Note 6)	Shu-Chin Tsao	2,346	2,346	474	474	0	0	0	0	0	0	2,820 -1.61%	2,820 -1.61%	None
Vice General Manager	Juei- Chen Chang	1,245	1,245	0	0	91	91	0	0	0	0	1,336 -0.76%	1,336 -0.76%	None

Note 1: This section provides the salary, position allowances, and severance pay of the top five highest-paid executives in the most recent fiscal year.

Note 2: This section lists the amounts of various bonuses, incentives, transportation allowances, special allowances, subsidies, housing, car benefits, and other forms of remuneration received by the top five highest-paid executives in the most recent fiscal year.

Note 3: This section discloses the employee remuneration (including stock and cash) allocated to the top five highest-paid executives, as approved by the board of directors in the most recent fiscal year.

Note 4: Net income after tax refers to the net income after tax for the most recent year of the individual or separate financial statements.

Note 5: The remuneration of the top five highest-paid executives in the Company includes amounts received from subsidiaries or related companies outside the scope of the Company's operations (if applicable, indicate "none").

Note 6: Purchasing Manager Shu-Chin Tsao departed from duty on December 31, 2023; Chief Technical Officer Tzu-Chien Hsu departed from duty on March 8, 2024.

\* The contents of the remuneration disclosed in this table are different from the income concept under the Income Tax Act. Therefore, the purpose of this table is for information disclosure purposes and not for tax purposes.

- (4) Names and allocation of remuneration for distributed employee compensation: For the fiscal year 2023, the Company reported a net loss after tax, and the board of directors has approved not to distribute any remuneration, therefore not applicable.
- (5) A comparative analysis is provided, separately, for the past two years, regarding the proportion of total remuneration paid to the directors, general manager, and deputy general manager of the Company and all consolidated entities in the individual or separate financial statements. The analysis also includes an explanation of the remuneration policy, standards, and composition, the establishment of the remuneration program, and the relationship between the remuneration and the Company's operating performance and future risks:
- A. Comparative analysis is conducted to analyze the proportion of the total remuneration paid to the directors, general manager, and deputy general manager of the Company and all consolidated entities in the individual or separate financial statements for the past two years, in relation to the net profit after tax.

2022	2023
The proportion of the total remuneration paid to the directors, general manager, and deputy general manager of the Company and all consolidated entities, in relation to the net profit after tax.	The proportion of the total remuneration paid to the directors, general manager, and deputy general manager of the Company and all consolidated entities, in relation to the net profit after tax.
-11.76%	-3.91%

- B. Policy, Standards, Composition, and Formulation of Remuneration, and its Relationship with Business Performance and Future Risks.
- a. Remuneration to directors of the Company is determined according to Article 19 of our company's bylaws, which says that "if the Company generates profits in a fiscal year, 10% to 15% shall be allocated for employee remuneration. The distribution can be made in the form of stock or cash at the discretion of the board of directors. The recipients of such distribution include eligible employees of the Company, its domestic and foreign subsidiaries, subject to certain conditions determined by the authorized board of directors. Additionally, the board of directors may allocate up to 5% of the aforementioned profit amount as remuneration for directors, and reports on the distribution of employee and director remuneration shall be submitted to the board of shareholders. However, in the case of accumulated losses, an amount shall be reserved in advance for offsetting purposes." Therefore, after allocating the total amount of remuneration for directors and supervisors according to the proportion, consideration is given to the evaluation in the "Board Performance Evaluation Measures," as well as the degree of involvement of each director in the Company's operations, achievement of performance targets, the value of contributions, and industry standards. The overall operational performance, future business risks, and development trends of the industry are also taken into account to provide reasonable compensation.

- b. The salary of the general manager and deputy general manager of the Company is determined by referencing the compensation levels of similar positions in the industry. A fixed salary is agreed upon and paid monthly. The variable portion consists of year-end bonuses and employee profit-sharing, which are allocated based on the annual operational performance and contributions. The employee remuneration portion is allocated as recognized expenses in accordance with Article 19 of the Company's bylaws and distributed based on individual performance.

The above-mentioned remuneration amounts are approved by the Remuneration Committee and subsequently reported to the Board of Directors for recognition and implementation.

- c. Relevance to business performance and future risk

In accordance with the Company's bylaws, if the Company generates profits in a given year, a percentage ranging from 10% to 15% will be allocated for employee remuneration, and a maximum of 5% will be allocated for director and supervisor remuneration. However, when the Company accumulates losses, an amount is set aside in advance for compensatory purposes. Following this principle, the remuneration for directors, supervisors, and employees is distributed, resulting in relatively low risks.

In summary, the Company's policy and procedures for remunerating directors, general managers, and deputy general managers are positively correlated with operational performance. The company also periodically reviews the remuneration system based on actual operating conditions and relevant laws and regulations, aiming to achieve sustainable operations and risk management.

#### 4. CORPORATE GOVERNANCE OPERATIONS

##### (1) Operations of the Board of Directors :

In the fiscal year 2023, the Board of Directors convened for a total of 7 meetings (A), and the attendance of directors was as follows:

Title	Name	Actual Attendance of Director B	Number of Meetings Delegated to Others	Actual Attendance Rate (%) [B / A]	Remarks
Chairman	Jong-Hwa Chin	7	-	100%	Note 2
Director	Min Tai International Co., Ltd. Representative: TOMOYUKI YAMADA	7	-	100%	
Director	Lung Hung Co., Ltd., British Virgin Islands Representative: Kuo-Feng Chin	3	4	43%	Note 3
Director	Chicony Electronics Co., Ltd. Representative: Chin-Chung Lu	7	-	100%	
Director	Zhijia Investment Co., Ltd. Representative: Pei-Cheng Yeh	6	1	85%	
Director	Lung Hung Co., Ltd., British Virgin Islands Representative: Yi-Hui Yeh	3	-	100%	Note 3
Director	Min Tai International Co., Ltd. Representative: Juei-Chen Chang	4	-	100%	Note 2
Independent Director	Shin-Yuan Lai	3	-	100%	Departed from duty on June 27, 2023
Independent Director	Marianne Chao	3	-	100%	
Independent Director	Hsin-Ying Yang	3	-	100%	
Independent Director	Wen-Jung Cheng	4	-	100%	New on-board June 27, 2023
Independent Director	Sheng-Kung Tai	3	1	75%	
Independent Director	Kuo-Fei Li	4	-	100%	

Note 1: The company re-elected directors during the annual shareholders' meeting held on June 26, 2023; the newly elected directors (including independent directors) commenced duty on June 27, 2023 to serve a term of 3 years. In 2023, the board of directors held 3 meetings prior to the re-election and 4 meetings after the re-election.

Note 2: Min Tai International Co., Ltd. reappointed Juei-Chen Chang as representative.

Note 3: Lung Hung Co., Ltd., British Virgin Islands reappointed Kuo-Feng Chin as representative.

**Other items that shall be recorded:**

1. If any of the following circumstances occur in the operation of the board of directors, the date, term, agenda, opinions of all independent directors and the Company's handling of independent directors' opinions should be described:

(1) Conditions mentioned in Article 14-3 of the Securities and Exchange Act: The Company has assembled an Audit Committee and is therefore not subject to Article 14-3 of the Securities and Exchange Act. For disclosures relating to Article 14-5 of the Securities and Exchange Act, please refer to section - "The operational status of the Audit Committee."

(2) Other board resolutions that were opposed or had reservations from independent directors with recorded or written statements, besides the aforementioned items: None.

2. Members who recused themselves from voting on matters related to conflicts of interest shall state their names, the content of the resolution, the reasons for recusal, and their voting participation:

(1) Board Meeting Date: 2023/05/10

Agenda item: Resolution to lift the non-competition restrictions for directors and their representatives.

Directors with conflicts of interest: Chairman Jong-Hwa Chin; Director Kuo-Feng Chin; Director TOMOYUKI YAMADA; Director Juei-Chen Chang; Director Pei-Cheng Yeh; Director Chin-Chung Lu.

Resolution: As the directors with conflicts of interest abstained from participating in the discussion and voting, the Chairman inquired with the remaining attending directors, and there were no objections. The resolution was passed accordingly.

3. Listed and OTC companies are required to disclose information regarding the evaluation period, scope, method, and content of self-assessment (or peer assessment) conducted by the board of directors. The attached form should be completed to report the implementation of the board evaluation.

(1) Self-assessment of the board's performance and the functional committees' performance should adhere to the following evaluation period, scope, method, and content:

Evaluation Period	Evaluation duration	Evaluation Scope	Evaluation Method	Evaluation Content
Self-assessment should be conducted annually, while external assessment should be conducted once every three years.	January 1, 2023 to December 31, 2023	This includes performance evaluation of the overall board of directors, individual directors, and functional committees.	The evaluation methods include internal self-assessment of the board, self-assessment of individual directors, appointment of external professional organizations, experts, or other appropriate methods for performance evaluation. The company had conducted performance evaluation using "Board of Directors Performance Self-Assessment Questionnaire," "Director Self-Assessment Questionnaire," and "Functional Committee Performance Self-Assessment Questionnaire" in 2023.	The self-assessment results of the board of directors for 2023 (this evaluation report was approved during the 5th meeting of the 10th board meeting on March 15, 2024) are detailed as follows.

(2) Results of the 2023 self-assessment of the board of directors and functional committees:

1) Out of the 45 performance indicators, the board of directors scored an average of 4.78 (out of 5) across all categories.

Measurement Items	Average Score
1. Involvement in Company Operations	4.72
2. Improvement of board decision quality	4.82
3. Composition of the board of directors	4.83
4. Election and ongoing education of directors	4.78
5. Internal controls	4.75

- 2) Out of the 23 performance indicators, board members scored an average of 4.84 (out of 5) across all categories.

Measurement Items	Average Score
1. Comprehension of the Company's targets and missions	4.93
2. Directors' duty awareness	4.89
3. Involvement in Company Operations	4.76
4. Management and communication of internal relations	4.78
5. Professionalism and ongoing education of directors	4.96
6. Internal controls	4.85

- 3) As for functional committees, the Audit Committee averaged a score of 4.96 (out of 5) across 24 performance indicators, whereas the Remuneration Committee averaged a score of 4.97 (out of 5) across 21 performance indicators.

Measurement Items	Average Score of Audit Committee	Average Score of Remuneration Committee
1. Involvement in Company Operations	4.92	4.92
2. Awareness of responsibilities of functional committees	4.94	4.94
3. Enhancing the quality of decision - making in the functional committees.	5.00	5.00
4. Composition and selection of members of functional committees	5.00	5.00
5. Internal controls	4.89	-

4) Conclusion:

- i Based on the outcomes of the above assessments, the board, the individual board members, and functional committees were deemed to have met the performance criteria and served their intended purposes. Some board members even expressed hope to interact more closely with the management team for more timely examination of management performance. The management has high hopes for the board, the board members, and functional committees to fulfill their duties in ways that contribute to more robust corporate governance practices for the Company.
- ii This evaluation report has been submitted to the Board of Directors on March 15, 2024.

4. Evaluation of the goals and execution of strengthening the functions of the board in the current year and recent years:

- (1) The company's Board of Directors follows the "Regulations Governing the Meetings of the Board of Directors of Public Issuing Companies" and has been approved by the Board of Directors and submitted to the shareholders' meeting. The operations of the Board of Directors are conducted in accordance with the "Rules of Procedure for Board Meetings."
- (2) The Audit Committee was established on June 11, 2020, in accordance with the Securities and Exchange Act. Its responsibilities include expressing an opinion on the Company's financial statements, the selection (dismissal) and independence and performance of the certifying accountant, the effective implementation of the Company's internal controls, compliance with relevant laws and regulations, and the management of existing or potential risks. The independent directors of the Company possess legal, accounting, and financial expertise to enhance the legal knowledge and financial analysis capabilities of the Board of Directors, and strengthen the crisis management and decision-making abilities of the Board.
- (3) Enhancing information transparency: The company has established an investor relations section on its website to provide relevant information of concern to investors through online channels. Disclosure of financial operations and corporate governance information is an important responsibility of the Company. The company has faithfully fulfilled its obligations in accordance with relevant laws and regulations of the securities exchange.

The company has established and implemented a spokesperson system, with designated spokespersons and proxy

spokespersons for external communications. A unified communication protocol has been defined, and company employees are required to keep financial and business secrets and not disclose information arbitrarily to the public. When changes occur in the spokesperson or proxy spokesperson, information is promptly disclosed.

(4) The succession planning for board members and key management positions is as follows:

- 1) The establishment of succession planning for board members (including the chairman of the board) and key management positions (including the general manager, president, and CEO) is defined.

In the Company's succession plan, the successor must not only have outstanding job capabilities but also possess personal qualities including integrity, strategic planning, innovation ability, and a high standard of corporate governance. In accordance with good corporate governance practices and to separate the roles of Chairman and General Manager, the Board of Directors approved the appointment of industry professional Mr. Shih-Chang Chen as the General Manager of the Company on November 11, 2022.

- 2) Succession plan implementation (including succession plans for key management positions).

The company arranges regular professional training courses for directors, with a minimum of 6 hours per year, to continuously enhance their knowledge and skills and maintain their core values and professional competencies.

Furthermore, the Company actively cultivates the professional skills of senior executives and their management capabilities. Internal senior managers are also given opportunities to participate in the Board of Directors to familiarize themselves with the operations of the board. For example, on June 27, 2023, Ms. Juei-Chen Chang, the Deputy General Manager, was appointed as the corporate director representative on the Board of Directors.

In response to the rapid development of the group organization, the Company continues to actively cultivate high-potential middle and senior managers, strengthen their core competencies through training, and provide them with job rotations and overseas assignments when appropriate. This systematic approach aims to identify and develop well-rounded talents to strengthen the future management team.

(2) The operational status of the Audit Committee

The Audit Committee was established by our company on June 11, 2020. In the most recent fiscal year, 2023, the Audit Committee held (A) five meetings. The attendance record of independent directors at these meetings is as follows:

Title	Name	Actual Attendance Count (B)	Delegated Attendance Count	Actual Attendance Rate (%) [B / A ]	Remarks
Independent Director	Marianne Chao	2	-	100%	Departed from duty on June 27, 2023
Independent Director	Lai, Shin-Yuan	2	-	100%	
Independent Director	Hsin-Ying Yang	2	-	100%	
Independent Director	Wen-Jung Cheng	3		100%	New on-board June 27, 2023
Independent Director	Sheng-Kung Tai	2	1	67%	
Independent Director	Kuo-Fei Li	3		100%	

Note: The company re-elected directors during the annual shareholders' meeting held on June 26, 2023; the newly elected directors (including independent directors) commenced duty on June 27, 2023 to serve a term of 3 years. In 2023, the Audit Committee held 2 meetings prior to the re-election and 3 meetings after the re-election.

**Other items that shall be recorded:**

1. The operation of the Audit Committee shall be disclosed if any of the following circumstances occur, including the date and period of the meeting, the agenda, the independent directors' dissenting opinions, reservations or significant recommendations, the resolution results of the Audit Committee, and the Company's response to the opinions of the Audit Committee.

- (1) Matters listed under Article 14-5 of the Securities and Exchange Act:

Audit Committee Meeting Date	Communication Content	Suggestions and Results
March 24, 2023	<ol style="list-style-type: none"> <li>1. Internal audit progress report.</li> <li>2. Follow-up on the plan to improve the Company's ability to prepare financial reports.</li> <li>3. Follow-up on the Capital Loan and Improvement Plan for Cayman Shun On Electronic Co., Ltd., subsidiary of SHARP FIT Automotive Technology Co., Ltd.</li> <li>4. Report on the investment in financial instruments by the Company and its subsidiaries.</li> <li>5. Proposal of the 2022 Annual Business Report and Financial Statements of the Company.</li> <li>6. 2022 Annual Loss Offset Plan of the Company.</li> <li>7. Proposal of the 2022 "Assessment of the Effectiveness of Internal Control System" and "Statement of Internal Control System" of the Company.</li> <li>8. Amendment to the "Procedures for Fund Lending and Endorsement Guarantee" of the Company.</li> <li>9. Amendment to the "Organizational Regulations of the Remuneration Committee."</li> <li>10. Early Termination of Intercompany Fund Lending.</li> <li>11. Inter-company fund lending between subsidiaries.</li> <li>12. Pre-approval for Provision of Non-Assurance Services by the Engagement Auditor.</li> </ol>	The independent directors unanimously approved the following matters in this meeting.
May 10, 2023	<ol style="list-style-type: none"> <li>1. Internal audit progress report.</li> <li>2. Follow-up on the plan to improve the Company's ability to prepare financial reports.</li> <li>3. Follow-up on the Capital Loan and Improvement Plan for Cayman Shun On Electronic Co., Ltd., subsidiary of SHARP FIT Automotive Technology Co., Ltd.</li> <li>4. Report on the investment in financial instruments by the Company and its subsidiaries.</li> <li>5. The consolidated financial statements for the first quarter of the fiscal year 2023.</li> </ol>	The independent directors unanimously approved the following matters in this meeting.
August 8, 2023	<ol style="list-style-type: none"> <li>1. Internal audit progress report.</li> <li>2. Follow-up on the plan to improve the Company's ability to prepare financial reports.</li> <li>3. Report on the investment in financial instruments by the Company and its subsidiaries.</li> <li>4. The consolidated financial statements for the first two quarters of the fiscal year 2023.</li> <li>5. Amendment to "Investment Cycle" of the Company's Internal Control System.</li> <li>6. Early Termination of Intercompany Fund Lending.</li> <li>7. Inter-company fund lending between subsidiaries.</li> </ol>	The independent directors unanimously approved the following matters in this meeting.
November 10, 2023	<ol style="list-style-type: none"> <li>6. Internal audit progress report.</li> </ol>	The independent directors

	7. Follow-up on the plan to improve the Company's ability to prepare financial reports. 8. Report on the investment in financial instruments by the Company and its subsidiaries. 9. The consolidated financial statements for the third quarter of the fiscal year 2023. 10. Amendment to "Investment Cycle" of the Company's Internal Control System. 11. Early Termination of Intercompany Fund Lending. 12. Inter-company fund lending between subsidiaries. 13. Non-recovery of accounts receivable from subsidiary Jiaying Shun Min Electronic Co., Ltd., exceeding the credit period by more than 3 months.	unanimously approved the following matters in this meeting.
December 21, 2023	1. Regular review of financial statement auditor's independence. 2. Appointment of External Auditor at Company's Expense.	The independent directors unanimously approved the following matters in this meeting.
March 15, 2024	1. Internal audit progress report. 2. Follow-up on the plan to improve the Company's ability to prepare financial reports. 3. Report on the investment in financial instruments by the Company and its subsidiaries. 4. Proposal of the 2023 Annual Business Report and Financial Statements of the Company. 5. 2023 Annual Loss Offset Plan of the Company. 6. Proposal of the 2023 "Assessment of the Effectiveness of Internal Control System" and "Statement of Internal Control System" of the Company. 7. Amendment to the "Procedures for Fund Lending and Endorsement Guarantee" of the Company. 8. Early Termination of Intercompany Fund Lending. 9. Inter-company fund lending between subsidiaries. 10. Proposal to establish general principles for the Company's policy on pre-approval of non-assurance services.	The independent directors unanimously approved the following matters in this meeting.

(2) The implementation status of independent directors' recusal from matters involving conflicts of interest shall include the names of independent directors, the content of the agenda, reasons for recusal due to potential conflicts of interest, and their participation in the voting process: No such instances.

2. The implementation status of independent directors' recusal from matters involving conflicts of interest shall include the names of independent directors, the content of the agenda, reasons for recusal due to potential conflicts of interest, and their participation in the voting process: No such instances.
3. Communication between independent directors and the internal audit manager and accountant (including major matters, methods, and results of communication regarding the Company's financial and business conditions):

(1) Regular (at least once per quarter) communication between the Audit Manager and the Audit Committee and Independent Directors:

1. The Audit Manager submits audit reports and follow-up reports to the Independent Directors for review on a quarterly basis. (Regular)
2. In addition to submitting audit reports to the Independent Directors for review on a monthly basis, the Internal Audit Department's Manager also reports on significant audit findings to the Audit Committee and the Board of Directors. (Regular)
3. The Audit Manager communicates audit findings and ways to continuously enhance audit value with the Audit Committee as needed through email, telephone, or meetings. (Unscheduled)

(2) Communication between the Independent Directors and the Auditor:

1. In accordance with Auditing Standards Bulletin No. 39, "Communication with the Governance Body of the Entity Being Audited," the Auditor engages in written or face-to-face communication with the Audit Committee regarding governance matters related to the audit or review of the Company's consolidated financial statements (including the individual financial statements) during the planning and completion stages. Relevant information is compiled for communication purposes.
2. Summary of communication between independent directors and the Audit Manager and CPA up until the publication date of the 2023 annual report:

Date	Main Topics of Communication	Audit Committee	Accountant	Actions and Outcomes Taken
2023/08/08	Report and communication on the review results and significant review matters of the 2023 Q2 financial statements. Assessment of financial statement preparation capabilities. Explanation on the Impact and Applicability of Newly Revised Regulations: Amendment off TWSE rules.	Independent directors: Wen-Jung Cheng Sheng-Kung Tai Kuo-Fei Li	Accountant You-Ling Cai	No comments were raised during this meeting.
2023/11/10	Report and communication on the review results and significant review matters of the 2023 Q3 financial statements. Communicating with the governance entity on the Audit Quality Indicators (AQI) Explanation on the Impact and Applicability of Newly Revised Regulations: Corporate governance and sustainable development.	Independent directors: Wen-Jung Cheng Sheng-Kung Tai Kuo-Fei Li	Accountant You-Ling Cai	No comments were raised during this meeting.
2024/03/15	Reporting and Communication of the 2023 Annual Financial Statements Review Results and Key Audit Matters. Explanation on the Impact and Applicability of Newly Revised Regulations: Amendments of the Company Law of the People's Republic of China.	Independent directors: Wen-Jung Cheng Sheng-Kung Tai Kuo-Fei Li	Accountant You-Ling Cai	No comments were raised during this meeting.

4. Annual Review Focus of the Audit Committee

- Company's Financial Statements
- Establishment or Revision of Internal Control System and Assessment of its Effectiveness
- Significant Assets, Derivative Products, Funding or Endorsement Guarantee Transactions
- Fundraising, Issuance, or Private Placement of Equity-like Securities
- Audit Unit's Audit Plan and Execution Status
- Appointment, Removal, Remuneration, and Independence Assessment of the Signing Auditor

- Appointment and Dismissal of Financial, Accounting, or Internal Audit Executives
- Management's Risk and Control Procedures for Compliance with Laws and Regulations

(3) Operation of Corporate Governance and Differences and Reasons Compared to Listed and OTC Company Governance Practices:

Evaluation Items	Operational Status			Compared to Listed and OTC Companies Corporate Governance Practices Differences Situations and Reasons
	Yes	No	Summary and Explanation	
1. Does the Company "establish and disclose a code of practice of corporate governance in accordance with the "Corporate Governance Best Practice Principles for TWSE & TPEx Listed Companies?"	V		The company has referred to the "Corporate Governance Best Practice Principles for Listed and OTC Companies" and established its own "Corporate Governance Best Practice Guidelines," which are disclosed on the Company's website for downloading and reference. In addition to complying with legal requirements and the Company's bylaws, the Company has established an effective corporate governance framework that ensures the protection of shareholders' rights, enhances the functions of the board of directors, respects the interests of stakeholders, and promotes information transparency.	No differences.
2. Equity Structure and Shareholders' Equity of the Company				
(1) Has the Company established internal operating procedures to handle shareholder suggestions, inquiries, disputes, and legal matters, and are these procedures implemented accordingly?	V		(1) In accordance with our company's "Share Administration Operating Procedures," we entrust a professional share agency to handle related operations, and we have appointed a spokesperson or proxy spokesperson responsible for dealing with shareholder suggestions or disputes.	No differences.
(2) Does the Company have a list of its major shareholders and a list of actual controllers of the major shareholders?	V		(2) The company verifies changes in the shareholdings of major shareholders, including directors, on a monthly basis to stay updated on their holdings. At the same time, we maintain good relationships with major shareholders through interactions to stay informed at all times.	No differences.
(3) Has the Company established and implemented risk management and firewall mechanisms with its related entities?	V		(3) The company and its related entities operate independently in terms of production, sales, research and development, human resources, and finance, adhering to relevant regulations set by regulatory authorities. The company follows its own "Operating Procedures for Financial Loans," "Endorsement and Guarantee Implementation Measures," and "Internal Control System" in its interactions with related entities. We have also established robust risk management for monitoring subsidiary companies.	No differences.
(4) Has the Company set internal regulations prohibiting insiders from trading securities based on undisclosed information in the market?	V		(4) The company has established the "Insider Trading Prevention Management Procedures," and our "Code of Conduct and Business Ethics Guidelines" explicitly states that "trading based on undisclosed information is prohibited." Therefore, all employees are required to adhere to these regulations, and we emphasize compliance and strictly prohibit insider trading within the Company.	No differences.

3. Composition and Responsibilities of the Board of Directors				
(1) The Board of Directors has formulated a policy on diversity, specific management objectives, and has effectively implemented them.	V		(1) The composition of the board of directors in our company follows the policy of diversity, as stipulated in the "Director Appointment Procedure" and Article 20 of the "Corporate Governance Best Practice Principles." The composition of board members takes into account diversity and appropriate policies are formulated based on the Company's operations, business model, and development needs. For more information on the implementation of board diversity, please refer to pages 21-23 of the "Board Diversity and Independence" section.	No differences.
(2) Besides the Remuneration Committee and Audit Committee, does the Company voluntarily set up other functional committees?	V		(2) The company has established the Remuneration Committee and Audit Committee in compliance with the law, and these committees are currently operational. In the future, additional committees with relevant functions will be established based on actual operational requirements.	No differences.
(3) Has the Company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration, and nomination decisions?	V		(3) The company conducts regular performance evaluations of the board of directors in accordance with the "Board Performance Evaluation Procedure" on an annual basis. Please refer to pages 35-37 for the self-assessment details of the board's performance and the performance evaluation of functional committees for the year 2022.	No differences.
(4) Does the Company regularly evaluate the independence of the auditing accountants?	V		(4) The company conducts an annual assessment of the independence, professionalism, and suitability of the external auditors. The auditors and their firms are requested to provide relevant information and an "Independence Declaration" for the board of directors to evaluate. The most recent assessment was completed on December 21, 2023. Based on the evaluation, no issues were found regarding the independence criteria mentioned in the assessment. It is confirmed that the appointed auditors maintain their independence, and the financial reports they issued can be relied upon.	No differences.
4. Does the listed or OTC company establish a dedicated (or concurrent) position or personnel responsible for corporate governance matters, including but not limited to providing the necessary information for directors and supervisors to carry out their duties, conducting meetings of the board of directors and shareholders' meetings in compliance with the law, handling company registration and changes, and preparing minutes of board of directors and shareholders' meetings?	V		<p>On March 24, 2023, the Board of Directors appointed Ms. Yi-Hui Yeh as the Director of Corporate Governance, who possesses over three years of experience as a financial executive in publicly traded companies. The Director of Corporate Governance is responsible for various corporate governance matters, including:</p> <ol style="list-style-type: none"> <li>1. Handling company registration and changes. (Change of registration for the director re-election was completed in July 2023)</li> <li>2. Conducting meetings of the board of directors and shareholders' meetings in compliance with the law and assisting the Company in adhering to relevant regulations governing the board of directors and shareholders' meetings. (A total of 7 board meetings and 1 shareholders meeting were held in 2023)</li> <li>3. Preparing minutes of board of directors and shareholders' meetings. (A total of 7 board meeting minutes and 1 shareholders' meeting minutes was completed in 2023)</li> </ol>	No differences.

			<p>4. Providing the necessary information to directors for the execution of their duties and keeping them updated on the latest regulatory developments related to the Company's operations, thereby assisting directors and supervisors in compliance with the law.</p> <p>(Passed consolidated financial statements of the Company for all quarters of 2023 presented by the Audit Committee.</p> <p>Amendment to the "Procedures for Fund Lending and Endorsement Guarantee" of the Company.)</p> <p>5. Handling matters related to investor relations.</p> <p>6. Other matters as stipulated in the Company's articles of incorporation or contracts.</p>	
5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and does it have a dedicated section for stakeholders on its website to address important corporate social responsibility (CSR) issues raised by stakeholders?	V		<p>The company's website has established communication channels for stakeholders such as investors, suppliers, and employees. These channels can be accessed through telephone, email, or in-person visits to the Company, aiming to appropriately safeguard the legitimate rights and interests of stakeholders.</p> <p>For more information on the issues and communication channels concerning stakeholders, please refer to Note 1 (page 46).</p>	No differences.
6. Does the Company appoint a professional stock agency to handle the affairs of the Board of Shareholders?	V		The company has appointed China Trust Commercial Bank Co., Ltd., Shareholder Services Department, as the professional shareholder service agency to handle various shareholder matters on behalf of the Company.	No differences.
7. Information Disclosure				
(1) Does the Company have a website to disclose financial and corporate governance information?	V		(1) The company's website, <a href="http://www.soe-ele.com">www.soe-ele.com</a> , has disclosed relevant information regarding the Company's finances, operations, and corporate governance.	No differences.
(2) Does the Company employ other means of information disclosure (such as setting up an English website, designating a responsible person for collecting and disclosing company information, implementing a spokesperson system, posting the process of corporate briefings on the Company website, etc.)?	V		(2) The company has designated a responsible person to oversee the collection of company information and the disclosure of significant matters. It has also established an investor relations section, appointed a spokesperson, and implemented a spokesperson proxy system to serve as a bridge for information collection, disclosure, and external communication.	No differences.
(3) Has the Company announced and filed its annual financial report within two months after the end of the accounting year, and announced and filed its first, second, and third quarter financial reports and monthly business operations before the prescribed deadline?		V	(3) The company consistently announces and files the annual financial report, as well as the first, second, and third-quarter financial reports, and provides monthly operational updates ahead of the prescribed deadlines. For more details, please refer to the contents filed on the Market Observation Post System.	No differences.
			Website <a href="https://mops.twse.com.tw/">https://mops.twse.com.tw/</a>	

<p>8. Does the Company have other important information that helps understand the operation of corporate governance (including but not limited to employee benefits, employee care, investor relations, supplier relationships, rights of stakeholders, status of education and training for directors and supervisors, implementation of risk management policies and risk measurement standards, execution of customer policies, and the Company's purchase of liability insurance for directors and supervisors)?</p>	<p>V</p>	<p>(1) Employee Rights and Employee Care: The company has established dedicated channels to handle various stakeholders' concerns. The Human Resources Department specifically deals with employee rights, and a Welfare Committee has been established to address the needs of employees. Currently, these initiatives are operating smoothly.</p> <p>(2) Investor Relations: The company has established communication channels through the spokesperson and proxy spokesperson system to address shareholder inquiries and relevant issues.</p> <p>(3) Supplier Relationships: The company maintains open communication channels with suppliers, fostering good relationships, and upholding the principles of integrity and mutual benefit in its dealings with them</p> <p>(4) Rights of Stakeholders: The company respects and safeguards the legitimate rights and interests of stakeholders. It maintains effective communication channels with customers, employees, suppliers, and others. It complies with regulatory requirements to provide timely company information through relevant announcements, as detailed in Note 1 (Page 35).</p> <p>(5) Directors' Continuing Education: Each director possesses relevant practical experience and expertise and participates in annual training programs as required. Please refer to table on pages 60-62 for details.</p> <p>(6) Implementation of Risk Management Policies and Risk Measurement Standards: The company evaluates and analyzes significant operational policies, investment projects, endorsements, loan disbursements, and bank financing proposals through the appropriate responsible departments. These proposals are executed based on board resolutions. The Audit Department develops an annual audit plan based on risk assessment results and ensures its effective implementation to supervise and control various risks</p> <p>(7) Execution of Customer Policies: The company has a dedicated department responsible for implementing customer service policies, and the execution is progressing smoothly.</p> <p>(8) The company has purchased directors' liability insurance, updating the policy annually and disclosing relevant information on the Public Information Observation System (PIOS).</p>	<p>No differences.</p> <p>No differences.</p> <p>No differences.</p> <p>No differences.</p> <p>No differences.</p> <p>No differences.</p> <p>No differences.</p>
<p>9. Please explain the improvement measures implemented in response to the Corporate Governance Evaluation System results of the most recent year published by the Corporate Governance Center of Taiwan Stock Exchange; and propose improvement measures for under-performing aspects.</p> <p>According to the priorities for improvement identified in the 10th Corporate Governance Evaluation released in 2023, the following are the explanations:</p> <p>(1) Strengthen disclosure in the annual report regarding reference to international human rights conventions and the formulation of policies and specific management plans to safeguard human rights.</p> <p>(2) Enhance disclosure in the annual report regarding the protection measures for employee personal safety and working environment, along with their implementation status.</p> <p>(3) Enhance the disclosure of financial, business, and corporate governance-related information on the Company's website.</p> <p>(4) Establish functional committees beyond those required by law, such as the Sustainable Development Committee and the Risk Management Committee.</p>			

Note 1: Issues of stakeholder concern and communication channels:

Stakeholders	Concerned Issues	Communication practices	Communication effectiveness
Employees	<ul style="list-style-type: none"> <li>● Company strategy and operational status</li> <li>● Operational performance</li> <li>● Employee benefits</li> <li>● Labor relations</li> </ul>	<ul style="list-style-type: none"> <li>● The general manager and department heads hold regular face-to-face meetings with employees and conduct regular labor-management meetings.</li> <li>● Internal corporate intranet message board.</li> <li>● Employee welfare committee.</li> <li>● Periodic announcements of various welfare benefits (health checkups, group insurance, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>● The Employee Welfare Committee provides annual festival vouchers, birthday bonuses, quarterly birthday celebrations, marriage bonuses, funeral condolences, maternity bonuses, and travel subsidies.</li> <li>● The company provides employees with annual health check-ups every two years.</li> <li>● Arrangement of employee education, training, and professional development.</li> </ul>
Investors / Shareholders.	<ul style="list-style-type: none"> <li>● Operational performance</li> <li>● Risk Management</li> <li>● Shareholder participation.</li> <li>● Corporate governance and sustainable development strategies.</li> </ul>	<ul style="list-style-type: none"> <li>● Annual general meeting of shareholders.</li> <li>● Public Information Observation System (PIOS).</li> <li>● Financial statements and annual reports.</li> <li>● Annual investor conference</li> <li>● Company website messaging system.</li> </ul>	<ul style="list-style-type: none"> <li>● There were a total of 36 significant announcements in 2022.</li> <li>● The company has designated spokespersons and investor relations contacts as communication channels for stakeholders, providing timely responses to shareholder or investor inquiries.</li> </ul>
Customers	<ul style="list-style-type: none"> <li>● Information security.</li> <li>● Information transparency.</li> <li>● Service quality.</li> </ul>	<ul style="list-style-type: none"> <li>● Regular communication and discussion meetings.</li> <li>● Company website messaging system.</li> </ul>	<ul style="list-style-type: none"> <li>● Maintaining good relationships with customers.</li> </ul>
Supplier.	<ul style="list-style-type: none"> <li>● Information security.</li> <li>● Information transparency.</li> <li>● Supplier management.</li> </ul>	<ul style="list-style-type: none"> <li>● Review reports or meetings.</li> <li>● Company website messaging system.</li> </ul>	<ul style="list-style-type: none"> <li>● Maintaining good relationships with suppliers.</li> </ul>
Community / non-profit organizations.	<ul style="list-style-type: none"> <li>● Community care.</li> <li>● Corporate image.</li> </ul>	<ul style="list-style-type: none"> <li>● Dedicated units communicate with community residents and invite them to visit the Company's premises.</li> <li>● Participating in community group activities or forums.</li> </ul>	<ul style="list-style-type: none"> <li>● Actively participating in forums and seminars organized by various civil society and academic groups.</li> </ul>
Government agencies.	<ul style="list-style-type: none"> <li>● Compliance with regulations.</li> <li>● Regulatory compliance.</li> <li>● Environmental protection and energy management.</li> </ul>	<ul style="list-style-type: none"> <li>● Participating in regulatory public hearings and seminars organized by regulatory authorities.</li> <li>● Establishing contact points and maintaining good interaction with relevant government agencies.</li> <li>● Participating in government award evaluations and aligning with national policy trends.</li> </ul>	<ul style="list-style-type: none"> <li>● Disclosing company information on the Public Information Observation System in accordance with the law.</li> <li>● Obtaining three international standard certifications: ISO 14001 for environmental management system, OHSAS 18001 for occupational health and safety management system, and ISO 9001 for quality management system.</li> </ul>

Media	<ul style="list-style-type: none"> <li>● Company strategy and operational status</li> <li>● Disclosure of operational performance and corporate governance information.</li> </ul>	<ul style="list-style-type: none"> <li>● Conducting press conferences, issuing press releases, and maintaining a company website.</li> </ul>	<ul style="list-style-type: none"> <li>● Appointing a spokesperson and an investor relations contact person as a communication channel for stakeholders.</li> </ul>
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- (4) If a company has established a Remuneration Committee, it should disclose its composition, responsibilities, and operation:

A. Information on the members of the remuneration committee.

April 30, 2024

Title and Name		Requirements	Professional Qualifications and Experience	Independence status	Number of Members Who are Also Members of the Remuneration Committee of Other Public Corporations
Independent Director (Convener)	Wen-Jung Cheng	Please refer to the "Disclosure of Directors' Professional Qualifications and Independence of Independent Directors" section in this annual report (pages 19-20) for relevant information.			0
Independent Director	Sheng-Kung Tai				0
Independent Director	Kuo-Fei Li				0

- B. The Remuneration Committee of our company is responsible for evaluating the compensation policies and systems for directors and executives in a professional and objective manner. The committee holds at least two meetings per year and may convene additional meetings as necessary to provide recommendations to the Board of Directors for their decision-making.

- a. The authority of the Remuneration Committee is exercised in accordance with Article 7 of the "Organizational Regulations of the Remuneration Committee" of our company.
  - i. Regularly review the Company's compensation practices and propose amendment suggestions.
  - ii. Develop and periodically review policies, systems, criteria, and structures for the performance and compensation of directors and executives.
  - iii. Conduct regular assessments of the compensation for directors and executives.
- b. The Remuneration Committee fulfills its duties based on the following criteria:
  - i. Compensation management should align with the Company's compensation philosophy.
  - ii. The evaluation and compensation of directors and executives should consider industry norms and be based on individual performance, company performance, and the reasonable linkage to future risks.
  - iii. Directors and executives should not be encouraged to engage in activities that exceed the risk appetite of the Company in pursuit of compensation.
  - iv. The proportion of short-term performance-based bonuses and the timing of variable compensation payments for directors and senior executives should be determined taking into account the industry characteristics and the nature of the Company's business.
  - v. Members of this committee shall not participate in discussions or voting regarding their own individual compensation decisions.

C. Information on the operation of the Remuneration Committee.

- a. The Remuneration Committee of the Company consists of three members.
- b. Current term of the committee: June 27, 2023, to June 26, 2026. The Remuneration Committee held two meetings in 2023 (A), and the qualifications and attendance of the members are as follows:

Title	Name	Number of Attendances In Person (B)	Delegated Attendance Count	Rate of Attendance In Person (%) (B/A) (Note)	Remarks
Convener	Wen-Jung Cheng	2	0	100%	
Committee member	Sheng-Kung Tai	2	0	100%	
Committee member	Kuo-Fei Li	2	0	100%	

**Other items that shall be recorded:**

1. If the Board of Directors rejects or amends the suggestions of the Remuneration Committee, the date, session number, proposal content, results of Board resolution, and the Company's handling of Remuneration Committee's opinions should be recorded in detail (e.g., where the compensation approved by the Board is higher than the compensation suggested by the Remuneration Committee, the difference and reasons should be detailed):  
The Board of Directors of the Company has no specific comments on the Remuneration Committee.
2. For decisions of the Remuneration Committee, if any members have objections or reservations and there is a record or written statement, the date, term, agenda content, all members' opinions, and the handling of the members' opinions should be stated: There were no objections or reservations from any members.
3. The main communication matters and summary of resolutions up to the publication date of the 2023 annual report are as follows:

Remuneration Committee	Agenda	Resolution Result	The Company's Handling of The Opinions of The Remuneration Committee.
1st Session of the 5th Term 2023/11/10	1. Election for the 5th chair of the Remuneration Committee. 2. Appointment of "Madam Chao, Chen-Che" as internal manager.	All members of the committee agreed and passed.	Proposed to the Board of Directors and approved by all attending directors.
2nd Session of the 5th Term 2023/12/21	1. Settlement and compensation for years of service of internal manager - "Madam Shu-Chin Tsao."	All members of the committee agreed and passed.	Proposed to the Board of Directors and approved by all attending directors.

(5) Progress of sustainable development implementation and differences and reasons from sustainability practices guidelines for listed and OTC companies.

Evaluation Items	Operational Status			Any Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE & TPEX Listed Companies and The Reasons For Such Deviation
	Yes	No	Summary and Explanation	
1. Is the Company established with a governance framework for promoting sustainable development, including the establishment of dedicated personnel responsible for driving sustainable development initiatives, authorized by the board of directors and supervised by the board of directors?	V		The company will establish a dedicated position to promote sustainable development in the near future. Upon authorization by the Board of Directors, this unit should consider conducting risk assessments on environmental, social, and corporate governance issues related to the Company's operations. It will formulate relevant risk management and strategies and provide regular reports to the Board of Directors on the progress of sustainable development initiatives.	No significant differences have been identified at this time.
2. Has the Company conducted risk assessments on environmental, social, and corporate governance issues related to its operations, in accordance with the principles of materiality, and established relevant risk management policies or strategies? (Note)	V		The company has implemented the following management systems: ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and ISO 45001 Occupational Health and Safety Management System. Through the continuous operation of these management systems, the Company is able to identify and respond to operational risks related to the environment, employee safety, customers, suppliers, and other aspects in a timely manner. In addition, the Company has established the "Code of Conduct and Operation Guidelines" and "Internal Control System Effectiveness Assessment" to support the implementation of risk management policies. These guidelines are developed in accordance with relevant government regulations and aim to strengthen corporate governance, promote sustainable development, and uphold social welfare.	No significant differences have been identified at this time.
3. Environmental issues (1) Has the Company established an appropriate environmental management system based on its industry characteristics? (2) Is the Company committed to improving the efficiency of resource utilization and using low environmental impact recycled materials?	V  V		(1) The company manages environmental matters in accordance with relevant environmental, safety, and health regulations.  (2) The company is committed to continuously improving the efficiency of resource utilization. For example, we encourage the use of ceramic cups for drinking water and encourage employees to bring their own utensils, lunch boxes, and reusable chopsticks to reduce the use of paper containers. To minimize paper waste, the Company has implemented paperless office practices and gradually transitioned to electronic office systems. Various internal electronic systems such as DingTalk, MES, and ERP are currently operational.	No significant differences have been identified at this time.

Evaluation Items	Operational Status			Any Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE & TPEX Listed Companies and The Reasons For Such Deviation
	Yes	No	Summary and Explanation	
<p>(3) Has the Company evaluated the potential risks and opportunities of climate change on its current and future operations, and taken climate-related measures in response?</p>	V		<p>(3) The company places great emphasis on climate change-related issues. In our daily office operations, we encourage the reuse of resources. For example, we use electronic invoices and have implemented the government's electronic document exchange mechanism. We also use the DingTalk app for internal approvals to facilitate efficient document transmission, saving paper and postage costs.</p> <p>Additionally, the main electricity consumption in our office comes from lighting and air conditioning. To fulfill our corporate social responsibility, the Company has implemented the following measures:</p> <p>① The air conditioning is only activated when the indoor temperature exceeds 30°C in summer and falls below 10°C in winter.</p> <p>② The air conditioning is set to 26°C, and energy saving LED T5 lamps are used for lighting. There are mechanisms in place to turn off lights during lunch breaks and at the end of the workday.</p> <p>③ Employees are required to turn off the power switch when leaving the office to reduce energy consumption and mitigate global warming.</p>	
<p>(4) Has the Company tracked its greenhouse gas emissions, water usage, and total waste weight over the past two years, and developed policies for energy conservation, carbon reduction, water reduction, or other waste management?</p>	V		<p>(4) The company has established policies and reduction targets for water conservation, energy saving, and pollution prevention, and has proposed corresponding improvement plans. We conduct an inventory of greenhouse gas emissions within the Company in accordance with the requirements of ISO 14064. We review the effectiveness of our actions on an annual basis to fulfill our social responsibility of protecting the environment.</p>	
<p>4. Social Issues</p> <p>(1) Does the Company establish relevant management policies and procedures in accordance with applicable laws and international human rights conventions?</p>	V		<p>(1) The working rules and management regulations for employees in the Company and its subsidiaries are established in accordance with the provisions of the Labor Standards Act and relevant laws and regulations. The rights and obligations of labor and management comply with the provisions of labor-related laws, safeguard the legal rights and interests of employees, and are support by appropriate management methods and procedures. The management policies do not violate the provisions of international human rights conventions.</p>	No significant differences have been identified at this time.

Evaluation Items	Operational Status			Any Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE & TPEX Listed Companies and The Reasons For Such Deviation
	Yes	No	Summary and Explanation	
(2) Has the Company established and implemented reasonable employee welfare measures (including salary, vacation, and other benefits), and appropriately reflected business performance or results in employee compensation?	V		<p>(2) The company has established relevant regulations such as "Code of Conduct," "Salary Management Regulations," and "Performance Evaluation Regulations," following the Labor Standards Act and relevant laws and regulations.</p> <p>Employees in the Company and its subsidiaries enjoy labor insurance, health insurance, and employee group insurance. The company also has a welfare committee to implement employee-related benefits. This includes regular employee health checks, birthday bonuses, celebrations, employee trips, parental leave, as well as the distribution of performance bonuses and sharing of surplus earnings among colleagues.</p> <p>Employees in the Company and its subsidiaries enjoy labor insurance, health insurance, and employee group insurance. The company also has a welfare committee to implement employee-related benefits. This includes regular employee health checks, birthday bonuses, celebrations, employee trips, parental leave, as well as the distribution of performance bonuses and sharing of surplus earnings among colleagues. According to Article 19 of the Company's articles of incorporation, "if the Company generates profits in a fiscal year, it is required to allocate 10% to 15% of the profits as employee compensation. This allocation is distributed in the form of stocks or cash through special resolutions of the board of directors. The recipients of this allocation include eligible employees of the Company and its domestic or foreign controlled or subsidiary companies, with the specific conditions authorized by the board of directors."</p>	
(3) Does the Company provide a safe and healthy working environment for employees and regularly conduct safety and health education for them?	V		<p>(3) The company has obtained ISO 45001 certification and established an environmental, occupational health, and safety management system. Over the years, it has followed relevant environmental protection, occupational safety, and labor safety regulations, creating a safe, healthy, and environmentally friendly workplace based on environmental impact and safety risk assessments.</p> <p>The company and its subsidiaries have implemented access control management to ensure a secure office environment. Regular employee health checks, labor safety and health seminars are conducted annually or biennially. Regular drills and training on fire management, evacuation, and other safety measures are arranged to enhance the office and facility's safety and hygiene performance. Continuous education, training, and promotion are carried out to develop employees' emergency response capabilities, instill correct safety concepts, strengthen their safety awareness, and reduce accidents caused by unsafe behavior.</p> <p>Other measures include providing free coffee in the office, conducting regular inspections of the drinking water quality to ensure the employees' drinking water safety, and monthly maintenance and environmental disinfection of the air conditioning system.</p> <p>State the number of fire accidents, the number of deaths/injuries, and</p>	

Evaluation Items	Operational Status			Any Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE & TPEX Listed Companies and The Reasons For Such Deviation
	Yes	No	Summary and Explanation	
<p>(4) Does the Company establish an effective career development and training program for employees?</p> <p>(5) Does the Company comply with relevant laws and international standards regarding customer health and safety, customer privacy, marketing, and labeling issues related to products and services, and develop policies and procedures to protect consumer or customer rights and handle complaints?</p> <p>(6) Does the Company establish a supplier management policy that requires suppliers to adhere to relevant regulations on environmental protection, occupational health and safety, and labor rights, and monitor their implementation?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>relative percentage to total employees for 2023, along with improvement measures in response to the fire accidents: None.</p> <p>(4) The personnel handling various matters in the Company and its subsidiaries actively participate in the promotional seminars provided by regulatory authorities. The company also offers opportunities for further education and training, aiming to cultivate and enhance employees' skills by providing an open and diverse learning environment, as well as language learning programs.</p> <p>(5) The company adheres to ISO 9001 and relevant regulations, implementing consumer protection policies throughout the entire process from receiving orders to handling customer complaints at the end stage. In addition to compliance with relevant regulations and international standards, the Company has established policies and channels to protect consumer rights. For more details, please refer to the Company's website:  <a href="http://www.soe-ele.com/contact.php">http://www.soe-ele.com/contact.php</a></p> <p>(6) The company adheres to ISO 9001 and establishes a supplier management policy, which requires suppliers to comply with relevant standards in areas such as environmental protection, occupational health and safety, and labor rights. If any non-compliance with these standards is identified, it will be included as an evaluation criterion in the annual supplier assessment, and the continuation of the supplier relationship will be determined based on the circumstances. When entering into contracts with major suppliers, the content includes provisions that allow for termination or dissolution of the contract if the supplier is found to be in violation of its corporate social responsibility policy and has a significant impact on the environment and society.</p>	

5. Does the Company refer to internationally recognized reporting standards or guidelines when preparing non-financial information disclosure reports such as sustainability reports? Has the aforementioned report obtained confirmation or assurance opinions from independent verification units? Are the abovementioned reports supported by assurance or opinion of a certifier?		V	The company has not yet prepared a sustainability report. In the future, the decision to compile one will depend on the operational conditions and scale, and the Company will continue to actively promote sustainable development.	No significant differences have been identified at this time.
6. If the Company has established its own sustainability guidelines based on the "Practical Guidelines for Sustainable Development of Listed and OTC Companies," please describe how they differ from the operational guidelines established. The company will establish a dedicated (or concurrent) unit to promote sustainable development in the near future. Its operation will align with the spirit and principles stipulated in the "Practical Guidelines for Sustainable Development of Listed and OTC Companies."				
7. Other important information to understand the execution of sustainable development: None.				

Note: The materiality principle refers to issues related to environmental, social, and corporate governance that have significant impacts on the Company's investors and other stakeholders.

(5-1) Climate-related actions

Item	Implementation Status
1. Describe how the board of directors and the management exercise supervision and governance over climate-related risks and opportunities.	The board of directors is the ultimate decision maker for climate risk management. The board will assign the management to identify and evaluate climate-related risks, and to carry out tasks such as risk/opportunity assessment, financial impact analysis, risk management, goal setting etc. for compliance with laws.
2. Describe how the climate risks and opportunities identified affect the entity's businesses, strategies, and financial position (short-term, medium-term, and long-term).	The management has been paying close attention to climate risks, and evaluating how the identified risks and opportunities affect the Company's businesses, strategies, and financial position (including short-term, medium-term, and long-term) in the future. The management is responsible for coordinating different departments toward developing responses and crisis management capacities that ensure continuity of future businesses.
3. State the financial impacts of extreme weather events and transition actions.	Extreme weather events may disrupt operations and reduce revenues, and negatively affect financial performance. As the general public becomes increasingly aware of the importance of sustainable growth, the Company plans to evaluate and devise risk management as well as adaptation measures that will ensure more stable financial planning and development over the long term.
4. Describe the procedures undertaken to identify, evaluate, and manage climate risks, and how they are integrated into the risk management system.	The company expects to incorporate climate change and environmental risk factors into the corporate risk management system. The company has not completed integrating the identification, evaluation, and management procedures into its overall risk management system.
5. Where scenario analysis is used to evaluate resilience to climate change risk, describe the underlying scenarios, parameters, assumptions, factors, and key financial impacts.	Scenario analysis is a strategic planning tool that is used for developing possible scenarios and evaluating how different scenarios affect an organization. The company currently does not make use of scenario analysis for evaluation.
6. Where transition plans have been made to manage climate risks, explain plan details and the indicators and goals used for the identification and management of physical risks and transition risks.	Transition plans have to be devised based on actual circumstances of a company, which is why detailed risk assessments and strategic planning have to be performed beforehand to minimize the effect of climate change and transition risks.
7. Where internal carbon pricing is used as planning tool, explain the pricing basis.	The company currently does not use carbon pricing as a planning tool.

8. If climate-related goals have been implemented, explain the activities covered, the scope of greenhouse gas emission, any timeline planned, and the progress made each year. Where carbon offset or renewable energy certificate (RECs) is used to accomplish the above goals, explain the source and quantity of carbon credit or the quantity of RECs.	The company has not set climate-related goals. In light of the potential climate change impacts and the need to adopt enhanced sustainability practices, the Company will follow the sustainability roadmap outlined by the Financial Supervisory Commission and aim to complete greenhouse gas survey and validation on time or ahead of schedule.
9. GHG survey and assurance, reduction goals, strategies, and actions.	Greenhouse gas survey is currently being planned.

- (6) Disclosure of compliance with the principles of integrity management and differences and reasons from the best practice guidelines for integrity management of listed and OTC companies.

Evaluation Items	Operational Status		Any Deviation from the Integrity Management Best Practice Principles for TWSE & TPEX Listed Companies and The Reasons For Such Deviation
	Yes	No	
1. Formulating Policies and Plans for Ethical Corporate Management (1) Does the Company establish an integrity policy approved by the board of directors and clearly state the policy and practices of ethical business conduct in its regulations and external documents? Are the board of directors and senior management actively committed to implementing the business policy? (2) Has the Company established a risk assessment mechanism for dishonest behavior, regularly analyzed and evaluated business activities with higher risk of dishonest behavior within its scope of business, and formulated measures to prevent dishonest behavior, covering at least preventive measures for each item in Article 7, Paragraph 2 of the "Code of Conduct for Integrity in Listed and OTC Companies"?	V		(1) The company has established the "Code of Ethics" and "Code of Conduct and Behavioral Guidelines for Ethical Business Operations." These measures and systems cover the principles of integrity for employees, senior management, and the board of directors, demonstrating a commitment to implementing the business policy. (2) The company's "Code of Conduct and Behavioral Guidelines for Ethical Business Operations" is developed in accordance with the preventive measures outlined in Article 7, Section 2, of the Code of Conduct for Ethical Business Practices for Listed and OTC Companies. It requires relevant units to implement these measures. Additionally, the Company's "Code of Conduct" stipulates: 1) Acting honestly in speech and behavior on a regular basis, refraining from engaging in illegal actions that could harm the Company's reputation. 2) Maintaining the confidentiality of the Company's business and technical

Evaluation Items	Operational Status			Any Deviation from the Integrity Management Best Practice Principles for TWSE & TPEx Listed Companies and The Reasons For Such Deviation
	Yes	No	Summary and Explanation	
(3) Does the Company specify operational procedures, behavioral guidelines, disciplinary actions, and a complaint system within the framework of the preventive measures against unethical behavior? Are these measures implemented and subject to periodic review and amendment?	V		information, refraining from disclosing it or engaging in any acts of theft regarding confidential information. (3) The company has established the "Code of Ethics" and "Code of Conduct and Operating Procedures for Ethical Business Practices" to regulate the operation of the Company, including procedures, behavioral guidelines, disciplinary measures for violations, and complaint mechanisms. These policies are effectively implemented and enforced. The aforementioned principles and regulations have been announced and actively promoted in board meetings and internal management meetings to strengthen the fundamental spirit of ethical business practices and enhance integrity and self-discipline within the Company.	
2. Implementation of Ethical Corporate Management (1) Does the Company assess the integrity record of its business contacts and specify the terms of good faith conduct in its contracts with its business contacts?  (2) Has the Company established a dedicated unit under the Board of Directors to promote corporate integrity and reports regularly (at least once a year) to the Board of Directors on its integrity management policy, measures to prevent dishonest behavior, and the monitoring and implementation status?	V		(1) The company includes relevant preventive and penalty clauses for violations of ethical principles in its commercial contracts. If any business transactions or cooperative partners are found to engage in unethical conduct, the Company should immediately cease business dealings with them and conduct an investigation to uphold its ethical business conduct policy. (2) According to Section 5 of the "Procedures and Guidelines for Ethical Business Operations," the General Manager's Office is designated as a dedicated unit responsible for reporting to the Board of Directors on the implementation of the Company's ethical business policy, measures to prevent unethical behavior, and supervision of its execution on a regular basis (at least once a year). Under the supervision of the Board of Directors, the Company ensures that all operations comply with legal requirements and adhere to ethical business standards.	No significant differences have been identified at this time.
(3) Has the Company formulated a policy to prevent conflicts of interest,	V		(3) The company has established a system for avoiding conflicts of interest in its "Board	

Evaluation Items	Operational Status			Any Deviation from the Integrity Management Best Practice Principles for TWSE & TPEX Listed Companies and The Reasons For Such Deviation
	Yes	No	Summary and Explanation	
<p>established appropriate channels for reporting, and ensured its implementation?</p> <p>(4) Does the Company have effective accounting and internal control systems in place to implement corporate integrity, and does the internal audit unit develop relevant audit plans based on the assessment of the risk of dishonest behavior, and use them to verify compliance with anti-dishonesty behavior plans, or commission accountants to conduct audits?</p> <p>(5) Does the Company regularly conduct internal and external education and training on ethical business conduct?</p>	V		<p>Meeting Rules" and "Procedures and Guidelines for Ethical Business Operations." If a director has a personal or corporate interest that may harm the Company's interests regarding an agenda item, they may state their opinion and respond to inquiries but are not allowed to participate in the discussion or vote. They must abstain from the discussion and voting process and are not permitted to exercise voting rights on behalf of other directors.</p> <p>(4) To ensure the implementation of ethical business practices, the Company has established effective accounting and internal control systems. Internal auditors regularly audit the compliance of these systems.</p> <p>(5) The company not only publishes relevant guidelines on its website for all employees to access at any time but also explains and emphasizes their importance in the new employee training manual. Additionally, the Company conducts regular or ad hoc employee education and training sessions or meetings to promote and reinforce ethical business practices.</p>	
<p>3. Implementation of the Company's Whistleblowing System</p> <p>(1) Has the Company established a specific whistleblowing and rewards system, established convenient channels for whistleblowing, and assigned appropriate personnel to handle reported cases?</p> <p>(2) Has the Company established a standard operating procedure for</p>	V		<p>(1) The company has a clear reporting system, and if employees have any reports or concerns, they can communicate them to their immediate supervisors, the HR department, or other relevant departments. The company has also established a dedicated email address and hotline for internal and external parties to make reports.</p> <p>(2) When handling reported matters, the Company maintains confidentiality</p>	No significant differences have been identified at this time.

Evaluation Items	Operational Status			Any Deviation from the Integrity Management Best Practice Principles for TWSE & TPEX Listed Companies and The Reasons For Such Deviation
	Yes	No	Summary and Explanation	
<p>handling reported matters, including the criteria for conducting investigations, the actions to be taken after the investigation, and the relevant confidentiality mechanisms?</p> <p>(3) Does the Company take measures to protect whistleblowers from improper treatment due to reporting?</p>	V		<p>regarding the identity of the whistleblower and the content of the report, and approaches the investigation with a careful and thorough attitude. The company is committed to protecting whistleblowers from any adverse treatment or retaliation as a result of their reports. If the reported matters are substantiated, the Company reviews the relevant internal control systems and operational procedures to prevent recurrence. The dedicated department responsible for handling reports should report the details of the reported matters, the actions taken, and any subsequent improvement measures to the board of directors.</p> <p>(3) The "Code of Conduct and Operating Procedures for Integrity" includes provisions on maintaining confidentiality and not disclosing any information related to the whistleblower's identity and the reported content.</p>	
<p>4. Enforcing Information Disclosure</p> <p>Has the Company disclosed the content and effectiveness of its code of conduct on its website and the Public Information Observation Station?</p>	V		<p>The company has already published and disclosed the "Code of Conduct and Operating Procedures for Integrity" on the "Public Information Observation System" and the Company's website at <a href="http://www.soe-ele.com">www.soe-ele.com</a>. The execution details and effectiveness of the code are also disclosed in the annual report.</p>	<p>No significant differences have been identified at this time.</p>
<p>5. If the Company has established its own code of conduct based on the "Code of Conduct for Listed and OTC Companies," please describe any differences between its operation and the established code: The company strictly adheres to the Company Act, Securities Exchange Act, Commercial Accounting Act, "Code of Conduct and Operating Procedures for Integrity," and other relevant laws and regulations applicable to listed companies, as the fundamental basis for implementing integrity in its operations. There are no differences between the operation and content of the Company's code of conduct and the established standards.</p>				
<p>6. Other important information that helps understand the Company's operation in terms of integrity: The company has established various regulations, including the "Shareholders Meeting Rules," "Board Meeting Regulations," "Procedures for Election of Directors and Supervisors," and "Code of Conduct and Operating Procedures for Integrity." For further details, please refer to the Company's website (<a href="http://www.soe-ele.com">www.soe-ele.com</a>) under the "Stakeholders" section and navigate to the "Company's Important Internal Regulations" subsection.</p>				

- (7) If the Company has established corporate governance rules and related regulations, it shall disclose the methods for inquiry as follows:

The company has established governance guidelines and related regulations, including the "Standard Operating Procedures for Handling Requests from Directors," "Corporate Governance Guidelines," "Code of Ethical Conduct," "Board Meeting Rules," "Procedures and Guidelines for Ethical Operations and Conduct," "Shareholders' Meeting Regulations," "Director Election Procedures," "Code of Conduct for Ethical Operations," and "Practices for Sustainable Development." The relevant information has been disclosed on the Company's website.

The company discloses various important regulations under the "Governance" section of its website, specifically in the "Important Internal Rules" section

- (8) Other significant information that enhances understanding of the Company's governance practices may also be disclosed.

A. The company's website and important information are announced on the Public Information Observation System according to regulatory requirements.

B. The company's directors' training status for the year 2023:

Title	Name	Date of Education	Organizer	Course Name	Study Hours
Chairman	Jong-Hwa Chin	2023/09/26	Chinese National Association of Industry and Commerce for Corporate Management and Sustainable Development	Digital Transformation and New Risk Management Mindset for the Future	3
		2023/10/20	Chinese National Association of Industry and Commerce for Corporate Management and Sustainable Development	Practical Implications of the Labor Incident Act	3
Director	Kuo-Feng Chin	2023/10/20	Chinese National Association of Industry and Commerce for Corporate Management and Sustainable Development	Practical Implications of the Labor Incident Act	3
		2023/11/15	Securities and Futures Institute	2023 Annual Internal Insider Trading Legal Compliance Awareness Seminar	3
Director	Juei-Chen Chang	2024/03/22	Corporate Operating and Sustainable Development Association	Corporate Governance 3.0, Capital Market Roadmap, and Green Finance	3

Title	Name	Date of Education	Organizer	Course Name	Study Hours
Director	Chin-Chung Lu	2023/03/15	Clevo Co.	Age of Uncertainties - 2023 Macroeconomics and Financial Trends	1
		2023/08/11	Corporate Operating and Sustainable Development Association	Business Strategies for Taiwanese Businesses Given the Current Global Politics and Economics, and Insider Trading Rules	3
		2023/11/10	Chinese Corporate Governance Association (CCGA)	Trends of Digital Technology and AI and Risk Management	3
Director	Pei-Cheng Yeh	2023/04/18	Foundation for the Development of Accounting Research and Development, Republic of China	Proper Taxation Mindset for Taiwanese Businesses amidst the Restructuring of the Global Supply Chain	3
		2023/08/11	Foundation for the Development of Accounting Research and Development, Republic of China	Operational Diversification Strategies amidst Rising Geopolitical Risks	3
Director	TOMOYUKI YAMADA	2023/10/18	Chinese National Association of Industry and Commerce for Corporate Management and Sustainable Development	Recent Case Studies of Board Meeting and Shareholder Meeting Procedures in A Fight for Business Control	3
		2023/10/24	Chinese National Association of Industry and Commerce for Corporate Management and Sustainable Development	Insider Trading Prevention Laws, Practical Implications, and Case Studies	3
Independent Director	Wen-Jung Cheng	2023/04/27	Taiwan Stock Exchange Corporation and Taipei Exchange	Seminar on Sustainability Development Action Plan for TWSE/TPEX Listed Companies	3
		2023/10/20	Securities and Futures Institute	2023 Insider Trading Prevention Seminar	3
		2023/11/08	CPA Associations R.O.C. (Taiwan)	Independent Director and Audit Committee Practices	3

Title	Name	Date of Education	Organizer	Course Name	Study Hours
Independent Director	Sheng-Kung Tai	2023/09/15	Chinese National Association of Industry and Commerce for Corporate Management and Sustainable Development	Corporate Carbon Management Practices and Use of Digital Tools	3
		2023/09/26	Chinese National Association of Industry and Commerce for Corporate Management and Sustainable Development	Digital Transformation and New Risk Management Mindset for the Future	3
		2023/10/18	Chinese National Association of Industry and Commerce for Corporate Management and Sustainable Development	Recent Case Studies of Board Meeting and Shareholder Meeting Procedures in A Fight for Business Control	3
		2023/11/22	Chinese National Association of Industry and Commerce for Corporate Management and Sustainable Development	Legal Regulations and Risk Responsibilities that Directors, Supervisors, and Insiders Should Be Aware of under Corporate Governance	3
Independent Director	Kuo-Fei Li	2024/03/22	Chinese National Association of Industry and Commerce for Corporate Management and Sustainable Development	Corporate Governance 3.0, Capital Market Roadmap, and Green Finance	3

(9) Disclosure of the Implementation Status of Internal Control System

A. Declaration of Internal Control

Shun On Electronic Co., Ltd. Assistant Manager of Audit.

Internal Control System Statement

Date: March 15, 2024

Statement on the Internal Control System for the fiscal year 2023:

1. It is the responsibility of the Board of Directors and Managers of the Company to establish, implement and maintain the internal control system, which the Company has established. The purpose of the system is to achieve the goals of effectiveness and efficiency in operations (including profitability, performance, and safeguarding of assets), reliable reporting with timeliness, transparency, and compliance with relevant regulations and laws, providing reasonable assurance.
2. The internal control system has its inherent limitation, no matter how perfect the design is, the effective internal control system can only provide reasonable assurance for the above three objectives; moreover, the effectiveness of the internal control system may change with the change of environment and situation. However, the internal control system of the Company is provided with a self-monitoring mechanism, and the Company will take corrective actions once the absence is identified.
3. The Company shall judge whether the design and implementation of the internal control system are effective or not according to the judgment items of the effectiveness of the internal control system stipulated in the "Guidelines for the Establishment of Internal Control System by Public Owned Corporations" (hereinafter referred to as "Handling Guidelines"). The internal control system assessment criteria used in the "Handling Guidelines" are based on dividing the internal control system into five organizational elements according to the process of management control: 1. Control Environment 2. Risk Assessment 3. Control Activities 4. Information and Communication 5. Monitoring Activities. Each component includes a number of items. For the foregoing items, please refer to the provisions of "Handling Guidelines."
4. The Company has adopted the above internal control system assessment criteria to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the assessment results, the Company believes that its internal control system, including the supervision and management of subsidiaries, as of December 31, 2023, is designed and implemented effectively. The system allows the Company to understand the effectiveness and efficiency of operations, ensures reliable and timely reporting, and complies with relevant regulations and laws. It is designed to achieve operational goals and objectives in a transparent manner and in accordance with applicable norms and regulations. The company is confident that the internal control system provides reasonable assurance of achieving the mentioned objectives.
6. This statement will become a major part of the Company's annual report and public disclosure. If any of the contents disclosed above is found to be false, with concealment or other illegal matters, it will involve legal liabilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement was approved by the Board of Directors on March 15, 2024. Among the nine attending directors, there was no dissenting opinion, and all of whom agreed to the content of this statement.

Shun On Electronic Co., Ltd. Assistant Manager of Audit.

Chairman: Jong-Hwa Chin [Signature]

B. When the internal control system is subject to special review by a certified public accountant, the review report of the accountant should be disclosed. Not applicable.

- (10) In the most recent fiscal year and up to the date of the annual report printing, if the Company or its insiders have been legally penalized, or if the Company has imposed penalties on its insiders for violations of the internal control system, and if the penalties may have a significant impact on shareholder equity or securities prices, the details of the penalties, major deficiencies, and improvement measures should be disclosed. None.
- (11) Important resolutions made by the shareholders' meeting and the board of directors in the most recent fiscal year and up to the date of the annual report printing.

A. The resolutions and implementation status of the shareholders' general meeting held on June 27, 2023, are as follows:

Resolution item	Implementation status
The business report and financial statements for the year 2022.	The motion to approve the business report and financial statements for the year 2022 has been passed.
The appropriation of losses for the year 2022.	The motion to approve the appropriation of losses for the year 2022 has been passed.
Amendment to the "Procedures for Fund Lending and Endorsement Guarantee" of the Company.	Voted and passed partial amendments to the Company's "Procedures for Fund Lending and Endorsement Guarantee."
Comprehensive Election of Directors Proposal	The list of elects has been enforced accordingly; the details of which have been disclosed on the Market Observation Post System and approved by the Ministry of Economic Affairs on file.
Termination of Director and Representative Non-competition Restriction Case	The motion to lift the non-competition restrictions on directors and their representatives has been passed.

B. Significant resolutions of the Board of Directors from January 1, 2023, to April 30, 2024, are as follows:

Session	Date of Meeting	Significant Resolutions
20th Session of the 9th Term	2023/03/24	1. Proposal of the 2022 Annual Business Report and Financial Statements of the Company. 2. Proposal of the 2022 Profit and Loss Appropriation of the Company. 3. Comprehensive Election of Directors Proposal 4. Proposal for convening the 2023 Annual Shareholders' Meeting 5. Amendment to the "Procedures for Fund Lending and Endorsement Guarantee" of the Company. 6. Amendment to the "Organizational Regulations of the Remuneration Committee" Proposal 7. Establishment of the position of "Corporate Governance Officer" in the Company. 8. Authorization of Innovation Business Group Quota Proposal 9. Annual Budget for the Fiscal Year 2023
21st Session of the 9th Term	2023/04/11	1. Proposal for convening the 2023 Annual Shareholders' Meeting 2. Comprehensive Election of Directors Proposal
22nd Session of the 9th Term	2023/05/10	1. Nomination and Resolution of Director Candidates Proposal 2. Resolution to lift the restriction on the new director and their representative from engaging in competitive activities.
1st Session of the 10th Term	2023/06/27	1. Election of Chairman
2nd Session of the 10th Term	2023/08/08	1. Amendment to "Investment Cycle" of the Company's Internal Control System. 2. Appointment of members for the 5th "Remuneration Committee" of the Company
3rd Session of the 10th Term	2023/11/10	1. Appointment of "Ms. Chao, Chen-Chen" as internal manager
4th Session of the 10th Term	2023/12/21	1. Annual Budget for the Fiscal Year 2024 2. Amendments to the Company's "Procedures for Financial and Business Dealings between Related Parties"

5th Session of the 10th Term	2024/03/15	1.Proposal of the 2023 Annual Business Report and Financial Statements of the Company. 2.Proposal of the 2023 Profit and Loss Appropriation of the Company. 3.Proposal for convening the 2024 Annual Shareholders' Meeting 4.Amendment to the "Procedures for Fund Lending and Endorsement Guarantee" of the Company. 5.Proposal to establish general principles for the Company's policy on pre-approval of non-assurance services 6.Proposal to have Jiaxing Shunon Electronic Technology Co., Ltd. repatriate cumulative earnings back to parent company - Rich Easy Investments Limited.
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(12) In the most recent year and up to the date of publication of the annual report, the Directors have different opinions on the important resolutions adopted by the Board of Directors which have been recorded or as written statements: no such situation.

(13) In the most recent year and up to the date of the publication of the annual report, the summary of the resignation and dismissal of the Chairperson of the Board, general manager, accounting supervisor, finance supervisor, internal audit Governance" for its supervisor, and R&D supervisor of the Company:

Title	Name	Date of Appointment	Date of Termination	Reason for Resignation or Dismissal
Chief Technical Officer	Tzu-Chien Hsu	2017/08/07	2024/03/08	Personal Career Planning

## 5. ACCOUNTANT'S PUBLIC EXPENSE INFORMATION

### (1) Disclosure of Auditor's Remuneration

Monetary Unit: NT\$1,000

Name of the Accounting Firm	Name of CPA	Audit Period	Audit Fees	Non-audit Fees	Total	Remarks
Deloitte Taiwan	You-Ling Cai	2023/1/1 - 2023/12/31	3,550	60	3,610	Note
	Wen-Chin Lin	2023/1/1 - 2023/12/31				

Note: Non-audit fees include transfer pricing reports and tax consulting advisory services.

- (2) If there is a change in the auditing firm and the audit fees for the current year are lower than the audit fees for the previous year, the decrease in audit fees, the percentage decrease, and the reasons for the decrease should be disclosed:

Not applicable

- (3) If there is a change in the auditing firm and the audit fees for the current year are decreased by more than 15% compared to the audit fees for the previous year, the decrease in audit fees, the percentage decrease, and the reasons for the decrease should be disclosed: Not applicable.

**6. Disclosures pertaining to the change of CPA in the last two years and after: None.**

**7. The chairman, general manager, or manager responsible for finance or accounting of the company, who has served in the accounting firm or its affiliated enterprises within the past year, shall disclose their names, titles, and the period of employment in the accounting firm or its affiliated enterprises: Not applicable.**

**8. Recent changes in share transfers and pledge of shares involving directors, executives, and shareholders holding more than 10% of the shares, up to the date of printing of the annual report. If the transferee or pledgee of the equity is a related party, the name of the related party, the relationship with the Company, directors, managers, and shareholders holding more than 10% of the shares, and the number of shares acquired or pledged shall be disclosed.**

**(1) Changes in share ownership by directors, executives, and major shareholders.**

Title	Name	2023		2024 up Until April 30	
		Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in the Number of Shares Pledged	Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in the Number of Shares Pledged
Chairman	Jong-Hwa Chin	-	-	-	-
Director	Chicony Electronics Co., Ltd.	-	-	-	-
	Chin-Chung Lu	-	-	-	-
Director	CTBC Bank acts as the custodian for the Lung Hung Limited investment portfolio.	-	-	-	-
	Representative: Kuo-Feng Chin	-	-	-	-
Director and shareholder holding more than 10% of the shares.	Min Tai International Co., Ltd.	-	-	-	-
	Representative TOMOYUKI YAMADA	-	-	-	-
Director and shareholder holding more than 10% of the shares.	Min Tai International Co., Ltd.	-	-	-	-
	Representative: Juei-Chen Chang	-	-	-	-
Director	Zhijia Investment Co., Ltd.	-	-	-	-
	Pei-Cheng Yeh	-	-	-	-
Independent Director	Wen-Jung Cheng	-	-	-	-
Independent Director	Sheng-Kung Tai	-	-	-	-
Independent Director	Kuo-Fei Li	-	-	-	-
General Manager	Shih-Chang Chen	-	-	-	-
Chief Operating Officer	Cheng-Hsia Yen (Note)	-	-	-	-
Vice General Manager	Juei-Chen Chang	3,000	-	-	-
Chief Financial Officer and Head of Corporate Governance	Yi-Hui Yeh	-	-	(9,000)	-

Purchasing Manager	Shu-Chin Tsao (Note)	-	-	-	-
Department Head	Tzu-Chien Hsu (Note)	(5,000)	-	-	-
Department Head	I-Ying Chen	-	-	-	-

Note: Chief Operating Officer Cheng-Hsia Yen departed from duty on October 31, 2023; Purchasing Manager Shu-Chin Tsao retired on December 31, 2023; Chief Technical Officer Tzu-Chien Hsu departed from duty on March 8, 2024.

(2) Information on Share Transfers. Related Parties Involved in Share Transfers: None.

(3) Information on Share Pledges. Related Parties Involved in Share Pledges: None.

**9. Information regarding shareholders among the top ten with relationships or being spouses or relatives within the second degree of kinship:**

April 30, 2024

Name	Shares Held		Shares Held By Spouses And Minor Children		Total Shares Held In The Name Of Other Persons		In Accordance With Financial Accounting Standards Board Statement No. 6, The Following Are The Names Or Identities And Relationships Of The Top Ten Shareholders Who Have Relationships As Defined By The Standard Or Are Spouses Or Relatives Within The Second Degree Of Kinship		Remarks
	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Number of Shares	Shareholding Ratio %	Name	Relationship	
Min Tai International Co., Ltd.	26,251,691	17.75%	-	-	-	-	-	-	-
Representative: Ching-Lien Wei	-	-	-	-	-	-	-	-	-
Zhijia Investment Co., Ltd.	13,953,000	9.43%	-	-	-	-	-	-	-
Pei-Cheng Yeh	-	-	-	-	-	-	-	-	-
Cathay United Bank is entrusted with the custody of the investment portfolio of Jing Development Co., Ltd.	13,125,000	8.87%	-	-	-	-	-	-	-
CTBC Bank acts as the custodian for the Lung Hung Limited investment portfolio.	12,600,000	8.52%	-	-	-	-	-	-	-
Chicony Electronics Co., Ltd.	10,752,254	7.27%	-	-	-	-	-	-	-
Representative: Hsu, Kun-Tai	-	-	-	-	-	-	-	-	-
Kun-Xiong Lin	1,457,000	0.99%	-	-	-	-	-	-	-
Kao-Huang Lin	1,373,000	0.93%	-	-	-	-	-	-	-
Andtex Industries Co., Ltd.	533,445	0.36%	-	-	-	-	-	-	-

Representative: Han-Chou Huang	-	-	-	-	-	-	-	-	-
Gfortune Venture Capital Co., Ltd.	525,000	0.35%	-	-	-	-	-	-	-
Representative: Hsien-Hua Huang	-	-	-	-	-	-	-	-	-
Ming-Kun Hsieh	509,350	0.34%	-	-	-	-	-	-	-

Note 1: All top ten shareholders, including corporates shareholders, should be listed, with the names of the corporate shareholders and their representatives listed separately.

Note 2: The calculation of shareholding percentage should include shares held under one's own name, as well as those held under the name of one's spouse, minor children, or held by others on one's behalf.

Note 3: The disclosure of relationships between the shareholders listed above, including both corporate and natural persons, should be made in accordance with the disclosure requirements of the financial reporting standards for issuers.

**10. The company, its directors, managers, and businesses directly or indirectly controlled by the Company do not hold shares in the same invested enterprise, and therefore, there is no consolidated shareholding percentage to be calculated: Not applicable.**

#### IV. Funding Status

##### 1. Capital and Shares

###### (1) Source of Share Capital

Unit: NT\$1,000/Share

Year/Month	Issue Price	Authorized Capital		Paid-In Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Equity-Settled Share-Based Payment	Others
1996.02	NT\$ 10	500	5,000	500	5,000	The company establishes the original investment	None	—
2000.05	NT\$ 10	6,000	60,000	6,000	60,000	Cash capital increase 55,000	None	—
2000.08	NT\$ 10	12,000	120,000	12,000	120,000	Cash capital increase 60,000	None	—
2001.05	NT\$ 10	25,000	250,000	16,000	160,000	Cash capital increase 40,000	None	—
2001.07	NT\$ 10	25,000	250,000	18,000	180,000	Cash capital increase 20,000	None	—
2001.12	NT\$ 10	25,000	250,000	19,500	195,000	Cash capital increase 15,000	None	—
2002.03	NT\$ 10	33,000	330,000	27,985	279,850	Cash Increase: 50,000 Increase of Capital from Retained Earnings: 34,850	None	2002.03.27 (91) Taipei Financial and Securities Bureau Letter No. 112108
2003.07	NT\$ 10	55,000	550,000	33,300	333,000	Increase in capital through surplus: 53,150	None	2003.07.03 (92) Taipei Financial and Securities Bureau Letter No. 0920129707
2004.07	NT\$ 10	55,000	550,000	39,600	396,000	Increase in capital through surplus: 63,000	None	2004.06.10 (93) Taipei Financial and Securities Bureau Letter No. 0930125952
2005.03	NT\$ 10	55,000	550,000	43,022	430,216	Convertible corporate bonds	None	2005.04.18 Approval Number: 09431974470
2005.06	NT\$ 10	49,020	490,200	43,781	437,810	Convertible corporate bonds	None	2005.08.12 Approval Number: 09432620730
2005.06	NT\$ 10	72,619	726,190	49,681	496,810	Increase in capital through surplus: 59,000	None	2005.09.15 Approval Number:09432758630

Year/Month	Issue Price	Authorized Capital		Paid-In Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Equity-Settled Share-Based Payment	Others
2005.09	NT\$ 10	72,619	726,190	55,230	552,300	Increase in capital through surplus: 55,489	None	2006.09.12 Approval Number:09501206440
2005.12	NT\$ 10	100,000	1,000,000	68,389	683,891	Cash capital increase 111,111 Conversion of Employee Stock Options: 20,480 shares	None	2006.12.28 Approval Number: 09501290340
2007.05	NT\$ 10	100,000	1,000,000	68,939	689,391	Convertible corporate bonds	None	2006.05.07 Approval Number: 09601096210
2007.10	NT\$ 10	100,000	1,000,000	75,613	756,130	Retained Earnings Conversion: 63,739 shares Conversion of Corporate Bonds: 500 shares Conversion of Employee Stock Options: 2,500 shares	None	2007.10.26 Approval Number: 09601265080
2008.09	NT\$ 10	100,000	1,000,000	88,601	886,005	Increase in capital through surplus: 129,874	None	2008.09.01 Approval Number: 09701223240
2009.08	NT\$ 10	100,000	1,000,000	92,881	928,805	Increase in capital through surplus: 42,800	None	2009.08.10 Approval Number: 09801176710
2010.05	NT\$ 10	150,000	1,500,000	107,881	1,078,805	Cash capital increase 150,000	None	2010.05.18 Approval Number: 09901100490
2010.09	NT\$ 10	(541)	(5,410)	107,340	1,073,395	Cancellation of Treasury Shares for Capital Reduction: 5,410 shares	None	2010.09.10 Approval Number: 09901200990
2011.08	NT\$ 10	(1,459)	(14,590)	105,881	1,058,805	Cancellation of Treasury Shares for Capital Reduction: 1,459 shares	None	2011.09.08 Approval Number: 10001210000
2012.02	NT\$ 10	(1,000)	(10,000)	104,881	1,048,805	Cancellation of Treasury Shares for Capital Reduction: 1,000 shares	None	2011.03.03 Approval Number: 10101035710

Year/Month	Issue Price	Authorized Capital		Paid-In Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Equity-Settled Share-Based Payment	Others
2013.04	NT\$ 10	20,000	200,000	124,881	1,248,805	Cash capital increase 200,000	None	2013.04.19 Approval Number: 10201072230
2014.04	NT\$ 10	20,000	200,000	144,881	1,448,805	Cash capital increase 200,000	None	2014.04.28 Approval Number: 10301075550
2015.03	NT\$ 10	(2,500)	(25,000)	142,381	1,423,805	Cancellation of Treasury Shares for Capital Reduction: 2,500 shares	None	2015.03.18 Approval Number: 10401046600
2016.07	NT\$ 10	(64,838)	(648,375)	77,543	775,430	Reduction of Capital to Offset Losses: 648,375	None	2016.09.01 Approval Number: 10501212210
2016.11	NT\$ 10	50,000	500,000	127,543	1,275,430	Cash capital increase 500,000	None	2016.12.23 Approval Number: 10501297590
2017.09	NT\$ 10	200,000	2,000,000	133,920	1,339,201	Conversion of Retained Earnings to Increase Capital: NT\$63,771 thousand.	None	2017.07.21 Approval Number: 10601104670
2018.08	NT\$ 10	200,000	2,000,000	147,873	1,478,731	Cash capital increase 139,530	None	2018.08.02 Approval Number: 10701096810
2018.10	NT\$ 10	200,000	2,000,000	148,103	1,481,031	Restriction on Employee Rights: 230,000 thousand shares	None	2018.10.25 Approval Number: 10701129220
2019.04	NT\$ 10	200,000	2,000,000	148,113	1,481,131	Restriction on Employee Rights: 55,000 thousand shares Buyback of 45,000 shares	None	2019.04.17 Approval Number: 10801040510
2019.08	NT\$ 10	400,000	4,000,000	148,098	1,480,981	Restriction on Employee Rights - Buyback of 15,000 shares	None	2019.08.28 Approval Number: 10801115110
2019.12	NT\$ 10	400,000	4,000,000	148,079	1,480,791	Restriction on Employee Rights -Buyback of 19,000 shares	None	2019.12.24 Approval Number: 10801183530
2020.06	NT\$ 10	400,000	4,000,000	148,063	1,480,631	Restriction on Employee Rights - Buyback of 16,000 shares	None	2020.06.15 Approval Number: 10901093840
2020.08	NT\$ 10	400,000	4,000,000	148,019	1,480,196	Restriction on Employee Rights -	None	2020.08.06 Approval Number: 10901117580

Year/Month	Issue Price	Authorized Capital		Paid-In Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Equity-Settled Share-Based Payment	Others
						Buyback of 43,500 shares		
2020.09	NT\$ 10	400,000	4,000,000	147,999	1,479,998	Restriction on Employee Rights - Buyback of 19,800 shares	None	2020.09.23 Approval Number: 10901179450
2021.04	NT\$ 10	400,000	4,000,000	147,949	1,479,498	Restriction on Employee Rights - Buyback of 50,000 shares	None	2020.04.15 Approval Number: 11001062190
2021.05	NT\$ 10	400,000	4,000,000	147,907	1,479,073	Restriction on Employee Rights - Buyback of 42,500 shares	None	2021.05.19 Approval Number: 11001089140
2021.08	NT\$ 10	400,000	4,000,000	147,906	1,479,063	Restriction on Employee Rights - Buyback of 1,000 shares	None	2021.08.17 Approval Number: 11001148420

April 30, 2024 Unit: shares

Type of Shares	Authorized Capital			Remarks
	Outstanding shares in circulation.	Unissued Shares	Total	
Common Share	Public listed 81,453,343 Private placement 66,453,000	252,093,657	400,000,000	—

Summary Reporting System Information: None

## (2) Shareholder Structure

April 30, 2024 Unit: shares

Shareholder Structure Number	Government agencies.	Financial institutions.	Other Corporations	Foreign Institutions and Foreign Individuals	Individual	Treasury Stock	Total
Number of Shareholders	1	0	199	39	18,677	1	18,917
Number of Shares Held	6,966	0	52,816,941	26,758,339	66,924,097	1,400,000	147,906,343
Shareholding Ratio	0.00%	0.00%	35.71%	18.09%	45.25%	0.95%	100.00%

## (3) Share Ownership Dispersion

Face Value per Share: NT\$10 April 30, 2024

Shareholding Categories	Number of Shareholders	Number of Shares Held	Ownership Ratio (%)
1-999	7,735	492,442	0.33%
1,000-5,000	8,817	17,924,721	12.12%
5,001-10,000	1,261	10,087,923	6.82%
10,001-15,000	364	4,731,410	3.20%
15,001-20,000	243	4,519,340	3.06%
20,001-30,000	196	5,088,807	3.44%
30,001-40,000	92	3,304,913	2.23%
40,001-50,000	59	2,762,602	1.87%
50,001-100,000	91	6,587,669	4.45%
100,001-200,000	32	4,300,083	2.91%
200,001-400,000	9	2,439,693	1.65%
400,001-600,000	10	4,754,795	3.21%
600,001-800,000	0	0	0.00%
800,001-1,000,000	0	0	0.00%
1,000,001 shares or more	8	80,911,945	54.71%
Total	18,917	147,906,343	100.00%

- (4) Major Shareholders: Shareholders with a shareholding percentage of 5% or more, or shareholders ranked among the top ten in terms of shareholding percentage.

April 30, 2024 Unit: shares

Major Shareholder Name	Number of Shares Held	Shareholding Ratio
Min Tai International Co., Ltd.	26,251,691	17.75%
Zhijia Investment Co., Ltd.	13,953,000	9.43%
Cathay United Bank is entrusted with the custody of the investment portfolio of Jing Development Co., Ltd.	13,125,000	8.87%
CTBC Bank acts as the custodian for the Lung Hung Limited investment portfolio.	12,600,000	8.52%
Chicony Electronics Co., Ltd.	10,752,254	7.27%
Kun-Xiong Lin	1,457,000	0.99%
Kao-Huang Lin	1,373,000	0.93%
Andtex Industries Co., Ltd.	533,445	0.36%
Gfortune Venture Capital Co., Ltd.	525,000	0.56%
Ming-Kun Hsieh	509,350	0.34%

- (5) Per Share Market Price, Net Worth, Earnings, Dividends, and Related Information for the Past Two Years

Unit: NT\$

Item		Year	2022	2023	2024 up until April 30
Market price per share	Highest		46.50	36	36.50
	Lowest		26.8	26.65	22.30
	Average		35.16	31.16	27.54
Per Share Net Asset Value	Before Distribution		11.69	10.49	-
	After Distribution		11.69	Undistributed	-
Earnings per share	Weighted Average Number of Shares (in thousands)		146,506	146,506	-
	Earnings per share		(0.62)	(1.19)	-
Dividend per share	Cash dividends		-		-
	Free Stock Dividends	Earnings Stock Dividends	-		-
		Capital Surplus Stock Dividends	-		-
	Cumulative unpaid dividends		-		-
Investment Return Analysis	Price-to-Earnings Ratio (P/E Ratio)		(56.71)	(26.18)	-
	Earnings Yield		-		-
	Dividend Yield		-		-

(6) Company Dividend Policy and Implementation

A. Dividend policy:

According to the Company's Articles of Incorporation:

In the annual financial statements, if there is a profit, it should be used to pay taxes, offset accumulated losses, set aside 10% as legal reserve, and can also be allocated or reversed to special reserve according to operational needs or legal requirements. After considering the business situation and balancing the dividend policy, the remaining earnings, along with the accumulated undistributed earnings from previous years, are proposed by the board of directors for distribution, subject to the resolution of the shareholders' meeting. If the Company distributes dividends or capital surplus from retained earnings or statutory reserves, and if it is in the form of cash, it can be authorized by the board of directors with the approval of two-thirds or more of the attending directors and the majority of the attending directors, and reported to the shareholders' meeting. The company is in the stage of operational growth. Under the goal of maintaining a sound financial structure, the dividend policy focuses primarily on issuing stock dividends. Cash dividends may be distributed after considering the funds required for the Company's operations, but the cash dividends shall not exceed 80% of the distributable earnings for the year.

B. Proposed dividend distribution for this shareholders' meeting:

For the fiscal year 2023, the net loss for the period amounted to NT\$175,062,585. As of the end of the year, there is an accumulated deficit of NT\$363,271,696. Therefore, no dividend distribution will be made.

(7) The proposed issuance of bonus shares at the current shareholders' meeting and its impact on the Company's business performance and earnings per share:

Not applicable

(8) Employee and director compensation

A. Percentage or range of employee and director compensation as stated in the Company's articles of association:

According to Article 19 of our company's bylaws, if the Company generates profits in a fiscal year, 10% to 15% shall be allocated for employee remuneration. The distribution can be made in the form of stock or cash at the discretion of the board of directors. The recipients of such distribution include eligible employees of the Company, its domestic and foreign subsidiaries, subject to certain conditions determined by the authorized board of directors. Additionally, the board of directors may allocate up to 5% of the aforementioned profit amount as remuneration for directors, and reports on the distribution of employee and director remuneration shall be submitted to the shareholders' meeting. However, in the case of accumulated losses, an amount shall be reserved in advance for offsetting purposes.

The remuneration for employees is determined based on our company's "Employee Performance Evaluation and Management Measures," the salary levels in the industry market for the respective positions, the responsibilities within the Company, and the contributions to the Company's operational objectives. The procedure for determining the remuneration for directors incorporates the results of our company's "Board Performance Evaluation Measures" and follows considerations of the overall operational performance of the Company, future business risks and trends in the industry, as well as individual performance and contributions of the directors. Reasonable compensation is provided based on these factors. The related performance assessments and the reasonableness of compensation are reviewed by the Remuneration Committee and the Board of Directors. We regularly assess the actual business situation and review it in accordance with relevant laws and regulations to achieve the balanced and sustainable development of the Company.

- B. The basis for estimating the amount of remuneration for employees and directors for the current period, the calculation basis for stock-based employee remuneration, and the accounting treatment in case of any difference between the actual distribution amount and the estimated amount are as follows:

If there are significant changes in the distribution amount approved by the Board of Directors prior to the issuance of the annual financial report, the adjustments are made to the originally recorded annual expenses. Subsequently, if there is a difference between the actual distribution amount and the estimated amount, it is treated as an accounting estimate change and recorded as current income or expense.

- C. Details of the compensation distribution approved by the Board of Directors:
  - a. The amounts of employee compensation and director remuneration distributed in cash or in stock:

Due to a net loss in the year 2023, cash-based employee remuneration and director remuneration in cash will not be distributed.

- b. The amount of employee remuneration distributed in the form of stock and the proportion it represents to the current period's individual or separate financial report's net profit after tax and the total amount of employee remuneration: Not applicable.

- D. Actual distribution of employee and director remuneration in the previous year:  
Due to a net loss in the year 2022, cash-based employee remuneration and director/supervisor remuneration in cash will not be distributed.

- (9) Share buyback situation: None.

## 2. Details of the corporate bonds issued:

April 30, 2024

Type of Corporate Bonds		Second Domestic Issuance of Secured Convertible Bonds
Issuance date		November 22, 2021
Face value		NT\$ 100,000
Issue Price		Issued at 110.78% of the face value.
Total amount		NT\$ 300 million
Interest Rate		The coupon rate is 0%
Maturity and due date		3 years / November 22, 2024
Guarantor		CTBC Bank
Trustee		KGI Commercial Bank Ltd.
Underwriting institution		CTBC Securities Co., Ltd
Legal counsel:		Han Chen Law Firm, Attorney Chiu Ya-Wen
CPA		Deloitte Taiwan CPA Lin, Wen-Chin and CPA Li, Chen-Ming
Method of repayment:		Except for conversion into the Company's common stock or early redemption by bondholders, redemption by the Company, or repurchase and cancellation by securities dealers from their business premises, the bonds will be fully repaid in cash at maturity according to the face value of the bonds.
Unredeemed principal.		NT\$ 165,300 thousand
Terms for redemption or early repayment.		Please refer to the details of the issuance and conversion procedures for the current convertible bonds.
Restrictive clauses		Please refer to the details of the issuance and conversion procedures for the current convertible bonds.
Credit rating agency name, rating date and result of the bond rating		Not applicable
Additional Other Rights	Amount of converted (exchange or subscription) common shares, overseas depositary receipts, or other securities up until the publication date of the annual report	As of April 30, 2024, there has been zero conversion of common stock.
	Issuance and conversion procedures	In accordance with the "Domestic Second Secured Convertible Corporate Bonds Issuance and Conversion Procedures" established by the Company.
Details of issuance, conversion, exchange, or subscription procedures, issuance conditions regarding potential dilution of equity, and the impact on existing shareholders' equity.		None
Name of custodian institution		None

- 3. Preferred shares implementation status:** Not applicable.
- 4. Overseas depositary receipts implementation status:** Not applicable.
- 5. Employee stock option certificate implementation status:**
  - (1) The status and impact on shareholders' equity of employee stock option warrants that have not reached maturity should be disclosed as of the date of the annual report: Not applicable.
  - (2) As of the date of the public disclosure statement, information regarding managers and employees who have acquired employee stock option warrants, the number of shares that can be subscribed, and the names of the top ten employees with subscription amounts exceeding NT\$30 million should be disclosed: Not applicable.
- 6. Restriction on the exercise of employee rights for new shares:** None
- 7. Acquisition through mergers or transfers and issuance of new shares:** None.
- 8. Execution status of capital utilization plan:** The previous issuance or private placement of securities plans by the Company have been completed, and there have been no instances in the past three years where the planned benefits were not realized.

## V. Operation Overview

### 1. Business Contents

#### (1) Business Contents

##### A. Key aspects of the Company's business operations:

F401021	Importation of telecommunications regulatory radio frequency equipment
ZZ99999	Business activities not prohibited or restricted by law, in addition to licensed businesses
I301010	Information software services industry
I301020	Data processing services industry
I301030	Electronic information supply services industry
I501010	Product design industry
F113050	Wholesale of computer and office equipment
F113070	Wholesale of telecommunications equipment
F114010	Wholesale of automobiles
F114020	Wholesale of motorcycles
F114030	Wholesale of automobile and motorcycle parts and accessories
F119010	Wholesale of electronic materials
F214010	Retail sale of automobiles
F214030	Retail sale of automobile and motorcycle parts and accessories
F401010	International trade industry
CC01080	Manufacturing of electronic components
CC01110	Manufacturing of computers and peripheral equipment
CD01030	Manufacturing of automobiles and their parts
CE01030	Manufacturing of optical instruments
JA01990	Other automotive services industry
CC01990	Other electrical and electronic machinery and equipment manufacturing
C805050	Manufacturing of industrial plastic products
CB01010	Manufacturing of machinery equipment
F106030	Wholesale of molds
F113010	Wholesale of machinery
F206030	Retail sale of molds
F114080	Wholesale of rail vehicles and their parts
CQ01010	Mold manufacturing
F213080	Retail sale of machinery and equipment

## B. Business Segments

Unit: NT\$1,000 ; %

Main Products	2022		2023	
	Sales Amount	Business Segments	Sales Amount	Business Segments
Smart Products	1,730,735	100%	1,288,950	100%

## C. Current Product (Service) Categories of the Company

- a. Conductive Film Business Group
  - i Computer Keyboard Conductive Films
  - ii Other Various Film Key-related Products
- b. Automotive Electronics Business Group
  - i Camera Modules
  - ii 360-Degree Surround View 3D AVM Imaging System
  - iii ADAS System Integration Solutions
  - iv Cabin monitoring system (CMS)/driver and occupants monitoring system (DOMS)

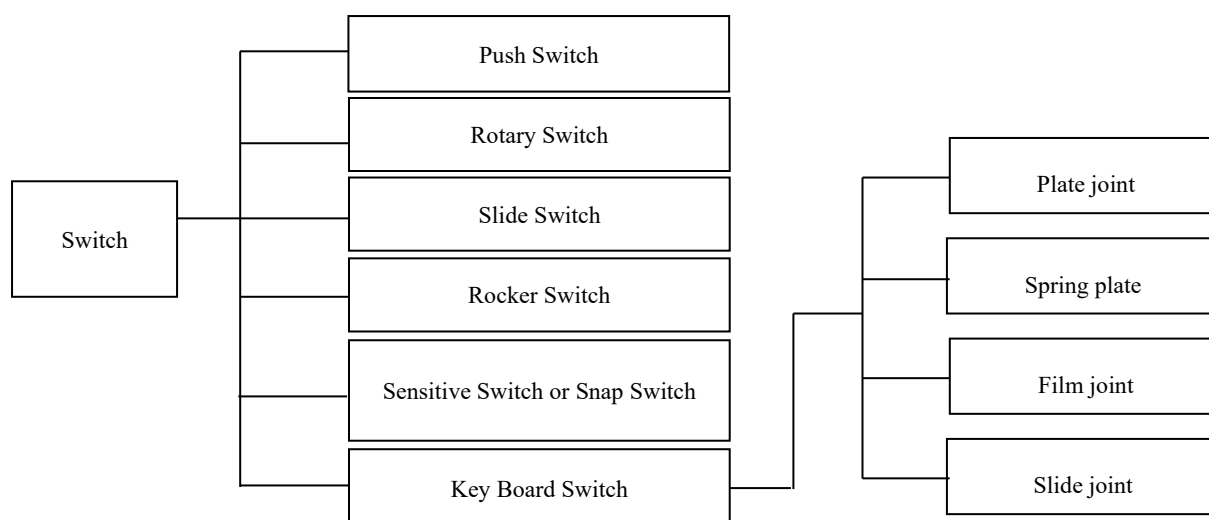
## (2) Industry Overview

### A. Conductive Film Business Group

#### i. Current Situation

The company is a specialized manufacturer in the "conductive film" industry, with its products widely used in information products such as computers and communications. It primarily supplies various basic components of computer keyboards to major domestic and international information and communication OEM/ODM manufacturers.

According to the classification and definition provided by ITIS (Institute for Information Industry), our main products are categorized as "keyboard switches" among electronic components. Switches, also known as keys or buttons, are classified as mechanical components. They can be further categorized into two types based on their applications: those used for low-current circuit conversion and those used for power circuit conversion. (Refer to the diagram below for details)



With the booming development of downstream industries, the pace of product innovation is accelerating, and there is a trend towards lightness, thinness, shortness, and smallness. In order to meet the demands of high-end information and communication products, the upstream conductive film industry needs to continuously develop new products, enhance product functionality, quality, and refinement, which in turn drives material and processing technologies to constantly innovate. Currently, the domestic conductive film industry is mainly composed of small and medium-sized enterprises. Since the products are not directly sold as final consumer goods, industry players primarily rely on OEM orders from computer keyboard manufacturers. The competitiveness of product quality and cost is the key survival tool for industry players, as their end customers are domestic and international computer giants. In the future, in response to the polarization of information products towards high- quality, high-price, small quantity, and suitable quality, low price, large quantity, manufacturers need to simultaneously possess the capabilities of diversification, small quantity, refinement, as well as stable quality and large-scale production to reduce costs. These capabilities become the core competitiveness of companies in this industry in the fiercely competitive market. Therefore, manufacturing capability and marketing ability are the core competencies of industry players.

In recent years, the rising labor costs in coastal areas of mainland China have increased cost pressures. However, the global industry as a whole has maintained stable development without significant fluctuations. Asia, the Americas, and Europe are the three major production regions and supply-demand markets for switches worldwide. Among them, Asia is the largest production base.

In Taiwan, the main application market for switches in the past decade has

been the information and communication industry. Regarding the evolution of keyboard switches, early keyboards used mechanical switches. However, with technological advancements and cost considerations, currently up to 95% of keyboards have switched to more cost-effective membrane switches. In recent years, with the relocation of domestic information-related industries such as keyboards, mice, monitors, DVDs, CD-ROMs, modems, power supplies, motherboards, and interface card assembly to mainland China, coupled with the fact that the switch industry is labor-intensive and requires a large amount of manual labor, it is very common for the industry to move production to mainland China, further increasing China's demand for switch industry products. In the notebook computer keyboard market, touch panels complement keyboards, but the rise of tablet computers has also had a certain impact on the overall development of the notebook computer industry. In response to industry changes, our company actively seeks comprehensive development directions.

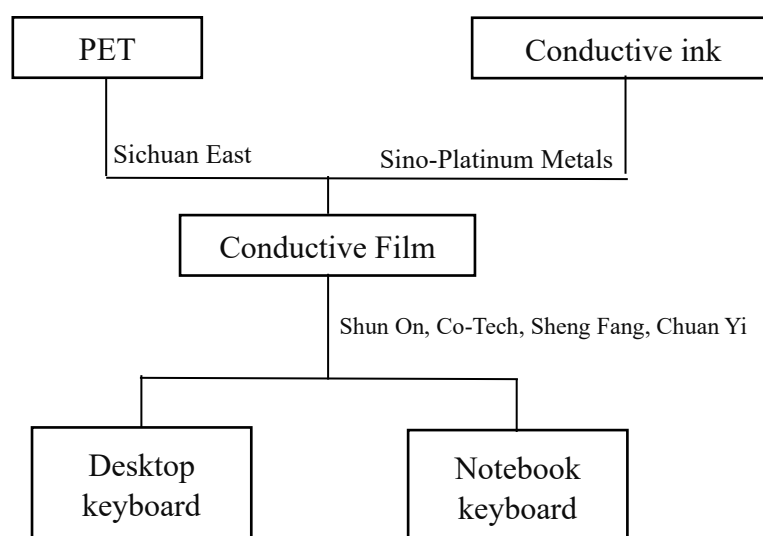
ii. Development

Mainland China has become the largest export and production base for labor-intensive industries worldwide. Manufacturers in the industry are able to supply downstream information assembly customers quickly and efficiently, meeting the considerations of cost reduction. Many Taiwanese companies in the related switch industry have invested in Mainland China, primarily in the southern regions of Dongguan and Huizhou, as well as the eastern regions of Jiangsu and Zhejiang. This proximity enables convenient supply chain operations to naturally form.

iii. Interrelationship among industry upstream, midstream, and downstream

Our company is a professional manufacturer in the field of "conductive film for computer keyboards." The upstream sector includes domestic and foreign material manufacturers, while the downstream sector consists of applications in industries such as information and communication. By leveraging the specialized division of labor among the upstream, midstream, and downstream players, the development of this industry can be effectively enhanced. The following table illustrates the interrelationship among the upstream, midstream, and downstream sectors in the "conductive film for computer keyboards" industry:

- (i) Interrelationship table among the upstream, midstream, and downstream sectors of conductive film for computer keyboards.



#### iv. Trends and Competition

##### (i) Product Development Trends

Our company's products are mainly used as components in consumer electronics. With the continuous trend of lightweight, compact, diversified appearance, multimedia applications, emphasis on personalization, and visually appealing decorations in notebook computers, the added value of computer conductive films will increase and receive more attention.

##### (ii) Market Competition in the Industry

Our company produces conductive films for NB (notebook) keyboards, and our main competitors are Co-Tech, Chuan Yi, and Sheng Fang. The products offered by these competitors have little differentiation. To cope with competition in the industry, our company continuously improves efficiency, yield, and cost reduction through process optimization and production line automation, aiming to achieve better operational performance.

#### B. Automotive Electronics Business Group

##### i. Current Situation

The automotive electronics industry is the combination of the automotive industry and the electronics industry. The commonly used automotive electronic control technologies can be divided into four categories: powertrain electronic control systems, chassis electronic control systems, body electronic control systems, and in-vehicle electronic information systems. Shun On has entered the automotive electronics industry through in-vehicle electronic information systems. We have developed a range of products, including VGA 300,000- pixel standard definition cameras, HD 1.3 million-pixel high-definition cameras, FHD 2 million-pixel ultra-high-

definition cameras, 1 million, 2 million, 5 million RGB/IR night vision cameras. These cameras cover various types, including rearview, panoramic, side view, passenger monitoring, DVR, and ADAS. We have achieved success in entering mass production for these products. Furthermore, we have also completed the development of HD 3D AVM and CMS, and we are gradually increasing production to contribute to our revenue.

With the rapid growth of the camera market and the evolving needs of customers, the demand has shifted from traditional single rearview cameras to vehicles requiring more than ten cameras. Shun On Electronics has seized numerous opportunities in the past few years by successfully passing customer factory audits and obtaining RFQs (Request for Quotation) from car manufacturers. Through close collaboration and synchronized development with the technical, procurement, and quality assurance teams of these manufacturers, we have accumulated a wealth of technological research and development capabilities, enabling rapid advancement in our business group's R&D capabilities.

ii. Development

Connected cars and Advanced Driver Assistance Systems (ADAS) are the two major markets driving the future development of automotive electronics. According to the forecast by Yole Group, demand for automotive cameras will increase at a compound average growth rate of about 10% between 2022 and 2028.

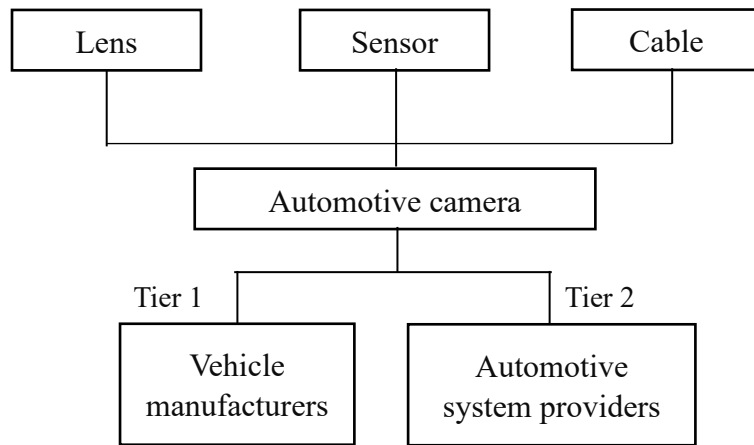
Vision-based ADAS products utilize cameras to capture visual information and analyze the road environment using advanced algorithms. As a result, vision-based ADAS systems can perform functions such as road sign recognition, lane departure warning, pedestrian detection, and vehicle detection, making them widely applicable. Furthermore, a single camera can be used to integrate multiple functionalities by adjusting the algorithms. The cost-effectiveness and versatility of vision-based sensors provide significant advantages. According to analysis, a fully equipped ADAS vehicle may install more than 10 cameras, and the use of multiple cameras per vehicle creates a market space several times larger.

Blind-spot detection systems in ADAS commonly use ultrasonic or millimeter-wave radar. However, there is also a growing trend of using cameras for blind-spot detection. In the future, traditional left, right, and rearview mirrors in cars may be directly replaced by cameras. The concept car BMW i8 has already replaced its original rearview mirrors with cameras. This solution offers a broader field of view for the driver and provides intelligent driver assistance applications such as alerts for vehicles approaching from behind.

Due to their wide application and low cost, onboard cameras will become the most widely used sensors in future smart cars. Industry-related policies are also driving the development of onboard cameras. The U.S. National Highway Traffic Safety Administration (NHTSA) requires all light-duty vehicles produced after May 1, 2018, to be equipped with backup cameras. According to Yole's data, automotive image sensors have evolved persistently to accommodate users' needs for higher resolution, higher

dynamic range, lower LED flickering, and vision. The resolution of ADAS cameras had been increased to 8 million pixels in 2022, and will reach 12 million pixels and above in the future.

iii. Interrelationship among industry upstream, midstream, and downstream



iv. Trends and Competition

(i) Product Development Trends

The development direction for existing products can be analyzed based on three requirements

- a. Different Process Requirements: Automotive cameras have higher requirements for automotive safety levels compared to industrial-grade cameras, especially for front-facing ADAS cameras.
  - (a) Temperature Requirements: Automotive cameras must operate within a temperature range of -40°C to 85°C.
  - (b) Electromagnetic Compatibility: When a car starts, it generates high electromagnetic pulses. Automotive cameras must possess high electromagnetic compatibility and resistance to ensure reliability.
  - (c) Longer Lifespan: Automotive cameras need to have a lifespan of at least 8-10 years to meet requirements. Therefore, in terms of product process and electronic component selection, higher reliability is required to meet customer demands.
- b. Functional Requirements Variation: Automotive cameras need to ensure stable data acquisition even in complex driving conditions.
  - (a) High Dynamic Range: The camera CMOS must possess high dynamic range to enable recognition in low-light environments and situations with significant variations in brightness.

- (b) High Resolution: The images used in ADAS are not intended for direct viewing by drivers but rather for detecting obstacles and extracting relevant information through algorithms. Therefore, higher resolution allows for capturing more details and improves detection distance.
- (c) Angle Requirements: For surround-view and rear-view applications, wide-angle lenses with a field of view of 135 degrees or more are generally used. Front-facing cameras require a larger field of view, typically within the range of 55 degrees or less.
- (d) LED anti-flicker: LEDs are being broadly used for automobile lighting and road sign, which poses new challenge to the automotive vision system. This is why the automotive camera must have a LED anti-flicker feature built in to ensure the accuracy of the image captured.
- c. High Certification Requirements: Safety is of utmost importance in the automotive industry, and there is a preference for using reputable and established component manufacturers. Entering the automotive supply chain requires a lengthy certification process.
  - (a) Despite being supplied by Tier 2 and Tier 3 vendors, camera module quality requirements remain stringent. Automotive manufacturers commonly adopt cameras from major suppliers for front-facing applications.
  - (b) Once integrated into the supply chain, barriers to entry naturally form, as automotive manufacturers are unlikely to switch suppliers easily. Once approved, a strong barrier to entry is established.

(ii) Market Competition in the Industry

Shun On's target market for its products is primarily focused on automotive Tier 1 suppliers, with a focus on direct supply to automotive manufacturers. The company currently faces competition from various foreign companies such as Magna, Panasonic, Hyundai, Sony, Continental, Bosch, and Valeo.

(3) Technical and R&D Status

A. Key R&D Personnel Experience

Our company's R&D personnel have extensive experience in the development of automotive electronic products and relevant academic backgrounds. With accumulated experience working with automotive OEM customers over the past five years, our R&D team members are capable of independently addressing customer requirements and developing more competitive products.

B. R&D expenditure in the past five years (2020-2024)

Unit: NT\$1,000

Year	Research and development expenses
2020	135,944
2021	236,378
2022	125,519
2023	112,025
2024 (Projected)	56,370

C. Technology R&D Plans in the Past Three Years

Vehicles equipped with advanced driver assistance systems (ADAS) have gradually become popular in not only high-end car models but also in general mid-range and low-cost car models. With the increasing demand and market development of ADAS, the demand and quantity of automotive cameras have been continuously rising. In terms of specifications, with the research and development improvements in signal digitization and semiconductor processes, the resolution of surround-view cameras has been increased to over 1 million pixels and even up to 3 million pixels. The cameras used in ADAS have reached 8 million pixels, with an improved image refresh rate of 60fps. As product specifications continue to improve, the design and manufacturing complexity of cameras will also increase. Only through innovation and self-improvement can we maintain competitiveness in the market.

Our company is dedicating R&D resources to develop high-resolution and high-pixel cameras with over 3 million pixels, as well as AVM (around-view monitoring) systems, to enhance product competitiveness. We will also optimize the design of existing mainstream 1 million pixel cameras, achieving the most competitive balance between cost and functionality. In addition to camera resolution, we are expanding the application of cameras from traditional rear-view cameras to include passenger monitoring, driver monitoring, side blind-spot monitoring, front-facing ADAS, CMS (cabin monitoring systems), streaming rearview mirrors, driver identification, and other applications. Our camera product roadmap covers camera applications for the entire vehicle, enhancing overall product competitiveness.

In addition to developing updated and more comprehensive products, we are concurrently pursuing certification plans for development process systems such as ISO 26262 and ASPICE. We aim to obtain industry leading development process certifications by the year 2024, which will assist in continuously improving product quality and enable us to compete alongside global mega Tier 1 suppliers.

D. Research and Development Achievements in the Past Five Years

- i Camera: In the past five years, our company has successfully completed the development of 300,000-pixel, 1 million-pixel, 2 million-pixel, 5 million-pixel, and 8 million-pixel cameras. These cameras are designed for various applications, including surround-view systems, in-cabin monitoring, and driver monitoring. We have received orders from customers in Chinese, European, and Japanese markets. Multiple projects have achieved customer approval and completed the development process. Gradual mass production is planned to commence after 2023, showcasing the fruitful outcomes of our research and development efforts.
- ii Surround-view AVM ECU: The development of AVM (Around View Monitor) ECU has been completed, including software, hardware, and algorithm development. There is no need to outsource software licensing as we can independently handle core algorithm and hardware development. This product has received customer orders and will be gradually shipped in volume starting from 2023. The research and development achievements have gained the trust of customers, and we have been awarded the Best Supplier by a customer in 2023.
- iii Image-based Automated Parking System: Through a project funded by the Ministry of Science and Technology, we have established algorithms, software, and hardware prototypes for an image-based automated parking system. This has significantly enhanced our technical expertise and will allow us to further enhance the value of our camera products. Our goal is to establish ourselves as a leading automotive camera supplier with world-leading technology.
- iv Cabin monitoring system (CMS): The company has completed development of a sample CMS package that encompasses the software, hardware, and algorithms. This product is currently being promoted to customers, and many of which have expressed interest in the product.

#### (4) Long-term and Short-term Business Development Plans

##### A. Short-term Marketing Development Plan

- i. Product Strategy
  - (i) All of our conductive film products are customized based on customer requirements, providing short lead times, high quality, large-scale manufacturing, and low costs. In the future, we will focus on improving product quality while leveraging our excellent manufacturing capabilities. We will also aim to secure orders and contract manufacturing for high-value-added IA (Intelligent Automation) products, offering customers a wider range of choices to meet their diverse needs.
  - (ii) Our automotive camera module products are also customized according to the requirements of automotive manufacturers. To enhance product versatility, we are working towards modular and

standardized camera designs, improving cost structures and standardizing module designs to provide customers with more diversified options and meet their various needs.

ii. Pricing Strategy

We will develop advantageous pricing policies considering factors such as supply and demand for existing products, customer relationships, market segmentation, and industry competition.

iii. Marketing Strategy

Establishing a strong brand image to enhance company reputation, implementing different pricing strategies based on market characteristics to enter the market, and increasing market share.

iv. Channel Strategy

We will leverage existing customer relationships, product quality, and engineering capabilities to establish and expand our presence in the entire market.

B. Long-term Marketing Development Plan

i. Proactively expand the application of films in various industries such as electronics, telecommunications, IA, and 3C peripheral devices. Establish a brand image with knowledge and creativity to gain recognition from more customers and expand the market for our products.

ii. Establish stable long-term marketing channels.

iii. Participate in and obtain certifications from various international certification systems.

iv. In response to industry changes and the development of new technologies, we will focus on developing related products to fulfill the future growth requirements of the Company.

v. Identifying strategic partners to collaborate and jointly penetrate the market.

## 2. MARKET AND SALES OVERVIEW

### (1) Market analysis

#### A. Conductive Film

i Main Sales Regions

Our main customers for sales are significant OEM contract manufacturers from various countries, and the primary sales region in 2023 was Asia.

ii Future supply and demand conditions

According to TrendForce, demand for notebook computers in 2023 was hindered by high inflation rates, with global shipment amounting to only 166 million units, representing a 10.8% decline year-on-year. Nevertheless, the decline had narrowed down compared to 2022.

Expectations of a rate cut by the U.S. Fed have risen in the first half of 2024

as indicators showed inflation becoming under control. In the meantime, major laptop manufacturers have reported progress in their elimination of excess inventory. If the U.S. Fed does begin rate cuts in the first half of the year like the market has expected, it would help lower borrowing costs and increase liquidity for businesses. Coupled with the fact that the Microsoft operating system is due for a version change, business users will feel the need for security upgrade, which may lead to a wave of laptop renewals. For this reason, TrendForce expects laptop demand to recover quarter-by-quarter in 2024, and global shipments to increase moderately by 3.6% for the year to 172 million units.

iii Growth Potential and Competitive Niche

(i) Stable Development

"Conductive film for computer keyboards" is a low- priced product with mature technology. Although the product differentiation is limited, continuous innovation and the application of new materials and technologies remain crucial for companies to maintain their competitiveness. In the downstream keyboard industry, which supplies the industry our company operates in, it remains one of the most important computer input devices despite competition from touch panels, mice, voice input, optical character recognition technology, and other input devices. There is currently no clear trend indicating a complete replacement for keyboards, and they are expected to continue to develop with the increasing prevalence of computers. Additionally, with the stable market for notebooks, this industry continues to exhibit significant vitality.

(ii) Global Logistics

Due to the globalization and liberalization of global economic and trade activities, significant changes have occurred in production, sales, and distribution systems. In order to serve customers nearby and reduce production costs, our company has established production bases in locations such as Jiaxing and Chongqing through third-party investments. This not only allows us to provide local customer service but also helps reduce production costs, enabling flexible delivery locations to meet customer demands.

(iii) Efficient Production Management

The Chinese factories invested in by our company have obtained ISO 9001 and ISO 14001 certifications, and critical manufacturing processes are strictly controlled in clean room production environments. In terms of quality control, we employ single-chip testing and 100% testing of finished products. We also conduct

customer environment simulation testing to achieve high product reliability, which has earned us the trust of our customers.

- (iv) Our products have a clear positioning and we have been deeply cultivating the market for a long time.

Our main product is the conductive film used in computer keyboards, which has seen robust growth in recent years alongside the flourishing computer industry both domestically and internationally. While actively expanding downstream customer markets for computer keyboard conductive films, we have leveraged our internal resources to stabilize and expand our sources of orders, as well as maintain good cooperative relationships with our customers through our excellent product quality.

iv Development vision and response strategies

- (i) The global information and communication technology industry continues to exhibit a growth trend.

According to Topology Research Institute, the estimated shipment volume and growth forecast for notebooks globally indicate that various consumer electronic products in the information sector are expected to remain stable. It is anticipated that if the demand for information products continues to increase in the future, it will be beneficial to the Company's operations.

- (ii) We maintain a technological edge over our competitors and maintain good relationships with international major players.

Since our establishment, our company has been committed to continuous research and development and has collaborated with downstream manufacturers to enhance our technological capabilities through technical exchanges. We also stay abreast of trends in the downstream consumer market, allowing us to lead the industry in developing products that meet market demands. Compared to other companies with lower research and development and technological capabilities, our company possesses extensive research and development experience and a technological advantage. Our company is committed to vertical integration in order to enhance competitiveness.

- (iii) We are dedicated to improving product quality.

Our factory in mainland China has obtained ISO-9001 (2000 edition) and ISO-14001 (2004 edition) quality certifications, as well as QS9000 (1998 edition) certification. We also have ASUS GP certification. With long-term operations in multiple electronic product manufacturing factories, our product quality is highly recognized. We have established relevant internal control systems and operational standards to ensure work compliance. This demonstrates our company's emphasis on product quality and enhances our international

competitiveness.

- (iv) We enjoy economies of scale and are a leading manufacturer in the domestic market.

Since our establishment, we have focused on product research and development, striving to enhance product quality. We have gained recognition from well-known domestic and international manufacturers and established long-term partnerships. In recent years, to adapt to industry trends, we have established subsidiary companies through investment to set up production bases in Jiaxing and Chongqing. We fully utilize the relatively abundant and cost-effective local labor force for large-scale production, achieving economies of scale and effectively reducing production costs. This enhances our product's competitiveness in the market. Currently, we are one of the leading manufacturers of conductive films in the domestic market. In the future, we will consider changes in the economic situation and resource utilization. We will integrate and leverage the operations and resources of our production bases in Jiaxing and Chongqing more effectively.

- (v) We will directly face the strict challenges of the international market. Due to the rapid development of electronic products, product life cycles are becoming shorter, and manufacturers' production efficiency has greatly improved. This has resulted in faster price depreciation than originally expected. In order to maintain market competitiveness, international large-scale manufacturers have been pressuring contract manufacturers to reduce production costs, leading to lower profits for contract manufacturers.

Corresponding strategies:

To balance product value and production capacity, our company will place stricter requirements on product quality. We will actively pursue and obtain various quality certifications to strengthen compliance with the stringent quality requirements of the high-tech electronics industry. By utilizing superior technological certifications and quality, we aim to expand into related industries with higher technological demands and niche markets.

- (vi) Establishing an international corporate image and developing strong business channels for sales are essential.

Establishing an international corporate image and establishing close business channel relationships within the global economic system are urgent tasks that need to be addressed quickly.

Corresponding strategies:

Our company has been deeply involved in the field of conductive films and has established an international corporate image in the keyboard market. We have long-term business relationships with the top three global keyboard manufacturers, including Quanta. We will also adopt a closer strategic alliance with downstream customers to enhance our international reputation through these business interactions, which will contribute to expanding and developing the international market.

- (vii) The rise in labor costs in mainland China and the global increase in raw material prices have put pressure on production costs.

In recent years, labor departments in various provinces in mainland China have raised wages to protect workers' rights. This has led to increased operating costs for our production bases in Jiaxing and Chongqing, as well as similar situations in our production base in Taiwan. Additionally, the main raw materials used in the production of conductive films, such as PET, conductive inks, and LEDs, account for a high proportion of the total cost. With the rapid rise of emerging market economies in recent years, there has been a significant increase in demand for raw materials, leading to sharp increases in raw material prices and driving up the input costs of related raw materials. This, in turn, increases the overall production costs of our products.

Corresponding strategies:

Actively collaborate with major computer and communication manufacturers to jointly develop new products. The higher gross profit from these new products helps offset the impact of rising labor costs in mainland China. Evaluate the feasibility of setting up production bases in other locations and consider transferring mature products and processes with higher labor requirements to production bases with abundant labor resources and lower costs. This will effectively reduce operating costs. Improving the automation of production lines is the most effective way to reduce labor costs. Strengthening connections with upstream suppliers of raw materials, closely monitoring the dynamics of raw material prices, and early communication with suppliers are also important. This ensures stable prices and quality of raw material sources. Furthermore, actively collaborating with major computer and communication manufacturers in developing new products, as these products' pricing can better reflect the rising production costs.

## B. Automotive

### i Main Sales Regions

Our company's main customers are significant automobile manufacturers from various countries. In 2023, our primary sales regions were focused on Asian automobile manufacturers. However, our business scope has expanded to include Europe, North America, Japan, and other regions.

### ii Future supply and demand conditions

Automotive camera modules, widely applied, are the most fundamental and common sensors. According to Yole's report, the estimated global sales volume of automotive cameras is 218 million units in 2022, projected to reach 402 million units by 2028.

### iii Growth Potential and Competitive Niche

#### (i) Global Logistics

Due to the increasing internationalization of global economic and trade activities, as well as issues related to trade tariffs between China and the United States, significant changes have occurred in the production and distribution system. In order to provide proximity to our customers and reduce production costs, our company has implemented flexible delivery location arrangements through collaborations with partner companies. Additionally, we have planned to establish a research and development team in China to serve the largest market and seize more opportunities.

#### (ii) This will contribute to our global business expansion.

By leveraging the business network and capabilities of collaborative global automotive component companies, we aim to achieve a balanced portfolio of customers and ensure the healthy development of our company.

#### (iii) Efficient Production Management

Our invested factories in China have obtained the IATF 16949 certification, and important processes are carried out using advanced production equipment, ensuring the production of high-reliability products that are highly trusted by our customers.

### iv Development vision and response strategies

#### (i) The global industry maintains a growth trend.

With the support of regulations and policies, the production volume of global automotive camera modules continues to increase. It is not just a matter of going from 0 to 1, but rather a multiple growth from 0 to 4 or even 0 to 12. Therefore, in light of this prospect, we will seize the opportunity, rapidly enter the market, and gain market share.

- (ii) We are directly facing challenges from competitors.

Due to the immense market size of automotive camera modules, many companies from the consumer electronics industry are gradually entering the automotive industry. The market has reached a stage of intense competition, with an increasing number of competitors. In the process of competing for orders, prices are also becoming increasingly lower.

Corresponding strategies:

- a. Enhancing competitiveness:

Through improved design and production quality, we aim to provide better service to our customers.

- b. Intelligent Integration Solution:

The integration of AI and cloud applications with automotive cameras is becoming increasingly common. In the early stages, traditional automotive modules primarily used VGA and one-megapixel resolution. However, with the increased adoption of ADAS systems, there is a significant improvement in functionality, requiring high-definition or ultra-high-definition image quality. High-resolution imaging, combined with different camera angles and installation positions, along with backend processors, enables more intelligent AI applications. For example, both interior and exterior cameras can have different AI applications. The integration of interior imaging modules with system hardware and AI software can provide a complete safety experience within the vehicle. For instance, when AI detects the presence of children or pets in the rear seats, it can prevent door locking and even sound an alarm to alert the driver. On the exterior, the system can detect foggy conditions and automatically activate front and rear fog lights, or provide reminders for starting when the preceding vehicle moves after a traffic light stop.

- (2) The restrictions on orders from international manufacturers have increased the difficulty of production.

- A. Conductive Film

- i The main products serve the following important purposes

Computer keyboard conductive films are primarily used in computer keyboards and various types of panel buttons.

- ii Production Processes

The production of computer keyboard conductive films is carried out in our third-party invested factories in mainland China. The finished products are then directly delivered to our customers.

B. Automotive

- i The main products serve the following important purposes
  - (i) Vehicle cameras are primarily used for input signals in automotive vision systems and ADAS.
  - (ii) Intelligent production lines are utilized to enhance production efficiency.
- ii Production Processes

Vehicle cameras are manufactured through third-party investment in mainland China and local factories in Taiwan, and the finished products are directly delivered to customers.

(3) Supply Status of Main Raw Materials

- A. For computer keyboard conductive film, the main raw materials used by the Company are PET and conductive ink, both of which are bulk commodities. The main suppliers are Sichuan Oriental and Guiyan Platinum Industry. As the raw materials are mature products, there is no risk of shortage.
- B. The main raw materials for electronic products include electronic sensors, optical components, and active/passive electronic components. Currently, the main suppliers are foreign manufacturers such as Sony, Anson, Texas Instruments, or their distributors. They provide global resources and local supply, ensuring good quality and normal supply through planned procurement.

(4) Customer information representing more than 10% of total purchases in the past two fiscal years (consolidated).

A. Customer information representing more than 10% of total sales in the past two fiscal years.

Unit: NT\$1,000 ; %

	2022				2023			
Item	Name	Amount	As a Percentage of Net Sales for the Year (%)	Relationship With the Issuer	Name	Amount	As a Percentage of Net Sales for the Year (%)	Relationship With the Issuer
1	Party A.	622,213	36	Other related	Party B.	505,220	39	Other related
2	Party B.	510,655	30	Other related	Party A.	497,642	39	Other related
3	Party C.	310,202	18	Other related				
4								
5	Others	287,665	17		Others	286,088	22	
	Net sales	1,730,735	100		Net sales	1,288,950	100	

Note 1: Provide the names of customers whose sales amount accounts for more than 10% of the total sales in the past two fiscal years, along with their sales amounts and ratios. However, if the contract prohibits the disclosure of customer names or the trading parties are individuals who are not related parties, they may be represented by codes.

Note 2: As of the date of printing of the annual report, companies listed or whose stocks are traded at securities dealerships should disclose the latest financial information that has been audited or reviewed by accountants.

B. Suppliers' information whose purchase amount accounts for more than 10% of the total purchases in the past two fiscal years.

Unit: NT\$1,000 ; %

	2022				2023			
Item	Name	Amount	As a Percentage of Net Sales for the Year (%)	Relationship With the Issuer	Name	Amount	As a Percentage of Net Sales for the Year (%)	Relationship With the Issuer
1	Party C.	121,297	12	None	Party A.	102,677	19	None
2	Party A.	100,626	10	None				
3								
4								
5	Others	815,438	79		Others	434,296	81	
	Net Purchase Amount	1,037,361	100		Net Purchase Amount	536,973	100	

Note 1: Provide the names of suppliers whose purchase amount accounts for more than 10% of the total purchase in the past two fiscal years, along with their purchase amounts and ratios.

However, if the contract prohibits the disclosure of supplier names or the trading parties are individuals who are not related parties, they may be represented by codes.

Note 2: As of the date of printing of the annual report, companies listed or whose stocks are traded at securities dealerships should disclose the latest financial information that has been audited or reviewed by accountants.

(5) Production volume in the past two fiscal years

Unit: NT\$1,000; Thousand pieces.

Production Volume/Value Main Product	Year	2022		2023	
		Production Volume	Production Value	Production Volume	Production Value
Smart Products		38,951	1,671,131	32,524	1,169,982
Others		Note 2	Note 2	Note 2	Note 2
Total		38,951	1,671,131	32,524	1,169,982

Note 1: Production capacity refers to the quantity that the Company can produce under normal operation using existing production equipment, after taking into account factors such as necessary shutdowns and holidays.

Note 2: It refers to service revenue generated from providing research, design, and technological innovation services, therefore there is no production volume or value.

(6) Sales volume in the last two fiscal years.

Unit: NT\$1,000; Thousand pieces.

Sales Volume/Value for the Year Main Product	2022		2023	
	Volume	Value	Volume	Value
Smart Products	39,062	1,730,735	32,477	1,288,950
Others	Note 1	-	Note 1	-
Total	39,062	1,730,735	32,477	1,288,950

Note 1: It refers to service revenue generated from providing research, design, and technological innovation services, therefore there is no sales volume.

**3. Recent two years and as of the printing date of the annual report, employee data includes the number of employees, average length of service, average age, and distribution percentages of educational qualifications.**

Employee Information for the Recent Two Years Up to the Publication Date of This Annual Report :

April 30, 2024

Year		2022	2023	2024 up until April 30
Employee Count	Direct	948	1,151	971
	Indirect	190	164	145
	Total	1138	1,315	1,116
Average Age		24.38	33.2	33.8
Average Length of Service		1.48	3.1	3.2
Education Distribution Ratio	Doctor	0.00%	0.00%	0.00%
	Master	1.58%	1.06%	0.81%
	Bachelor	5.62%	3.88%	4.12%
	College	7.91%	6.39%	6.36%
	High school	17.93%	33.31%	30.91%
	Junior High School Degree or Below	66.96%	55.36%	57.8%

**4. ENVIRONMENTAL EXPENDITURE INFORMATION**

For the most recent year and up to the printing date of the annual report, losses incurred due to environmental pollution (including compensation and environmental protection inspection results for violations of environmental regulations) should be disclosed. The disclosure should include the date of the penalty, penalty reference number, violated regulatory provisions, details of the violations, and the nature of the penalties imposed. The report should also provide an estimation of current and potential future costs related to these violations, as well as the corresponding measures taken. If a reasonable estimation is not possible, the report should explain the reasons for the inability to provide such an estimate. In this case, there are no circumstances requiring a reasonable estimation.

## 5. LABOR RELATIONS

- (1) The company's various employee welfare measures, education, training, retirement system and their implementation, as well as agreements between labor and management and measures to protect the rights and interests of employees:

A. Employee welfare measures:

In order to boost morale and enhance employee cohesion, our company established the "Employee Welfare Committee" on May 10, 2002. The committee designs and plans team-building activities that promote the physical and mental well-being of our employees, fostering a spirit of symbiosis, coexistence, and cooperation among teams. Through these activities, we aim to strengthen the harmonious relationships among our employees and their sense of loyalty towards the Company. In addition, the Company has implemented the following welfare measures:

- i Group insurance coverage (including injury and medical insurance) in addition to labor and health insurance.
- ii An annual domestic or overseas travel opportunity for employees.
- iii Subsidies for employee travel expenses.
- iv Assistance programs for marriage, bereavement, celebrations, childbirth, illness, and emergencies.
- v In order to boost morale and enhance employee cohesion, our company established the "Employee Welfare Committee" on May 10, 2002. The committee designs and plans team-building activities that promote the physical and mental well-being of our employees, fostering a spirit of symbiosis, coexistence, and cooperation among teams. Through these activities, we aim to strengthen the harmonious relationships among our employees and their sense of loyalty towards the Company.
- vi Monthly distribution of birthday vouchers and commemorative gifts (including edited birthday celebration videos presented to the birthday stars).
- vii Various discounts at affiliated shops and restaurants.
- viii Irregular festive activities and afternoon tea events.
- ix Incentive-based benefits:
  - (i) Year-end bonuses awarded to outstanding employees.
  - (ii) Annual proposal improvement bonuses.

B. Retirement system:

The company has established retirement provisions in accordance with the Labor Standards Act, Labor Retirement Pension Act, and other relevant regulations to ensure the stability of employees' post-retirement lives.

Retirement pension allocation: Since July 1, 2005, the Company has implemented a retirement plan in accordance with the "Labor Retirement Pension Act," which applies to employees of national origin. For employees that opt for the retirement pension system under the "Labor Retirement Pension Act," the Company contributes a monthly amount not less than 6% of the salary to the employees' individual accounts at the Labor Insurance Bureau. The contribution is based on the salary grade table approved by the Executive Yuan and is deposited in the employees' individual retirement pension accounts established by the Labor Insurance Bureau. The payment of employee retirement pensions is made either on a monthly basis or as a lump sum, depending on the amount accumulated in the employees' individual retirement pension accounts and the accrued earnings.

Employees who are 60 years of age or older and have worked for 15 years or more are eligible to receive monthly retirement pensions. Those with less than 15 years of work experience are eligible to receive a lump sum retirement pension. Employees who wish to retire voluntarily should submit their retirement application to the Human Resources department one month before the planned retirement date. The application will be reviewed and approved by the respective supervisor before being processed by the Human Resources unit.

- (2) For the most recent fiscal year and up to the date of printing of the annual report, any losses incurred due to labor disputes are disclosed, including the current and estimated future amounts, as well as the measures taken to address them.

The company maintains a harmonious labor-management relationship and anticipates no losses resulting from any labor disputes. It is expected that no labor-related issues will arise.

## 6. INFORMATION SECURITY MANAGEMENT

The company's information management unit is responsible for establishing information security management objectives and policies. Regular assessments are conducted to review internal and external information security threats and continuously improve the effectiveness of security measures to ensure information security.

The company implements the following protective measures related to information security:

- A. Computer Virus Management
  - i Installation of legitimate antivirus software, real-time virus definition updates, and regular scans.
  - ii Implementation of cloud-based email protection solutions to block viruses in attachments, malicious links, and phishing emails.
- B. Network Security Management
  - i Regular system updates and tracking of update integrity, actively patching information system security vulnerabilities.
  - ii Deployment of advanced firewalls to proactively block advanced network attack behaviors and mitigate the risks of viruses and network attacks.
  - iii Implementation of segregation measures in production line networks to reduce the risk of virus intrusion into the production line.
- C. System access control and maintenance security management.  
Implementation of a password security policy and evaluation of the adoption of multi-factor authentication (MFA) to enhance system access security.
- D. Business Continuity Planning
  - i Adoption of a highly available virtual platform architecture to improve information system availability and fault tolerance capabilities.
  - ii Establishment of automated backup and cross-site disaster recovery solutions to enhance disaster recovery capabilities.
  - iii Implementation of an enterprise-level cloud storage solution to significantly improve file security and availability.
  - iv Implementation of cloud-based backup solutions for file servers to mitigate the risks of file encryption by ransomware and accidental file deletion.
- E. Information Security Education and Training
  - i Regular dissemination of information security awareness announcements to enhance employees' awareness of security measures.
  - ii Training employees to identify, prevent, and report email social engineering attacks, and conducting regular phishing email tests to enhance employees' email security awareness.
- F. Disclosure of Information Security Incidents: No significant information security incidents occurred in the current year.

## **7. IMPORTANT CONTRACTS**

Existing and expiring supply contracts, technology cooperation agreements, engineering contracts, long-term loan contracts, and other significant contracts that may affect investors' rights and interests: None.

## VI. Financial Overview

### 1. Condensed Balance Sheets and Income Statements for the Past Five Years

#### (1) Condensed Balance Sheet - International Financial Reporting Standards

##### 1) Condensed Consolidated Balance Sheet

Unit: NT\$1,000

Year Item		Financial Information for the Past Five Years (Note 1)				
		2019	2020	2021	2022	2023
Current Asset		1,950,510	1,847,963	1,999,122	1,906,318	1,801,588
Property plant, and equipment		376,520	454,706	455,687	580,595	440,958
Funds and Investments		692	351,931	286,339	249,620	171,044
Other Assets		207,912	919,164	253,106	225,898	197,770
Total Assets		2,535,634	3,573,764	2,994,254	2,962,431	2,611,360
Current Liability	Before Distribution	365,034	914,764	539,475	886,365	769,797
	After Distribution	365,034	914,764	539,475	886,365	Undistributed
Non-Current Liability		28,282	299,331	423,267	89,416	60,530
Total Liabilities	Before Distribution	393,316	1,214,095	962,742	975,781	830,327
	After Distribution	393,316	1,214,095	962,742	975,781	Undistributed
Equity Attributable to Owners of the Company		2,142,318	1,906,180	1,814,851	1,729,427	1,551,287
Capital stock		1,480,791	1,479,998	1,479,063	1,479,063	1,479,063
Capital surplus		472,154	469,115	502,487	502,487	502,487
Retained earnings	Before Distribution	78,156	41,383	(21,922)	(112,575)	(287,637)
	After Distribution	78,156	41,383	(21,922)	(112,575)	Undistributed
Other Equities		(63,386)	(79,431)	(89,210)	(83,981)	(87,059)
Treasury stock		0	(4,885)	(55,567)	(55,567)	(55,567)
Non-control equity		174,603	453,489	216,661	257,223	229,746
Total equity	Before Distribution	2,142,318	2,359,669	2,031,512	1,986,650	1,781,033
	After Distribution	2,142,318	2,359,669	2,031,512	1,986,650	Undistributed

Note 1: The financial data for the above years has been audited and verified by certified accountants.

Note 2: The figures mentioned as "after distribution" are based on the resolutions of the shareholders' meetings in the subsequent year. As of 2023, there is no resolution regarding profit distribution.

## 2) Condensed Individual Balance Sheet

Unit: NT\$1,000

Year Item		Financial Information for the Past Five Years (Note 1)				
		2019	2020	2021	2022	2023
Current Asset		1,273,320	685,277	939,992	409,351	416,086
Property plant, and equipment		198,920	199,422	203,009	205,008	203,063
Funds and Investments		742,525	1,622,963	1,196,824	1,447,770	1,335,055
Other Assets		89,509	89,111	75,786	91,815	96,150
Total Assets		2,304,274	2,596,773	2,415,611	2,153,944	2,050,354
Current Liability	Before Distribution	317,379	534,559	251,964	419,877	498,408
	After Distribution	317,379	534,559	251,964	419,877	Undistributed
Non-Current Liability		19,180	156,034	348,796	4,640	659
Total Liabilities	Before Distribution	336,559	690,593	600,760	424,517	499,067
	After Distribution	336,559	690,593	600,760	424,517	Undistributed
Equity Attributable to Owners of the Company		1,967,715	1,967,715	1,814,851	1,729,427	1,551,287
Capital stock		1,480,791	1,480,791	1,479,063	1,479,063	1,479,063
Capital surplus		472,154	472,154	502,487	502,487	502,487
Retained earnings	Before Distribution	78,156	41,383	(21,922)	(112,575)	(287,637)
	After Distribution	78,156	41,383	(21,922)	(112,575)	Undistributed
Other Equities		(63,386)	(79,431)	(89,210)	(83,981)	(87,059)
Treasury stock		0	(4,885)	(55,567)	(55,567)	(55,567)
Non-control equity		0	0	0	0	0
Total equity	Before Distribution	1,967,715	1,906,180	1,814,851	1,729,427	1,551,287
	After Distribution	1,967,715	1,906,180	1,814,851	1,729,427	Undistributed

Note 1: The financial statements presented above for each year have been audited and certified by an accountant.

Note 2: The figures mentioned as "after distribution" are based on the resolutions of the shareholders' meetings in the subsequent year. As of 2023, there is no resolution regarding profit distribution.

## (2) Condensed Income Statement - International Financial Reporting Standards

## 1) Condensed Consolidated Income Statement

Unit: NT\$1,000

Item \ Year	Financial Information for the Past Five Years (Note 1)				
	2019	2020	2021	2022	2023
Operating Income	1,228,691	1,675,786	2,542,235	1,730,735	1,288,950
Operating Gross Profit (Loss)	246,329	182,217	292,776	122,647	88,956
Operating Profit and Loss	27,184	(183,788)	(394,985)	(184,490)	(194,984)
Non-operating Income and Expenses	38,873	97,828	215,591	100,658	(21,256)
Profit (Loss) Before Tax	66,057	(85,960)	(179,394)	(83,832)	(216,240)
Current Net Profit (Loss) of Continuing Operations	26,668	(85,483)	(197,777)	(92,250)	(198,655)
Net Profit (Loss) of Discontinued Operations	0	0	0	0	0
Current Net Profit (Loss)	26,668	(85,483)	(197,777)	(92,250)	(198,655)
Other Comprehensive Income (After-tax Net Amount)	(46,365)	(19,500)	(26,196)	8,620	(6,962)
Total Comprehensive Income for The Period	(19,697)	(104,983)	(223,973)	(83,630)	(205,617)
Net Profit Attributable to Owners of the Parent Company	4,524	(36,773)	(59,374)	(90,653)	(175,062)
Net Profit Attributable to Non-Controlling Interests	22,144	(48,710)	(138,403)	(1,597)	(23,593)
Total Consolidated Profit or Loss of Owners of the Parent Company	(31,058)	(55,055)	(83,760)	(92,250)	(178,140)
Total Consolidated Profit or Loss Attributable to Non-controlling Equity	11,361	(49,928)	(140,213)	1,362	(27,477)
Earnings (Loss) Per Share	0.03	(0.25)	(0.41)	(0.62)	(1.19)

Note 1: The financial statements presented above for each year have been audited and certified by an accountant.

## 2) Condensed Individual Income Statement

Unit: NT\$1,000

Item \ Year	Financial Information for the Past Five Years (Note 1)				
	2019	2020	2021	2022	2023
Operating Income	904,576	796,870	671,123	385,660	390,793
Operating Gross Profit (Loss)	56,415	49,856	43,649	23,385	41,672
Operating Profit and Loss	(24,967)	(36,520)	(64,824)	(84,824)	(52,704)
Non-operating Income and Expenses	33,197	3,557	18,946	(15,695)	(141,855)
Profit (Loss) Before Tax	8,230	(32,963)	(45,878)	(100,519)	(194,559)
Current Net Profit (Loss) of Continuing Operations	4,524	(36,773)	(59,374)	(90,653)	(175,062)
Current Net Profit (Loss)	4,524	(36,773)	(59,374)	(90,653)	(175,062)
Other Comprehensive Income (After-tax Net Amount)	(35,582)	(18,282)	(24,386)	5,661	(3,078)
Total Comprehensive Income for The Period	(31,058)	(55,055)	(83,760)	(84,992)	(178,140)
Net Profit Attributable to Owners of The Parent Company	4,524	(36,773)	(59,374)	(90,653)	(175,062)
Total Consolidated Profit or Loss of Owners of the Parent Company	(31,058)	(55,055)	(83,760)	(84,992)	(178,140)
Earnings (Loss) Per Share	0.03	(0.25)	(0.41)	(0.62)	(1.19)

Note 1: The financial statements presented above for each year have been audited and certified by an accountant.

(3) Key Considerations for Consistent Comparison of the Above Financial Statements: None.

(4) Name and audit opinions of the signing accountant for the past five years

Year	Name of Accounting Firm	Accountant Name	Audit Opinion	Reasons for Changing the Auditor
2019	Deloitte Taiwan	Liu, Chien-Liang and Li, Chen-Ming	Unqualified Opinion	-
2020	Deloitte Taiwan	Lin, Wen-Chin and Li, Chen-Ming	Unqualified Opinion	-
2021	Deloitte Taiwan	Cai, You-Ling and Lin, Wen-Chin	Unqualified Opinion	Internal Firm Reshuffling
2022	Deloitte Taiwan	Cai, You-Ling and Lin, Wen-Chin	Unqualified Opinion	-
2023	Deloitte Taiwan	Cai, You-Ling and Lin, Wen-Chin	Unqualified Opinion	-

## 2. FINANCIAL ANALYSIS OF THE PAST FIVE YEARS

### (1) Consolidated Financial Ratio Analysis - International Financial Reporting Standards (IFRS)

Analysis Items \ Year		Financial Analysis of the Past Five Years (Note 1)				
		2019	2020	2021	2022	2023
Financial Structure (%)	Ratio of Liabilities to Assets	15.51	33.98	32.15	32.94	31.80
	Long-Term Capital to Property, Plant, and Equipment Ratio	576.49	584.80	538.69	357.57	417.62
Debt-Paying Capacity (%)	Current Ratio	534.34	202.02	370.57	215.07	234.03
	Quick Ratio	512.77	178.56	330.67	181.67	203.45
	Interest Coverage Ratio	38	(18)	(21)	(13)	(33)
Operating Capacity	Receivables Turnover Rate (Times)	3.92	3.47	4.25	2.83	2.13
	Average Collection Days	93.15	105.18	85.88	128.98	171.36
	Inventory Turnover Rate (Times)	8.81	11.58	11.42	6.92	5.18
	Payables Turnover Rate (Times)	5.5	5.37	6.97	5.64	4.63
	Average Days for Sales	41.44	31.51	31.96	52.75	70.46
	Property plant, and equipment Turnover rate (Times)	4.37	4.03	5.58	3.34	2.52
	Total Asset Turnover Rate (Times)	0.5	0.55	0.77	0.58	0.46
Profitability Capacity	Return on Assets (%)	1.14	(2.68)	(5.82)	(2.94)	(6.94)
	Rate of Return on Equity (%)	1.29	(3.80)	(9.01)	(4.59)	(10.55)
	Ratio of Paid-In Capital (%)	Operating Profit	1.84	(12.42)	(26.71)	(12.47)
		Pre-tax profit	4.46	(5.81)	(12.13)	(5.67)
	Net Profit Margin (%)	2.17	(5.10)	(7.78)	(5.33)	(15.41)
	Earnings Per Share (NT\$)	0.03	(0.25)	(0.41)	(0.62)	(1.19)
Cash Flow	Cash Flow Ratio (%)	15.93	Note 2	Note 2	Note 2	0.28
	Cash Flow Adequacy Ratio (%)	Note 2	Note 2	Note 2	Note 2	Note 2
	Cash Flow Reinvestment Ratio (%)	2.29	Note 2	Note 2	Note 2	0.09
Degree of Leverage	Degree of Operating Leverage	9.06	Note 3	Note 3	Note 3	Note 3
	Degree of Financial Leverage	1.07	Note 3	Note 3	Note 3	Note 3

Note 1: The financial data for the above years has been audited and verified by certified accountants.

Note 2: In the past five years, operating cash flow is a net cash outflow, therefore not included in the calculation.

Note 3: Operating profit is negative, therefore not included in the calculation.

Note 4: Please refer to pages 116-117 for the calculation formulas of the analysis items.

- (2) Reasons for the changes in various consolidated financial ratios over the past two years:
- Interest Coverage Ratio:** The main reason is that the loss in 2023 increased compared to the previous year, resulting in a decrease in the interest coverage ratio.
- Accounts Receivable Turnover Ratio/Average Collection Period:** The turnover ratio decreased mainly because 2023 consolidated revenues decreased by a level that was higher than the decrease in average accounts receivable balance. As a result, average collection period lengthened.
- Inventory Turnover Ratio/Payables Turnover Ratio:** The changes were explained mainly by lower consolidated revenues and consolidated operating costs in 2023, which resulted in slower inventory turnover and higher average sales period.
- Property, Plant, and Equipment Turnover Ratio/Total Asset Turnover Ratio:** The main reason is a decrease in consolidated revenue in the year 2023, resulting in a decline in the property, plant, and equipment turnover ratio/total asset turnover ratio.
- Return on Assets (%) / Return on Equity (%):** The main reason is that the loss in 2023 increased compared to the previous year, resulting in a decrease in the return on assets (%) and return on equity (%).
- Pre-tax Net Income (Loss) as a Percentage of Paid-in Capital:** The main reason is that the loss in 2023 increased compared to the previous year, resulting in a decrease in the pre-tax net income (loss) as a percentage of paid-in capital.
- Net Profit Margin (%):** The main reason is that the loss in 2023 increased compared to the previous year, resulting in a decrease in the net profit margin (%).
- Earnings per Share (NT\$):** The main reason is that losses attributable to owners of the Company increased in 2023 compared to the previous year, resulting in a decrease in earnings per share.

### (3) Individual Financial Ratio Analysis - International Financial Reporting Standards (IFRS)

Analysis Items \ Year		Financial Analysis of the Past Five Years (Note 1)				
		2019	2020	2021	2022	2023
Financial Structure (%)	Ratio of Liabilities to Assets	14.61	26.59	24.87	19.71	24.34
	Long-Term Capital to Property, Plant, and Equipment Ratio	998.84	1,034.10	1065.78	845.85	764.26
Debt Repayment Capacity (%)	Current Ratio	401.2	128.19	373.07	97.49	83.48
	Quick Ratio	400.95	128.19	363.84	94.19	83.44
	Interest Coverage Ratio	12	(10)	(10)	(20.97)	(35.24)
Operating Capacity	Receivables Turnover Rate (Times)	4.78	3.22	3.04	3.12	3.99
	Average Collection Days	76.36	113.35	120.07	116.99	91.48
	Inventory Turnover Rate (Times)	25.26	0.00	0.00	0.00	0.00
	Payables Turnover Rate (Times)	4.29	3.35	3.30	3.51	4.43
	Average Days for Sales	14.45	0.00	0.00	0.00	0.00
	Property plant, and equipment Turnover rate (Times)	9.02	4.00	3.34	1.89	1.92
	Total Asset Turnover Rate (Times)	0.4	0.33	0.27	0.17	0.19
Profitability Capacity	Return on Assets (%)	0.22	(1.40)	(2.24)	(3.81)	(8.12)
	Rate of Return on Equity (%)	0.23	(1.90)	(3.19)	(5.12)	(10.67)
	Pre-tax Net Income as a Percentage of Paid-in Capital (%)	0.56	(2.23)	(3.10)	(6.80)	(13.15)
	Net Profit Margin (%)	0.5	(4.61)	(8.85)	(23.51)	(44.80)
	Earnings Per Share (NT\$)	0.03	(0.25)	(0.41)	(0.62)	(1.19)
Cash Flow	Cash Flow Ratio (%)	Note 2	Note 2	Note 2	Note 2	Note 2
	Cash Flow Adequacy Ratio (%)	Note 2	Note 2	Note 2	Note 2	Note 2
	Cash Flow Reinvestment Ratio (%)	Note 2	Note 2	Note 2	Note 2	Note 2
Degree of Leverage	Degree of Operating Leverage	Note 3	Note 3	Note 3	Note 3	Note 3
	Degree of Financial Leverage	Note 3	Note 3	Note 3	Note 3	Note 3

Note 1: The financial data for the above years has been audited and verified by certified accountants.

Note 2: Operating cash flow is a net cash outflow, therefore not included in the calculation.

Note 3: Operating profit is negative, therefore not included in the calculation.

Note 4: Please refer to pages 116-117 for the calculation formulas of the analysis items.

(4) Reasons for the Changes in Individual Financial Ratios over the Past Two Years:

**Debt-to-asset ratio:** Increase in the current period was mainly attributed to an increase in bank borrowings, which led to higher total liabilities and higher debts relative to assets.

**Interest Coverage Ratio:** The main reason is that the loss in 2023 increased compared to the previous year, resulting in a decrease in the interest coverage ratio.

**Accounts Receivable Turnover Ratio/Average Collection Period:** The main reason is a decrease in accounts receivable in the year 2023, leading to an increase in the accounts receivable turnover ratio and a decrease in the average collection period.

**Payables Turnover Ratio:** 2023 revenues increased but operating costs decreased, whereas average accounts payable balance decreased by a higher degree, thus resulted in higher payables turnover ratio.

**Return on Assets (%) / Return on Equity (%):** The main reason is that the loss in 2023 increased compared to the previous year, resulting in a decrease in the return on assets (%) and return on equity (%).

**Pre-tax Net Income (Loss) as a Percentage of Paid-in Capital:** The main reason is that the loss in 2023 increased compared to the previous year, resulting in a decrease in the pre-tax net income (loss) as a percentage of paid-in capital.

**Net Profit Margin (%) / Earnings Per Share (NT\$):** Net profit margin (%) / earnings per share decreased mainly because the Company reported losses in 2023 that were greater than the previous year.

- (5) The calculation formulas for the analysis items are as follows:
- 1) Financial Structure
    - A. Debt to Asset Ratio = Total Debt / Total Assets.
    - B. Long-Term Funds to Property, Plant, and Equipment Ratio = (Total Equity + Non-Current Liabilities) / Net Property, Plant, and Equipment.
  - 2) Debt-Paying Capacity
    - A. Current Ratio = Current Assets / Current Liabilities.
    - B. Quick Ratio = (Current Assets - Inventory - Prepaid Expenses) / Current Liabilities.
    - C. Interest Coverage Ratio = Earnings Before Interest and Taxes (EBIT) / Interest Expenses.
  - 3) Operating Capacity
    - A. Turnover ratio of accounts receivable (including accounts receivable and notes receivable arising from sales) = Net sales / Average balance of accounts receivable (including accounts receivable and notes receivable arising from sales).
    - B. Average Collection Period = 365 / Accounts Receivable Turnover.
    - C. Inventory Turnover = Cost of Goods Sold / Average Inventory.
    - D. Turnover ratio of accounts payable (including accounts payable and notes payable arising from purchases) = Cost of goods sold / Average balance of accounts payable (including accounts payable and notes payable arising from purchases).
    - E. Average Sales Period = 365 / Inventory Turnover.
    - F. Turnover ratio of property, plant and equipment = Net sales / Average net property, plant and equipment.
    - G. Total Asset Turnover = Net Sales / Average Total Assets.
  - 4) Profitability Capacity
    - A. Return on assets = (Net income after tax + Interest expense x (1 - Tax rate)) / Average total assets.
    - B. Return on Equity = Net Income / Average Total Equity.
    - C. Profit Margin = Net Income / Net Sales.
    - D. Earnings Per Share = (Gain or Loss Attributable to Owners of the Parent Company - Preference Dividend) / Weighted Average Number of Issued Shares.
  - 5) CASH FLOW
    - A. Cash Flow Ratio = Operating Cash Flow / Current Liabilities.
    - B. Net Cash Flow Coverage Ratio = Average Operating Cash Flow of the Latest 5 Years / (Capital Expenditure + Increase in Inventory + Cash Dividends of the Latest 5 Years).
    - C. Cash Reinvestment Ratio = (Operating Cash Flow - Cash Dividends) / (Gross Fixed Assets + Long-term Investments + Other Non-current Assets + Working Capital)

6) Degree of Leverage

A. Degree of Operating Leverage =  $(\text{Net Operating Income} - \text{Variable Operating Costs and Expenses}) / \text{Operating Profit}$

B. Financial Leverage =  $\text{Operating Income} / (\text{Operating Income} - \text{Interest Expenses})$ .

### **3. AUDIT COMMITTEE REVIEW REPORT FOR THE MOST RECENT ANNUAL FINANCIAL REPORT**

**Shun On Electronic Co., Ltd. Assistant Manager of Audit.**

#### **Audit Committee Review Report**

The Board of Directors has prepared the Company's financial statements for the 2023 fiscal year (including individual and consolidated financial statements), business report, and proposal for profit distribution. The financial statements (including individual and consolidated financial statements) have been audited and issued with an audit report by Cai, You-Ling and Lin, Wen-Chin from Deloitte Taiwan Certified Public Accountants. The aforementioned documents prepared by the Board of Directors have been reviewed and found to be in compliance by the Audit Committee. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, a report has been prepared for your reference.

Sincerely

Shun On Electronic Co., Ltd. 2024 Annual Shareholders' Meeting

Shun On Electronic Co., Ltd. Assistant Manager of Audit.  
Audit Committee Convener: Wen-Jung Cheng

March 15, 2024

- 4. The most recent annual financial report, including the auditor's report, two-year comparative balance sheet, comprehensive income statement, statement of changes in equity, cash flow statement, and accompanying notes or schedules: Please refer to pages 134-217 of this annual report.**
- 5. Individual financial report of the most recent year certified by auditors. However, the detailed statement of significant accounting items is not included. Please refer to pages 218-297 of this annual report.**
- 6. The company and its affiliated enterprises have not encountered any financial difficulties that would affect the financial condition of the Company in the latest fiscal year up to the date of printing of the annual report: None.**

## VII. REVIEW AND ANALYSIS OF FINANCIAL CONDITION AND INCLUDING RISK FACTORS.

### 1. Financial Overview

Explanation of the main reasons and impacts of significant changes in assets, liabilities, and equity during the past two years. If there are significant impacts, the plan for addressing them in the future should also be disclosed.

#### (1) Analysis of financial condition.

##### A. Comparative analysis of financial condition.

Unit: NT\$1,000 ; %

Item \ Year	2023.12.31	2022.12.31	Amount Increased (Decreased)	Change Ratio
Current Asset	1,801,588	1,906,318	(104,730)	-5%
Property Plant, and Equipment	440,958	580,595	(139,637)	-24%
Other Assets	368,814	475,518	(106,704)	-22%
Total Assets	2,611,360	2,962,431	(351,071)	-12%
Current Liability	769,797	886,365	(116,568)	-13%
Non-Current Liability	60,530	89,416	(28,886)	-32%
Total Liabilities	830,327	975,781	(145,454)	-15%
Capital Stock	1,479,063	1,479,063	0	0%
Capital Surplus	502,487	502,487	0	0%
Retained Earnings	(287,637)	(112,575)	(175,062)	-156%
Other Equities	(87,059)	(83,981)	(3,078)	-4%
Treasury Stock	(55,567)	(55,567)	0	0%
Non-control Equity	229,746	257,223	(27,477)	-11%
Total Equity	1,781,033	1,986,650	(205,617)	-10%

#### Explanation of Significant Changes:

1. The decrease in property, plant, and equipment was mainly attributed to the disposals made by Tainan Minyi and the recognition of fixed asset impairments.
2. Other assets decreased mainly due to the write-down and redemption of foreign corporate bonds.
3. Non-current liabilities decreased mainly due to termination of plant lease by Tainan Minyi.
4. The decrease in retained earnings is mainly due to the losses incurred in the fiscal year 2023.

B. Potential Impact on the Company's Future Financial Operations: No significant impact.

C. Future Response Plan: Not applicable.

## 2. FINANCIAL PERFORMANCE

The main reasons for significant changes in revenue, operating income, and pre-tax net income in the past two years, as well as the expected sales volume and its basis, the possible impact on the Company's future financial operations, and the response plan.

### A. Comparative Analysis of Operating Results.

Unit: NT\$1,000 ; %

Year Item	2023	2022	Amount Increased or Decreased	Change Ratio
Sales Revenue	1,288,950	1,730,735	(441,785)	-26%
Cost of Sales	1,199,994	1,608,088	(408,094)	-25%
Merchandise Sales	88,956	122,647	(33,691)	-27%
Operating Expenses	283,940	307,137	(23,197)	-8%
Operating Profit (Loss)	(194,984)	(184,490)	(10,494)	-6%
Non-operating Income and Expenses	(21,256)	100,658	(121,914)	-121%
Less: Income Tax Expense	17,585	8,418	9,167	109%
Current Net Profit	(198,655)	(92,250)	(106,405)	-115%
Other Comprehensive Income (Net Amount After Tax)	(6,962)	8,620	(15,582)	181%
Total Comprehensive Income for the Period	(205,617)	(83,630)	(121,987)	-146%

#### Explanation of Significant Increase/Decrease in Ratio

1. Sales revenues, cost of goods sold, and gross profit decreased mainly because of (1) a NT\$ 121-million reduction from the thin film department; and (2) a NT\$ 320-million reduction from the auto electronics department.
2. Non-operating income and expenses decreased mainly because (1) gain on currency exchange decreased by NT\$69.49 million; (2) loss on disposal of property and plant and prepayments increased by NT\$18.6 million; and (3) impairment losses increased by NT\$40.24 million.
3. Income tax expenses decreased mainly due to the impact of deferred income tax on subsidiaries' earnings.
4. Other comprehensive income (net amount after tax): The difference was explained by the decrease in exchange differences resulting from the translation of financial statements of overseas subsidiaries.

### B. Potential Impact on the Company's Future Financial Operations: No significant impact.

### C. Future Action Plan: Not applicable.

### 3. CASH FLOW

Analysis of recent year's cash flow changes, plan for improving insufficient liquidity, and analysis of future one-year cash flow liquidity.

#### (1) Cash Flow Analysis

Unit: NT\$1,000

Year Item	2023	2022	Amount Increased (Decreased)	Percentage Increased/Decreased (%)
Cash Flows from Operating Activities	2,126	(72,565)	74,691	-103%
Cash Flow from Investing Activities	136,117	95,442	40,675	43%
Cash Flows from Financing Activities	(11,102)	(38,775)	27,673	-71%
<b>Analysis of Recent Year's Cash Flow Changes:</b> 1. Operating activities: Net cash inflow from operating activities increased in 2023 compared to 2022 mainly due to the collection of accounts receivables in 2023. 2. Investing Activities: There was a net cash inflow from investing activities in 2023, mainly attributable to the disposal of financial investment products in 2023. 3. Financing activities: Net cash outflow from financing activities decreased in 2023 compared to 2022 mainly because the Company borrowed from banks and made partial redemption of outstanding convertible corporate bonds.				

(2) Cash Insufficiency Improvement Plan: There is no cash insufficiency situation, therefore no improvement plan is required.

#### (3) Analysis of Future One-Year Cash Liquidity

Unit: NT\$1,000

Beginning Cash Balance A	Projected Annual Net Cash Flow from Operating Activities B	Projected Annual Cash Inflows C	Projected Cash Surplus (Shortfall) A + B + C	Remedial Measures for Cash Shortfall	
				Investment Plan	Financial Management Plan
745,013	(645)	(125,272)	619,096	-	-
<b>Explanations:</b> 1. Analysis of Cash Position for the Year 2024: (1) Operating Activities: The main factor contributing to net cash outflows is losses from business operations. (2) Investing activities: The net cash outflow is mainly due to purchase of equipment. (3) Financing activities: The net cash outflow is mainly due to repayment of convertible corporate bonds. 2. Remedial Measures for Projected Cash Shortfall and Liquidity Analysis: There is no projected cash shortfall.					

**4. Impact of Significant Capital Expenditures on Financial Operations in the Most Recent Year: None.**

**5. Recent Changes in Investment Policy, Major Reasons for Profit or Loss, Improvement Plans, and Future Investment Plans:**

The company's investments accounted for using the equity method are all based on long-term strategic purposes. In the year 2023, the Company incurred a loss of NT\$ 141,210 thousand from investments accounted for using the equity method, which increased compared to the previous year. The main reason for this increase was the decline of revenues among subsidiaries in 2023. The company will continue to adopt a long-term strategic investment approach when using the equity method for investments and will continually assess investment plans with caution.

**6. Risk factors should be analyzed and evaluated for the following items in the latest fiscal year and up to the date of publication of the annual report:**

- (1) Impact of interest rates, exchange rates, and inflation on the Company's income and measures to be taken in the future :

As the Company's procurement and sales are mainly conducted in foreign currencies, exchange rate fluctuations have a partial impact on the Company's revenue and profitability. Depreciation of the New Taiwan Dollar (NT\$) enhances the Company's revenue and profitability, while appreciation of the NT\$ erodes the Company's revenue and profitability. To mitigate exchange rate risks, the Company not only conducts its own analysis and judgment of exchange rate trends but also primarily engages in forward foreign exchange contracts to hedge against exchange rate volatility. The company's bank borrowings mostly have fixed interest rates, and the interest rate changes have a minimal impact as the interest rates are relatively low. However, since the Company's main source of profitability still comes from its core business, the direct impact of interest rate fluctuations on the Company is not significant.

- (2) Policies, main reasons for profit or loss, and future response measures for engaging in high-risk, high-leverage investments, lending funds to others, endorsing guarantees, and trading in derivative financial products are analyzed and evaluated on an annual basis and up until the date of the annual report :

The company is committed to the development of its core business and therefore does not engage in high-risk, highly leveraged investments, or transactions involving derivative instruments.

- (3) The company's future research and development plans and the expected R&D expenses to be invested :

Shun On Electronic is dedicated to the research and development as well as manufacturing of automotive electronic products. In the fiscal year 2023, the Company obtained ISO 26262 functional safety certification (the highest Class D) and expects to complete improvements of its ASPICE software development process and capabilities in 2024. These efforts are intended to enhance the entry barriers for automotive electronic products. The company aims to enhance its product technological barriers and gain market competitiveness. In terms of products, Shun On Electronic is focusing on the research and development of next-generation autonomous driving/intelligent cabin sensors and domain controllers. The company aims to master core technologies such as hardware, software, algorithms, and more. The group plans to allocate approximately 49,704 thousand NT\$ for auto electronics research and development expenses in the fiscal year 2024.

- (4) Impact of Important Changes in Domestic and International Policies and Regulations on Corporate Finance and Sales, and Response Strategies:

The company has established a legal department and conducts its daily operations in compliance with relevant domestic and international laws and regulations. It closely monitors the development trends of domestic and international policies and regulatory changes, collects relevant information for management decision-making, and takes appropriate measures to address significant policy and legal changes. Thus far, these changes have not had a significant impact on the Company's financial operations.

- (5) The impact of technological changes and industry transformations on the Company's financial operations, as well as the corresponding measures:

The company keeps a close eye on technological changes in its industry, monitors market trends, and evaluates their impact on the Company's operations. It makes necessary operational adjustments, adheres to government laws and regulations, and continuously enhances its management capabilities. The company's employees strive to achieve profitability goals and fulfill their responsibilities to all shareholders. In the recent financial year and up to the date of the annual report printing, there have been no significant technological changes or industry transformations that would have a major impact on the Company's financial operations.

- (6) The impact of changes in corporate image on crisis management and the corresponding measures:

Since its establishment, the Company has been committed to sustainable business practices and corporate social responsibility. It adheres to government laws and regulations, continuously enhances its management capabilities, and strives to achieve profitability goals. These efforts are undertaken to fulfill its responsibilities to all shareholders. In the future, the Company will focus on resource recycling and move towards the goal of a circular economy and the utilization of waste materials. In the most recent fiscal year and up to the date of printing this annual report, the Company has not experienced any incidents that would result in changes to its corporate image or pose a corporate crisis.

- (7) Expected benefits, potential risks, and response measures regarding mergers and acquisitions:

As of the date of printing this prospectus, the Company does not have any plans to acquire other companies. In the future, if there are plans for mergers and acquisitions, the Company will comply with relevant laws and regulations such as the Company Act and the Mergers and Acquisitions Act. A cautious evaluation approach will be adopted, taking into account the overall synergies of the merger to ensure the protection of shareholders' rights and interests.

- (8) Expected benefits, potential risks, and response measures regarding the expansion of factory premises:

The company ensures that all capacity expansion initiatives are thoroughly planned, carefully evaluated, and executed with professionalism. The execution process is closely monitored, taking into account industry changes, to ensure the achievement of estimated benefits and to mitigate potential risks.

- (9) Risks and response measures related to concentrated procurement or sales: None.

- 1) Procurement:

The company's procurement is diversified among various suppliers. In addition to maintaining good relationships with existing suppliers, key raw materials are sourced from multiple suppliers, reducing the risk of concentrated procurement.

- 2) Sales:

The company's sales involve multiple approved manufacturers for each specific product. Competitive bidding is employed, which enhances the Company's sales revenue from valuable assets.

- (10) The impact, risks, and response measures regarding substantial transfers or changes in ownership of shares by directors or shareholders holding more than ten percent of the Company's equity:

As of the date of the annual report printing, there had been no significant transfers of shares exceeding 10% of the Company's capital by directors or shareholders holding more than 10% of the Company's equity.

- (11) There are no impacts or risks associated with changes in ownership rights on the Company's operations.

As of the date of the annual report printing, there have been no changes in ownership rights.

- (12) Litigation or non-litigation events involving the Company, directors, general manager, person-in-charge, substantial shareholders holding more than ten percent of the shares, and subsidiary companies that have been definitively judged or are pending, and whose outcomes may have a significant impact on shareholder rights or securities prices, should disclose the disputed facts, claim amounts, commencement dates, major parties involved, and the status of handling as of the date of the annual report printing: None.

- (13) Other significant risks and response measures. Information security risks and response measures:

The company's information management unit is responsible for establishing information security management goals and policies. Regular reviews are conducted on internal and external information security threats, presenting information security risk and control assessment reports to ensure the effectiveness of information security. Audit personnel regularly perform information security audits to examine the implementation of access privileges and information security management systems, ensuring the proper functioning of information systems and business operations.

The company implements the following protective measures related to information security:

- 1) Information security risk management: Assessing the level of internal and external information security threats and proactively proposing risk control measures to mitigate the risks.
- 2) Computer system virus management: Installing legitimate antivirus software, daily updates of virus definitions, and regular scans to strengthen email security and control virus threats.
- 3) Network security management: Implementing proactive firewall protection against network layer attacks, segregating production line network systems, and regularly monitoring network attack incidents to adopt proactive defense measures.
- 4) System access control and maintenance security management: Regularly checking access permissions and managing user passwords.
- 5) Business continuity planning: Assessing the impact of personnel and natural disasters on the Company's normal operations, implementing off-site backup of critical data, installing backup power sources to prevent losses caused by power outages, and establishing emergency response measures and information recovery procedures.

- 6) Information security education and training: Publishing the Shun On Electronic Information Security Management Handbook, conducting regular awareness programs on information security, and providing employee information security training activities.

In the recent fiscal year and up to the date of printing this annual report, the Company has not experienced any significant network attacks that have impacted on its operations.

- (14) Other significant risks and response measures: None.

**7. Other Important Matters:** None.

**VIII. SPECIAL NOTES**

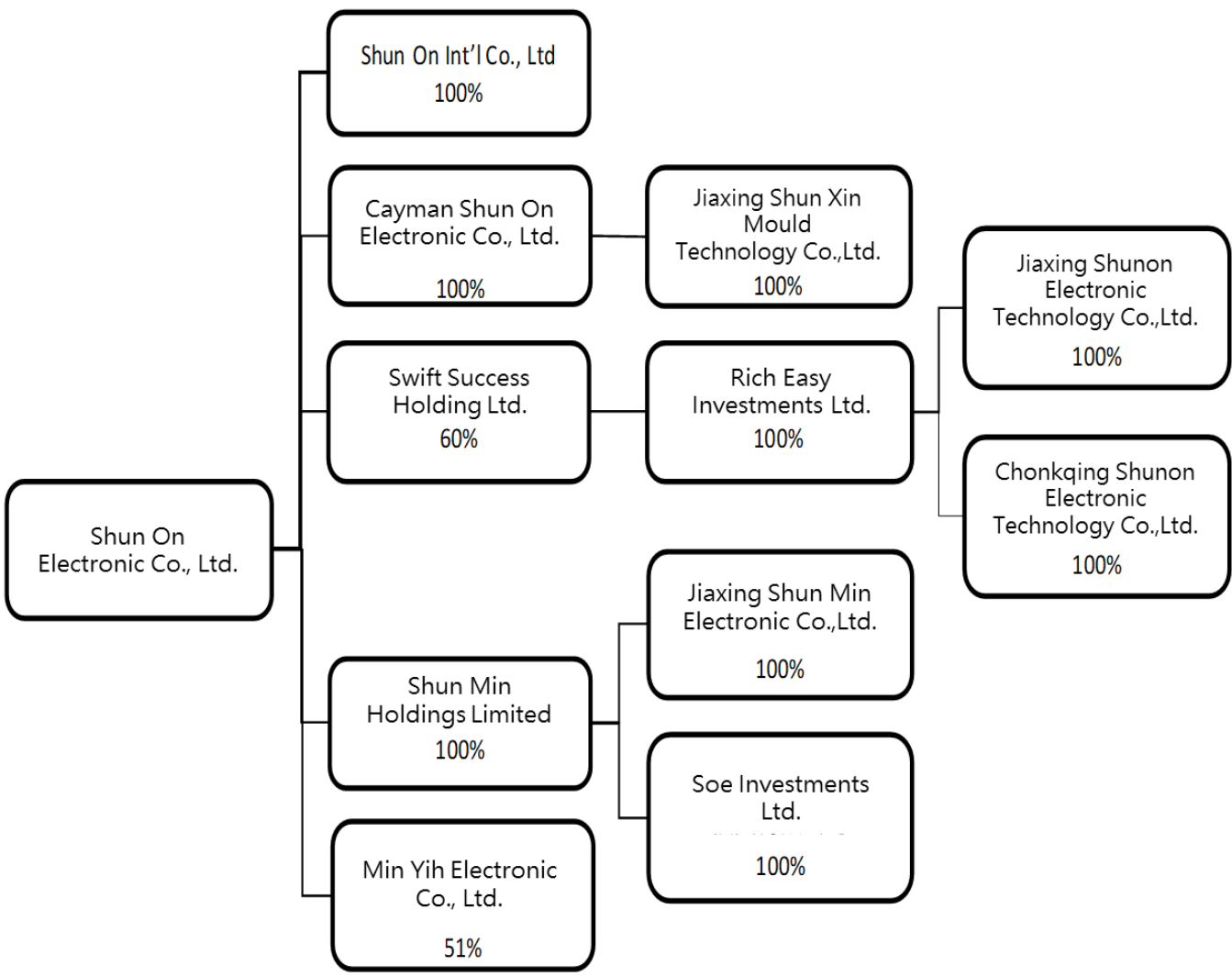
**1. RELATED PARTY INFORMATION**

(1) Report on the Operating Results of Related Companies

1) Overview of Related Companies

A. Diagram of Related Companies

April 30, 2024



## B. RELATED PARTY INFORMATION

Company name	DATE OF ESTABLISHMENT	Place of registration	A m o u n t o f paid-up capital	Main business or production projects
Cayman Shun On Electronic Co., Ltd.	2000.11.06	British Cayman Islands	USD 3,835	Various investment businesses and trade operations.
Swift Success Holding Ltd	2002.08.23	Western Samoa	USD 12,175	Various portfolio investment businesses.
Rich Easy Investments Ltd.	2001.03.22	British Cayman Islands	USD 12,134	Various portfolio investment businesses.
Jiaxing Shunon Electronic Technology Co., Ltd.	2002.12.03	Mainland China-Jiaxing	RMB 83,682	Operation of printed circuit board and other switch manufacturing and distribution businesses.
Chonkqing Shunon Electronic Technology Co., Ltd.	2012.01.30	Mainland China-Chongqing	RMB 6,252	Operation of printed circuit board and other switch manufacturing and distribution businesses.
Jiaxing Shun Xin Mould Technology Co., Ltd.	2018.01.14	Mainland China-Jiaxing	RMB 1,261	Intelligent mold design, research and development, and related technical consulting services and trading businesses.
Shun Min Holdings Limited	2019.01.18	British Virgin Islands	USD 34,200	Various portfolio investment businesses.
Soe Investments Ltd.	2019.03.22	Mainland China-Jiaxing	RMB 67,024	Various portfolio investment businesses.
Jiaxing Shun Min Electronic Co., Ltd.	2020.05.06	Mainland China-Jiaxing	RMB 102,741	Operation of design and distribution businesses for automotive electronic products.
Min Yih Electronic Co., Ltd.	2021.07.23	Taiwan	NT\$ 130,000	Operation of design and distribution businesses for automotive electronic products.

C. Overview of the operations of the related enterprise

Unit: NT\$1,000  
December 31, 2023

Company Name	Amount of Capital	Total Assets	Total Liabilities	Net worth	Operating Income	Operating Profit	Net Profit For The Current Period (After Tax)	Earnings Per Share (NT\$; After Tax)
Cayman Shun On Electronic Co., Ltd.	117,800	91,001	332	90,679	-	(1,685)	2,963	N/A
Swift Success Holding Ltd	373,894	558,720	-	558,720	-	-	43,000	N/A
Rich Easy Investments Ltd.	372,635	558,700	-	558,700	-	-	43,000	N/A
Jiaying Shunon Electronic Technology Co.,Ltd.	362,779	841,239	234,316	606,923	993,219	44,773	66,230	N/A
Chonkqing Shunon Electronic Technology Co.,Ltd.	27,104	60,488	108,711	(48,223)	156,311	(29,100)	(23,230)	N/A
Jiaying Shun Xin Mould Technology Co.,Ltd.	5,467	4,588	20,218	(15,630)	-	-	(342)	N/A
Shun MinHoldings Limited	1,019,406	963,417	-	866,964	-	(3)	(127,515)	N/A
Soe Investments Ltd.	290,563	376,288	4,346	371,942	-	(52)	15,867	N/A
Jiaying Shun Min Electronic Co., Ltd.	445,403	551,395	317,607	233,788	252,836	(130,774)	(120,841)	N/A
Min Yih Electronic Co., Ltd.	130,000	70,257	57,487	12,770	15	(25,441)	(83,252)	N/A

- (2) Consolidated financial statements of related parties: Please refer to page 133 of the annual report.
- (3) Report on Related Companies: As our company does not have any subsidiary companies, there is no need to prepare such a report.

- 2. For the recent fiscal year and up to the date of printing of the annual report, there have been no transactions involving privately placed securities: None.**
- 3. Holdings or Disposals of our company's stock by subsidiary companies in the most recent fiscal year and up to the date of this annual report: Not applicable.**
- 4. Other special disclosures: None.**

**IX. In the recent year and up to the date of printing of the annual report, there have been no significant events that would have a major impact on shareholder equity or security prices as defined in Article 36, Paragraph 2, Clause 2 of this Law: None**

## Statement of consolidated financial statements of related enterprises

For the fiscal year 2023 (from January 1, 2023 to December 31, 2023), both the companies required to prepare a Report on the Operating Results of Related Companies according to the "Guidelines for the Preparation of Reports on the Operating Results of Related Companies, Financial Statements of Related Company Mergers, and Reports on Related Companies" and the companies required to prepare consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10 are the same. Additionally, the relevant information that should be disclosed in the Report on the Operating Results of Related Companies has already been disclosed in the aforementioned consolidated financial statements of parent and subsidiary companies. Therefore, there is no separate preparation of a Report on the Operating Results of Related Companies.

It is hereby declared

Company name: Shun On Electronic Co., Ltd.

Chairman: Jong-Hwa Chin

March 19, 2024

## **Auditor's Report**

To SHUN ON ELECTRONIC CO., LTD.:

### **Audit Opinion**

The individual balance sheets of Shun On Electronic Co., Ltd. and its subsidiaries (Shun On Group) as of December 31 for the years 2023 and 2022, along with the consolidated income statements, consolidated statements of changes in equity, consolidated cash flow statements, and notes to the consolidated financial statements (including a summary of significant accounting policies) for the periods January 1 through December 31 of the years 2023 and 2022, have been audited by our auditors.

Based on the opinion of our auditors, the aforementioned consolidated financial statements have been prepared in accordance with the Financial Reporting Standards for Issuers of Securities, as well as the International Financial Reporting Standards, International Accounting Standards, Interpretations, and Interpretive Bulletins approved and issued by the Financial Supervisory Commission, and are sufficient to present the consolidated financial position of the Shun On Group as of December 31, 2023 and 2022, as well as the consolidated financial performance and consolidated cash flows for the period from January 1 to December 31 of the 2023 and 2022.

### **Basis of Audit Opinion**

We, as auditors, have conducted our audit work in accordance with the Regulations Governing the Audit Signatures of Certified Public Accountants and the Auditing Standards entrusted to us. Our auditors' responsibilities under those standards are further described in the auditor's responsibility section of the auditor's report on the consolidated financial statements. The personnel of our auditors' firm, subject to the requirements of independence, have maintained their independence from the Shun On Group in accordance with the Code of Ethics for Professional Accountants and have

fulfilled their other responsibilities under that code. Our auditors believe that they have obtained sufficient and appropriate audit evidence to provide a basis for the audit opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in the auditors' professional judgment, were of most significance in the audit of the consolidated financial statements of the Shun On Group for the fiscal year 2023. These matters were addressed in the overall audit of the consolidated financial statements and the formation of the audit opinion and do not provide a separate opinion on them.

Here are the key audit matters related to the consolidated financial statements of Shun On Group for the year 2023:

#### The authenticity of revenue recognition - The authenticity of revenue from certain customers

The Shun On Group primarily sells intelligent products such as conductive films and automotive products. The revenue generated from certain customers in the current year has a significant impact on the consolidated financial statements. Furthermore, these clients hold significant stakes as shareholders and serve as directors within Shun On Electronic Co., Ltd. Considering the inherent risk of potential fraud in revenue recognition and the possibility of management pressure to achieve financial targets, we have identified the authenticity of revenue from these transactions as a key audit matter.

The principal audit procedures performed by our auditors regarding the aforementioned matter are as follows:

1. Understand and test the key internal control system related to revenue and evaluate the effectiveness of its design and implementation.
2. Obtaining detailed records of revenue, selecting samples for detailed testing, examining documents such as orders, delivery notes, and invoices to confirm the authenticity of revenue recognition.
3. Obtaining detailed records of revenue, selecting samples to test significant differences in the allocation of cash receipts, and confirming the authenticity of revenue recognition.

## **Other Matters**

Shun On Electronic Co., Limited has already prepared separate financial statements for the years 2023 and 2022 and has obtained an unqualified audit opinion from our auditors, which is available for reference.

## **Responsibility of management and governance unit for the consolidated financial statements:**

The responsibility of the management is to prepare the consolidated financial statements in accordance with the Financial Reporting Standards for Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, Interpretations, and Interpretation Bulletins approved and issued by the Financial Supervisory Commission. Management is also responsible for maintaining necessary internal controls related to the preparation of the consolidated financial statements to ensure that they are free from material misstatement resulting from fraud or error.

In the preparation of the consolidated financial statements, the responsibility of the management also includes assessing the ability of the Shun On Group to continue as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting, unless the management intends to liquidate the Shun On Group or cease its operations, or there is no other practical alternative.

The governance unit of the Shun On Group (including the Audit Committee) has the responsibility to oversee the financial reporting process.

## **Responsibility of the auditor in auditing the consolidated financial statements**

The objective of our audit of the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement resulting from fraud or error and to issue an audit report. Reasonable assurance is a high level of assurance, but our audit procedures cannot guarantee that all material misstatements will be detected. Misstatements may arise from fraud or errors. If individual amounts or the total amounts of misstatements are reasonably expected to influence the economic decisions of users of the consolidated financial statements, they are considered to be material.

When conducting the audit in accordance with auditing standards, the auditor applies professional judgment and professional skepticism. We also performed the following tasks:

1. Identify and assess the risks of material misstatement due to fraud or error in the consolidated financial statements. Design and implement appropriate audit responses to address the assessed risks and obtain sufficient and appropriate audit evidence as a basis for the audit opinion. The risk of material misstatement due to fraud is considered higher than that due to error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of the internal control relevant to the audit and design appropriate audit procedures based on that understanding. However, the purpose of the audit is not to express an opinion on the effectiveness of the internal control of Shun On Group.
3. Evaluate the appropriateness of the accounting policies adopted by management and the reasonableness of the accounting estimates and related disclosures.
4. Based on the audit evidence obtained, reach a conclusion on the appropriateness of management's use of the going concern basis of accounting and whether events or conditions exist that may cast significant doubt on the Group's ability to continue as a going concern. If the auditor concludes that there is a significant uncertainty, it is necessary to either draw attention to the related disclosures in the audit report or, if the disclosures are inappropriate, to modify the audit opinion. The conclusions are based on the audit evidence obtained up to the date of this accountant's report. However, future events or conditions may cause the Shun On Group to no longer be able to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including related notes) and determine whether the consolidated financial statements represent the transactions and events appropriately.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. The auditor is responsible for the guidance, supervision, and performance of the Group audit engagement and for forming the Group audit opinion.

The matters communicated by the auditor to the governance unit include the planned scope and timing of the audit, as well as significant audit findings (including significant deficiencies in internal control identified during the audit process).

The auditor also informs the governance unit that personnel within the auditor's firm who are subject to independence requirements have adhered to the relevant independence provisions in the Code of Ethics for Professional Accountants and communicates any relationships and other matters (including safeguards) that could reasonably be considered to affect the auditor's independence.

Based on the matters communicated with the governance unit, the auditor determines the key audit matters for the audit of the consolidated financial statements of Shun On Electronic Co., Limited for the year 2023. We described these matters in the accountant's report, unless the laws and regulations prohibit such disclosure or under rare condition that we decide not to communicate a given matter because the negative impact from such communication may override its public benefits under reasonable assumption.

Deloitte Taiwan

Accountant Yu-Ling Cai

Accountant Wen-Qin Lin

Approval Number from Financial  
Supervisory Commission  
Financial Supervisory Commission  
Approval Number: JG-Yin-Zhuan-Zi  
1100356048

Securities and Futures Bureau Approval  
Number  
TCSC-Liu-Zi 0920123784

March 19, 2024

Shun On Electronic Co., Limited and Subsidiary  
Consolidated Balance Sheets  
December 31, 2023 and 2022

Unit: NT\$ thousands

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note 6)	\$ 745,013	29	\$ 634,440	21
1110	Financial assets measured at fair value through other comprehensive income (Note 7)	-	-	61,471	2
1136	Financial assets measured at amortized cost (Note 9 and 28)	231,203	9	217,028	7
1150	Notes receivable (Note 11 and 20)	8,934	-	-	-
1170	Accounts receivable (Note 11 and 20)	74,064	3	309,795	11
1180	Accounts receivable - related parties (Note 11, 20, and 27)	479,965	18	338,040	11
1200	Other receivables (Note 27)	25,503	1	40,118	1
1220	Income tax assets	1,324	-	383	-
130X	Inventory (Note 12)	203,523	8	259,512	9
1479	Other current assets	32,059	1	45,531	2
11XX	Total Current Assets	1,801,588	69	1,906,318	64
	Non-current assets				
1517	Financial assets measured at fair value through other comprehensive income (Note 8 and 10)	171,044	6	249,620	8
1600	Property, plant, and equipment (Note 14 and 28)	440,958	17	580,595	20
1755	Right-of-Use Assets (Note 15 and 27)	78,475	3	107,965	4
1821	Intangible Assets	16,704	1	22,537	1
1840	Deferred tax assets (Note 22)	86,228	3	67,854	2
1995	Other non-current assets	16,363	1	27,542	1
15XX	Total Non-Current Assets	809,772	31	1,056,113	36
1XXX	Total Assets	\$ 2,611,360	100	\$ 2,962,431	100
	Liability and equity				
	Current Liabilities				
2100	Short-term borrowings (Note 16 and 28)	\$ 198,000	8	\$ 50,000	2
2120	Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	1,620	-
2180	Accounts payable	212,363	8	306,075	10
2200	Other accounts payable (Note 18 and 27)	165,433	7	199,453	7
2230	Current income tax liabilities	4,335	-	7,374	-
2280	Lease liabilities (Note 15 and 27)	22,709	1	26,340	1
2320	Convertible bonds payable due within one year (Note 17)	163,670	6	293,815	10
2399	Other current liabilities	3,287	-	1,688	-
21XX	Total current liabilities	769,797	30	886,365	30
	Non-current liabilities				
2550	Liability reserves	791	-	778	-
2570	Deferred income tax liabilities (Note 22)	442	-	922	-
2580	Lease liabilities (Note 15 and 27)	47,631	2	69,895	2
2630	Deferred revenue (Note 24)	11,298	-	17,446	1
2645	Deposits as Guarantees	368	-	375	-
25XX	Total non-current liabilities	60,530	2	89,416	3
2XXX	Total liabilities	830,327	32	975,781	33
	Equity (Note 19)				
3110	Capital of ordinary share	1,479,063	56	1,479,063	50
3200	Capital surplus	502,487	19	502,487	17
3300	Accumulated losses	( 287,637 )	( 11 )	( 112,575 )	( 4 )
3400	Other equity	( 87,059 )	( 3 )	( 83,981 )	( 3 )
3500	Treasury shares	( 55,567 )	( 2 )	( 55,567 )	( 2 )
31XX	Total equity attributable to the owners of the company	1,551,287	59	1,729,427	58
36XX	Non-control equity (Note 13)	229,746	9	257,223	9
3XXX	Total equity	1,781,033	68	1,986,650	67
	Total liabilities and equity	\$ 2,611,360	100	\$ 2,962,431	100

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

Chairman: Jong-Hwa Chin

Manager: Shih-Chang Chen

Accounting Supervisor: Yi-Hui Yeh

Shun On Electronic Co., Limited and Subsidiary  
Consolidated Statements of Comprehensive Income  
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand, with a loss per share of NT\$

Code		Year 2023		Year 2022	
		Amount	%	Amount	%
4000	Operating revenue (Note 20 and 27)	\$ 1,288,950	100	\$ 1,730,735	100
5000	Operating cost (Note 12)	<u>1,199,994</u>	<u>93</u>	<u>1,608,088</u>	<u>93</u>
5900	Operating gross profit	<u>88,956</u>	<u>7</u>	<u>122,647</u>	<u>7</u>
	Operating expenses (Note 21)				
6200	Selling and administrative expenses	163,406	13	180,761	11
6300	Research and development expenses	112,025	9	125,519	7
6450	Expected credit impairment loss (Note 11)	<u>8,509</u>	<u>-</u>	<u>857</u>	<u>-</u>
6000	Total operating expenses	<u>283,940</u>	<u>22</u>	<u>307,137</u>	<u>18</u>
6900	Net loss from operations	( <u>194,984</u> )	( <u>15</u> )	( <u>184,490</u> )	( <u>11</u> )
	Non-operating income and expenses (Note 21)				
7100	Interest revenue	37,985	3	28,165	2
7010	Others revenue	34,594	3	28,689	2
7030	Other losses and profit	( 13,402 )	( 1 )	75,069	4
7225	Excluding subsidiary profits	-	-	432	-
7050	Finance costs	( 6,422 )	( 1 )	( 5,839 )	-
7055	Expected credit impairment loss (Note 10)	( 33,765 )	( 3 )	( 25,858 )	( 2 )
7060	Impairment loss (Note 14)	( <u>40,246</u> )	( <u>3</u> )	<u>-</u>	<u>-</u>
7000	Total non-operating income and expenses	( <u>21,256</u> )	( <u>2</u> )	<u>100,658</u>	<u>6</u>
7900	Pre-tax net loss	( 216,240 )	( 17 )	( 83,832 )	( 5 )

(Continued on next page)

(Continued from previous page)

Code		Year 2023		Year 2022	
		Amount	%	Amount	%
7950	Income tax benefits (expenses) (Note 22)	<u>17,585</u>	<u>2</u>	( <u>8,418</u> )	<u>-</u>
8200	Net loss for the current year	( <u>198,655</u> )	( <u>15</u> )	( <u>92,250</u> )	( <u>5</u> )
8360	Other comprehensive income Items may be subsequently reclassified to profit/loss				
8361	Exchange difference for conversion of financial statements of foreign operating institutions	( \$ 19,732 )	( 2 )	\$ 46,812	3
8367	Unrealized gains and losses on debt instruments measured at fair value through other comprehensive income	13,413	1	( 40,690 )	( 3 )
8399	Income tax related to components of other comprehensive income	( <u>643</u> )	<u>-</u>	<u>2,498</u>	<u>-</u>
8300	Other consolidated gains and losses for the year	( <u>6,962</u> )	( <u>1</u> )	<u>8,620</u>	<u>-</u>
8500	Total comprehensive income of the current year	( <u>\$ 205,617</u> )	( <u>16</u> )	( <u>\$ 83,630</u> )	( <u>5</u> )
	Net loss attributable to:				
8610	Owner of the company	( \$ 175,062 )	( 13 )	( \$ 90,653 )	( 5 )
8620	Non-control equity	( <u>23,593</u> )	( <u>2</u> )	( <u>1,597</u> )	<u>-</u>
8600		( <u>\$ 198,655</u> )	( <u>15</u> )	( <u>\$ 92,250</u> )	( <u>5</u> )
	Total comprehensive income attributable to:				
8710	Owner of the company	( \$ 178,140 )	( 14 )	( \$ 84,992 )	( 5 )
8720	Non-control equity	( <u>27,477</u> )	( <u>2</u> )	<u>1,362</u>	<u>-</u>
8700		( <u>\$ 205,617</u> )	( <u>16</u> )	( <u>\$ 83,630</u> )	( <u>5</u> )
	Loss per share (Note 23)				
9750	Basic	( <u>\$ 1.19</u> )		( <u>\$ 0.62</u> )	
9850	Diluted	( <u>\$ 1.19</u> )		( <u>\$ 0.62</u> )	

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

Chairman: Jong-Hwa Chin    Manager: Shih-Chang Chen    Accounting Supervisor: Yi-Hui Yeh

Shun On Electronic Co., Limited and Subsidiary  
Consolidated Statements of Changes in Equity  
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousands

		Equity of owner of the company												
								Items of other equity						
		Accumulated losses						Exchange difference for conversion of financial statements of foreign operating institutions		Financial assets measured at fair value through other comprehensive income with unrealized profits or losses		Treasury shares	Non-control equity	Total equity
Code		Capital of ordinary share	Capital surplus	Legal reserve	Special reserve	Accumulated deficits to be covered	Subtotal			Subtotal		Total		
A1	January 1, 2022 balance	\$ 1,479,063	\$ 502,487	\$ 15,512	\$ 60,123	( \$ 97,557 )	( \$ 21,922 )	( \$ 84,728 )	( \$ 4,482 )	( \$ 89,210 )	( \$ 55,567 )	\$ 1,814,851	\$ 216,661	\$ 2,031,512
D1	Net loss for the year 2022	-	-	-	-	( 90,653 )	( 90,653 )	-	-	-	-	( 90,653 )	( 1,597 )	( 92,250 )
D3	Other comprehensive income after tax in 2022	-	-	-	-	-	-	43,853	( 38,192 )	5,661	-	5,661	2,959	8,620
D5	Total comprehensive profit and loss in 2022	-	-	-	-	( 90,653 )	( 90,653 )	43,853	( 38,192 )	5,661	-	( 84,992 )	1,362	( 83,630 )
M3	Liquidation of subsidiary company					-	-	( 432 )	-	( 432 )	-	( 432 )	-	( 432 )
O1	Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	39,200	39,200
Z1	December 31, 2022 balance	1,479,063	502,487	15,512	60,123	( 188,210 )	( 112,575 )	( 41,307 )	( 42,674 )	( 83,981 )	( 55,567 )	1,729,427	257,223	1,986,650
D1	Net loss for the year 2023	-	-	-	-	( 175,062 )	( 175,062 )	-	-	-	-	( 175,062 )	( 23,593 )	( 198,655 )
D3	Other comprehensive income after tax in 2023	-	-	-	-	-	-	( 15,848 )	12,770	( 3,078 )	-	( 3,078 )	( 3,884 )	( 6,962 )
D5	Total comprehensive profit and loss in 2023	-	-	-	-	( 175,062 )	( 175,062 )	( 15,848 )	12,770	( 3,078 )	-	( 178,140 )	( 27,477 )	( 205,617 )
Z1	December 31, 2023 balance	<u>\$ 1,479,063</u>	<u>\$ 502,487</u>	<u>\$ 15,512</u>	<u>\$ 60,123</u>	<u>( \$ 363,272 )</u>	<u>( \$ 287,637 )</u>	<u>( \$ 57,155 )</u>	<u>( \$ 29,904 )</u>	<u>( \$ 87,059 )</u>	<u>( \$ 55,567 )</u>	<u>\$ 1,551,287</u>	<u>\$ 229,746</u>	<u>\$ 1,781,033</u>

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

Chairman: Jong-Hwa Chin

Manager: Shih-Chang Chen

Accounting Supervisor: Yi-Hui Yeh

Shun On Electronic Co., Limited and Subsidiary

Consolidated Statements of Cash Flows

January 1 to December 31, 2023 and 2022

Unit: NT\$ thousands

Code		Year 2023	Year 2022
	Net cash flow from operating activities		
A10000	Pre-tax net loss for the current year	(\$ 216,240)	(\$ 83,832)
A20010	Items of income and expenses		
A20100	Depreciation expenses	101,514	87,515
A20200	Amortization expense	11,037	7,532
A20300	Expected credit impairment loss	42,274	26,715
A20400	Net loss (gain) from financial assets measured at fair value through profit or loss	( 433)	2,769
A20900	Finance costs	6,422	5,839
A21200	Interest revenue	( 37,985)	( 28,165)
A22500	Loss (gain) on disposal of property, plants, and equipment	13,743	( 348)
A22900	Gain on disposal of prepaid equipment payment	( 167)	( 194)
A23100	Disposal loss from investments	4,858	-
A23200	Excluding subsidiary profits	-	( 432)
A23700	Impairment loss	40,246	-
A23800	Inventory impairment loss	19,698	8,959
A24100	Net loss of foreign exchange differences	970	17,858
A24600	Benefit from lease modification	( 13)	( 102)
A29900	Amortization of prepaid lease payments	907	820
A29900	Deferred revenue	( 6,148)	( 14,152)
A30000	Net Changes in Operating Assets and Liabilities		
A31130	Notes receivable	( 8,934)	-
A31150	Accounts receivable	227,411	( 298,963)
A31160	Accounts receivable - related parties	( 141,925)	225,188
A31180	Other receivables	14,079	( 3,181)
A31200	Inventories	37,072	( 63,435)
A31240	Other current assets	21,082	4,421
A32150	Accounts payable	( 86,943)	40,408
A32180	Other payables	( 33,931)	13,966

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Code		Year 2023	Year 2022
A32230	Other current liabilities	<u>1,599</u>	( <u>818</u> )
A33000	Operating Cash Inflows (Outflows)	10,193	( 51,632 )
A33300	Interest paid	( 2,175 )	( 2,317 )
A33500	Income tax payable	( <u>5,892</u> )	( <u>18,616</u> )
AAAA	Net cash inflows (outflows) from operating activities	<u>2,126</u>	( <u>72,565</u> )
	Cash flow from investing activities		
B00020	Proceeds from the disposal of financial assets measured at fair value through other comprehensive income	\$ 54,521	\$ -
B00040	Obtain Financial Assets Measured at Amortized Cost	( 366,102 )	( 561,106 )
B00050	Proceeds from the disposal of financial assets measured at amortized cost	349,645	411,809
B00100	Financial assets measured at FVPL upon acquisition	-	( 340,666 )
B00200	Proceeds from the disposal of financial assets measured at fair value through profit or loss	61,936	728,182
B02700	Purchase of property, plant, and equipment	( 6,098 )	( 25,775 )
B02800	Proceeds from disposition of property, plants, and equipment	19,237	2,716
B03700	Decrease (Increase) in guarantee deposits paid	32	( 461 )
B04500	Purchase of intangible assets	-	( 13,232 )
B07100	Increase in prepaid equipment	( 15,451 )	( 134,055 )
B07500	Interests received	<u>38,397</u>	<u>28,030</u>
BBBB	Net cash inflows from investment activities	<u>136,117</u>	<u>95,442</u>
	Net cash flow from financing activities		
C00100	Increase in short-term borrowings	258,000	50,000
C00200	Decrease in short-term borrowings	( 110,000 )	( 50,000 )
C01300	Redeemable convertible corporate bonds	( 134,700 )	-
C01700	Repayment of long-term loans	-	( 51,667 )
C03000	Increase (Decrease) in deposits as collateral	( 7 )	20
C04020	Payment of lease liabilities principal	( 24,395 )	( 26,328 )

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<u>Code</u>		<u>Year 2023</u>	<u>Year 2022</u>
C05800	Increase in non-controlling interests	<u>-</u>	<u>39,200</u>
CCCC	Net cash outflow from financing activities	( <u>11,102</u> )	( <u>38,775</u> )
DDDD	Effect of exchange rate changes on cash and cash equivalents	( <u>16,568</u> )	<u>6,051</u>
EEEE	Increase (decrease) in cash and cash equivalents for the current year	110,573	( 9,847 )
E00100	Beginning cash and cash equivalents balance	<u>634,440</u>	<u>644,287</u>
E00200	Year-end balance of cash and cash equivalents	<u>\$ 745,013</u>	<u>\$ 634,440</u>

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

Chairman: Jong-Hwa Chin      Manager: Shih-Chang Chen      Accounting Supervisor: Yi-Hui Yeh

Shun On Electronic Co., Limited and Subsidiary

Notes to the Consolidated Financial Statements

January 1 to December 31, 2023 and 2022

(Unless otherwise specified, amounts are in thousands of New Taiwan Dollars.)

1. Company History

The company was established in January 1996, and its stock has been traded on the Taiwan Stock Exchange since January 21, 2008, following its listing on the Taipei Exchange starting from November 18, 2003. The company is primarily engaged in the research, manufacturing, and sales of intelligent products, including conductive films and automotive products.

This consolidated financial report is presented in New Taiwan dollars which is the functional currency of the Company.

2. Date and procedure of approval of the financial report

The consolidated financial report was approved by the board of directors on March 15, 2024.

3. Application of Newly Issued or Revised Accounting Standards and Interpretations

(1) The initial adoption of International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), Interpretations (IFRICs), and Standing Interpretations Committee (SICs) endorsed and issued by the Financial Supervisory Commission (FSC) (referred to as "IFRSs").

The application of the IFRS endorsed and issued by the Financial Supervisory Commission (FSC) will not result in significant changes to the accounting policies of the consolidated company.

(2) IFRS approved by the FSC applicable in 2024

<u>Applicability of newly issued / revised / amended standards and interpretations</u>	<u>Effective date of the IASB's issued (Note 1)</u>
Amendment to IFRS 16 "Leases: Lease liability in a sale and leaseback"	January 1, 2024 (Note 2)
The amendment of IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
The amendment of IAS 1 "Non-current Liabilities with Contractual Maturities"	January 1, 2024
The amendment of IAS 7 and IFRS 7 "Supplier Financing Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless otherwise stated, the above new/revised standards or interpretations are effective for annual reporting periods beginning on or after the respective dates.

Note 2: The seller and lessee should retrospectively apply the amendments to IFRS 16 for sale and leaseback transactions entered into after the initial application of IFRS 16.

Note 3: Certain disclosure requirements are exempted upon the initial application of this revision.

As of the date of approval of the consolidated financial statements, the consolidated company has assessed that the aforementioned amendments to the standards and interpretations would not have a significant impact on its financial position and performance.

(3) IFRS accounting standards issued by the IASB but not yet approved and effective by the FSC

<u>Applicability of newly issued / revised / amended standards and interpretations</u>	<u>Effective date of the IASB's issued (Note 1)</u>
Amendment to IFRS 10 and IAS 28 "Sales or Contributions of Assets between an Investor Undecided and its Associates or Joint Ventures"	Pending
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
The amendment of IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendment to IAS 21 "Lack of Convertibility"	January 1, 2025 (Note 2)

Note 1: Unless otherwise stated, the above new/revised standards or interpretations are effective for annual reporting periods beginning on or after the respective dates.

Note 2: This applies to annual reporting periods beginning on or after January 1, 2025. The impact of the figures shall be recognized in retained earnings as of the initial application date of this amendment. When the consolidated company adopts a non-functional currency as the reporting currency, the impact amount will be adjusted for the exchange differences of foreign operating institutions under equity as of the initial application date.

As of the date of the consolidated financial statements' approval, the consolidated company continues to assess the impact of the aforementioned amendments to the standards and interpretations on the financial position and financial performance. Any related impact will be disclosed once the assessment is completed.

#### 4. Summary of Significant Accounting Policies

##### (1) Compliance Statement

The consolidated financial statements are prepared in accordance with the Financial Reporting Standards for Issuers of Securities and Related Disclosure Requirements and the IFRS that have been approved and issued by the Financial Supervisory Commission (FSC).

##### (2) Preparation Foundation

In addition to financial instruments measured at fair value, the consolidated financial statements are prepared on a historical cost basis.

Fair value measurement is classified into Level 1 to Level 3 according to the observability and significance of relevant inputs:

1. The input values of the first level refer to the quoted prices for identical assets or liabilities in active markets on the measurement date (without adjustment).

2. The input values of the second level refer to observable input values for the asset or liability, other than quoted prices included in level 1, either directly or indirectly derived from prices.
3. The input values of the third level refer to unobservable input values for the asset or liability.

(3) Classification of Assets and Liabilities as Current or Non-current.

Current assets include:

1. Primarily held for trading purposes.
2. Assets expected to be realized within 12 months after the balance sheet date.
3. Cash and cash equivalents (excluding those restricted for more than 12 months after the balance sheet date for the purpose of exchanging or settling liabilities).

Current Liability includes:

1. Primarily held for the purpose of trading;
2. Liabilities due for settlement within 12 months after the balance sheet date.
3. Liabilities that cannot be unconditionally postponed beyond 12 months after the balance sheet date.

Non-current assets or liabilities are classified as such if they do not meet the criteria for current assets or liabilities mentioned above.

(4) Basis of consolidation

This consolidated financial report includes the financial statements of the Company and its controlled entities (subsidiaries). The consolidated statement of comprehensive income incorporates the operating results of acquired or disposed subsidiaries from the acquisition date until the disposal date. The financial statements of the subsidiaries have been adjusted to ensure consistency with the accounting policies of the consolidated company. In preparing the consolidated financial report, all transactions, account balances, revenues, and expenses

between entities have been eliminated. The total comprehensive income of the subsidiaries is attributable to the owners of the Company and non-controlling interests.

When the consolidated company loses control over a subsidiary, the gain or loss on disposal is the difference between (1) the fair value of consideration received and the carrying amount of the remaining investment in the former subsidiary as of the date control is lost, and (2) the carrying amount of the assets, liabilities, and non-controlling interests of the former subsidiary as of the date control is lost. The accounting treatment for other comprehensive income items related to the subsidiary is based on the same principles as those applied when the consolidated company directly disposes of assets or liabilities associated with the subsidiary. The carrying amount of the remaining investment in the former subsidiary is measured at fair value through profit or loss as of the date control is lost.

For details on the subsidiaries, ownership percentages, and business operations, please refer to Note 13, Appendices 5, and 6.

#### (5) Foreign currency

When preparing financial statements for entities that engage in transactions in currencies other than their functional currency (foreign currencies), the transactions are recorded in the functional currency using the exchange rates prevailing on the transaction dates.

Foreign currency monetary items are translated into the functional currency using the closing exchange rate on each balance sheet date. Exchange differences arising from settlement of foreign currency monetary items or translation of foreign currency monetary items are recognized in profit or loss in the year in which they arise.

Foreign currency non-monetary items that are measured at fair value are translated into the functional currency using the exchange rate on the date when the fair value was determined. The exchange differences arising from this translation are recognized in profit or loss in the year in which they arise,

except for those recognized in other comprehensive income as part of the fair value gain or loss.

Foreign currency non-monetary items that are measured at historical cost are translated into the functional currency using the exchange rate on the transaction date and are not re-measured.

When preparing consolidated financial statements, the assets and liabilities of foreign operating entities (including subsidiaries operating in different countries or using currencies different from the reporting entity) are translated into New Taiwan Dollars at the exchange rates on each balance sheet date. The items of revenue and expenses are translated at the average exchange rates for the year, and the resulting exchange differences are recorded in other comprehensive income (allocated to the Company's owners and non-controlling interests separately).

If the company disposes of the ownership interest in a foreign operating entity, any accumulated translation differences related to that foreign entity will be reclassified to the income statement.

#### (6) Inventories

Inventory comprises raw materials, work-in-progress, and finished goods. Inventory is measured at the lower of cost and net realizable value, with individual items compared against cost and net realizable value except for items of the same category. Net realizable value refers to the estimated selling price in the ordinary course of business, less the estimated costs necessary to complete the items and the estimated costs to make the sale. The calculation of inventory cost is based on the weighted average method.

#### (7) Property, Plant, and Equipment

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

Except for land, which is not depreciated, other property, plant, and equipment are depreciated on a straight-line basis over their estimated useful lives. Significant components are depreciated separately. The consolidated company reviews the estimated useful lives, residual values, and depreciation

methods at least at the end of each fiscal year and defers the impact of changes in accounting estimates.

When disposing of property, plant, and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement.

(8) Impairment of property, plant, and equipment, right-of-use assets, and intangible assets.

The consolidated company assesses, at each balance sheet date, whether there are any indications that property, plant, and equipment, right-of-use assets, and intangible assets may be impaired. If any impairment indicators exist, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the consolidated company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is determined as the higher of the fair value less costs of disposal and the value in use. If the recoverable amount of an individual asset or cash-generating unit is lower than its carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to its recoverable amount, and the impairment loss is recognized in the income statement.

When an impairment loss is reversed in subsequent periods, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but not exceeding the carrying amount that would have been determined (net of amortization or depreciation) if no impairment loss had been recognized in prior years. The reversal of impairment loss is recognized in the income statement.

(9) Financial Instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when the entity becomes a party to the contractual terms of the instrument.

When initially recognizing financial assets or financial liabilities, if they are not measured at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities measured at fair value through profit or loss are immediately recognized in profit or loss.

#### 1. Financial Assets

The customary transactions of financial assets are recognized and derecognized on the accounting date of the transaction.

##### (1) Types of measurement

The types of financial assets held by the consolidated company include financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, and debt instruments investments measured at fair value through other comprehensive income.

##### A. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are those that are mandatorily measured at fair value through profit or loss. This includes open-end fund investments held by the consolidated company that are not designated as measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss are measured at fair value. Interest income generated from these assets is recognized as interest income, and any gains or losses arising from remeasurement are recognized in other comprehensive income. Please refer to Note 26 for the determination of fair value.

##### B. Financial assets measured at amortized cost

Investment financial assets of the consolidated company are classified as financial assets measured at amortized cost if they meet both of the following conditions simultaneously:

- a. It is held under a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- b. The contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, and other receivables) are initially recognized at the total carrying amount determined using the effective interest method, less any impairment losses. Any foreign exchange gains or losses are recognized in the income statement.

Interest income is calculated by applying the effective interest rate to the total carrying amount of financial assets.

Cash equivalents include highly liquid investments with maturities of three months or less from the acquisition date, which are readily convertible into known amounts of cash and have minimal value fluctuations. They are used to fulfill short-term cash commitments.

- C. Debt instruments measured at fair value through other comprehensive income in the financial statements.

Debt instruments of consolidated companies shall be classified as financial assets measured at fair value through other comprehensive income if they simultaneously meet the following two conditions:

- a. The financial assets are held under a business model where the objective is to generate cash flows from collecting contractual cash flows and selling the financial assets; and

- b. The contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments measured at fair value through other comprehensive income are measured at fair value, and changes in their carrying amount including interest income computed using the effective interest method, foreign exchange gains or losses, impairment losses or reversals thereof, are recognized in profit or loss, while other changes are recognized in other comprehensive income. Upon disposal of the investments, amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(2) Impairment of Financial Assets

The consolidated company recognizes impairment losses on financial assets (including accounts receivable) measured at amortized cost and debt instruments measured at fair value through other comprehensive income based on expected credit losses evaluated at each balance sheet date.

Allowance for doubtful accounts is recognized based on the expected credit losses over the remaining period of account receivable. For other financial assets, the Company first assesses whether there has been a significant increase in credit risk since initial recognition. If there has not been a significant increase, the Company recognizes allowance for impairment losses based on 12-month expected credit losses. If there has been a significant increase, the Company recognizes allowance for impairment losses based on the expected credit losses over the respective periods of existence.

Expected credit losses are weighted average credit losses using the risk of default as the weight. 12-month expected credit

losses represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. The expected credit losses over the respective periods of existence represent the expected credit losses resulting from all possible default events during the expected periods of existence of the financial assets.

The impairment loss for all financial assets is reduced by adjusting their carrying amount through the provision account. However, the provision for impairment loss on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce their carrying amount.

(3) Disposal of Financial Assets

The consolidated company only derecognizes financial assets when the rights to receive cash flows from the financial asset have expired or the Company has transferred the financial asset and has transferred substantially all risks and rewards of ownership to another entity.

When financial assets measured at amortized cost are derecognized as a whole, any difference between the carrying amount and the consideration received is recognized in profit or loss. When debt instruments measured at fair value through other comprehensive income are derecognized, the difference between their carrying amount and the sum of the consideration received and any cumulative gains or losses previously recognized in other comprehensive income is recognized in the income statement.

## 2. Equity Instruments

The equity instruments issued by the consolidated company are classified based on the substance of the contractual agreement and the definitions of financial liabilities and equity instruments.

The proceeds received from the issuance of equity instruments, net of directly attributable issuance costs, are recognized as equity.

The repurchase of equity instruments by the company itself is recognized as a deduction from equity. Purchase, sale, issuance, or cancellation of the Company's own equity instruments are not recognized in the income statement.

## 3. Financial Liability

### (1) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

### (2) Derecognition of financial liabilities

When financial liabilities are derecognized, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the income statement.

## 4. Convertible corporate bonds

The convertible bonds issued by the consolidated company are classified as financial liabilities and equity components at initial recognition based on the substance of the contractual agreement and the definitions of financial liabilities and equity instruments.

At initial recognition, the fair value of the liability component is estimated using a market interest rate for similar non-convertible instruments, and it is subsequently measured at amortized cost using the effective interest method until the conversion or maturity date. The liability component that represents embedded non-equity derivatives is measured at fair value.

The conversion feature classified as equity is equal to the fair value of the entire compound instrument minus the fair value of the separately determined liability component, adjusted for the tax effect, and it is recognized as equity without subsequent measurement. When the conversion right is exercised, the related liability component and the amount recognized in equity will be reclassified to share capital and additional paid-in capital - premium on issuance. If the conversion right of the convertible bond is not exercised by the maturity date, the amount recognized in equity will be reclassified to additional paid-in capital - other.

The transaction costs related to the issuance of convertible bonds are allocated to the liability (included in the carrying amount of the liability) and equity components (included in equity) based on their relative proportions to the total proceeds. Transaction costs related to the liability component are included in the carrying amount of the liability and amortized using the effective interest method over the subsequent period of the convertible bond.

#### (10) Revenue Recognition

After identifying performance obligations in customer contracts, the consolidated company allocates the transaction price to each performance obligation and recognizes revenue upon satisfaction of each performance obligation.

##### Sales revenue

Sales revenue is derived from the sale of intelligent products (conductive films and automotive products). The consolidated company transfers the primary responsibility for resale to the customer at the time of product shipment, and revenue and accounts receivable are recognized at that point.

#### (11) Leases

On the contract inception date, the consolidated company assesses whether the contract constitutes or includes a lease.

The consolidated company is the lessee

Except for leases of low-value assets and short-term leases eligible for recognition exemptions, lease payments for other leases are recognized as expenses on a straight-line basis over the lease term. For these leases, the right-of-use assets and lease liabilities are recognized on the lease commencement date.

The right-of-use assets are initially measured at cost, including the initial measurement of lease liabilities, direct costs, and estimated costs of restoration of the underlying assets. Subsequently, they are measured at cost less accumulated depreciation, with adjustments for the remeasurement of lease liabilities. The right-of-use assets are presented separately in the consolidated balance sheet.

Depreciation for the right-of-use assets is recognized on a straight-line basis from the lease commencement date until the earlier of the end of the useful life or the lease term.

The lease liabilities are initially measured at the present value of lease payments (including fixed payments and substantially fixed payments). If the implicit interest rate in the lease is readily determinable, it is used to discount lease payments. If the rate is not readily determinable, the lessee's incremental borrowing rate is used.

Subsequently, the lease liabilities are measured on an effective interest basis and presented at an amortized cost. Interest expenses are recognized over the lease term. If there are changes in the future lease payments during the lease term, the consolidated company will remeasure the lease liabilities and adjust the right-of-use assets accordingly. The lease liabilities are presented separately in the consolidated balance sheet.

(12) Borrowing Costs

All borrowing costs are recognized in the income statement in the year they are incurred.

### (13) Government grants

Government grants are recognized only when it is reasonably assured that the consolidated company will comply with the conditions attached to the grant and that the grant will be received.

Government grants related to revenue are recognized systematically as other income over the period in which the related costs, intended to be compensated, are recognized as expenses.

Government grants that are conditional upon the acquisition, construction, or other means of obtaining non-current assets by the consolidated company are recognized as deferred income and systematically transferred to profit or loss over the useful life of the related assets on a reasonable and systematic basis.

If government grants are used to compensate for expenses or losses that have already been incurred or are aimed at providing immediate financial support to the consolidated company without future related costs, they are recognized in profit or loss during the period in which they are receivable.

### (14) Employee Benefits

#### 1. Short-term employee benefits

The related liabilities for short-term employee benefits are measured at the non-discounted amount expected to be paid in exchange for employee services.

#### 2. Post-Employment Benefits

The determined amount of retirement benefits to be provided under the retirement plan should be recognized as expenses during the period in which the employees provide services.

## (15) Income Tax

Income tax expenses represent the sum of current income taxes and deferred income taxes.

### 1. Current Income Taxes

The consolidated company determines the current income (loss) and calculates the payable (recoverable) income taxes based on the regulations established by each income tax jurisdiction in which it files tax returns.

The income tax surcharge calculated in accordance with the Taiwan Income Tax Act on the undistributed earnings is recognized annually upon resolution by the shareholders' meeting.

The adjustment of previous-year income taxes payable is included in the current period's income taxes.

### 2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amounts of assets and liabilities and the tax bases used for calculating taxable income.

Deferred income tax liabilities are generally recognized for all temporary differences that are taxable, while deferred income tax assets are recognized when it is probable that there will be taxable income available against which the temporary differences or tax loss can be offset.

Deferred income tax liabilities are recognized for all temporary differences related to investment in subsidiaries, except for those temporary differences that the consolidated company can control the timing of their reversal and it is probable that the temporary differences will not reverse in the foreseeable future. In relation to such investments, deductible temporary differences are recognized as deferred income tax assets only when it is probable that sufficient taxable income will be available to realize the temporary differences and when it is expected to reverse within a foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and is reduced for any portion that is no longer probable to be realized. The carrying amount of items not previously recognized as deferred income tax assets is reviewed at each balance sheet date and is increased for any portion that it is probable to be realized in the future.

Deferred income tax assets and liabilities are measured at the enacted or substantively enacted tax rates and laws expected to apply to the period in which the deferred income tax assets and liabilities are expected to be settled or realized. The measurement of deferred income tax liabilities and assets reflects the tax consequences expected to be recovered or settled by the consolidated company as of the balance sheet date, based on the carrying amounts of its assets and liabilities, after considering the applicable tax laws.

### 3. Current and Deferred Income Taxes

Current and deferred income tax are recognized in profit or loss, except for items related to current and deferred income tax that are recognized in other comprehensive income or directly in equity, in which case the current and deferred income tax are separately recognized in other comprehensive income or directly in equity.

### 5. Critical accounting judgments, estimates and key sources of assumption uncertainty

When adopting accounting policies, the management of the consolidated company must make judgments, estimates and assumptions based on historical experience and other relevant factors for items that are not readily obtainable from other sources. Actual results may differ from estimates.

The consolidated company incorporates the economic impacts caused by various possibilities into the estimation of cash flows, growth rates, discount rates, profitability, and other significant accounting estimates. Management continuously reviews the estimates and underlying assumptions. If the revision to the estimate only affects the current period, it is recognized in the period of the

revision. If the revision to the accounting estimate affects both the current period and future periods, it is recognized in the period of the revision and the future periods.

The main sources of estimation and assumption uncertainty for income taxes

Income Tax

As of the end of the year 2023 and December 31, 2022, the deferred tax assets of the consolidated company have respective carrying amounts of NT\$86,228 thousand and NT\$67,854 thousand. Due to the unpredictability of future profits, the company has not recognized NT\$503,883 thousand and NT\$521,591 thousand, which represent the entire tax losses of its subsidiaries, as deferred income tax assets. The realizability of deferred income tax assets depends primarily on whether there will be sufficient future profits or taxable temporary differences. If actual profits generated in the future are less than expected, there may be a significant reversal of deferred income tax assets, which would be recognized in the period in which the reversal occurs as an expense.

6. Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
Cash in treasury and working funds	\$ 1,051	\$ 1,234
Bank checks and demand deposits.	587,366	518,842
Equivalent to cash		
Bank time deposit with an original maturity of within 3 months	156,596	114,364
	<u>\$ 745,013</u>	<u>\$ 634,440</u>

The interest rate range for bank deposits and time deposits on the balance sheet date is as follows:

	December 31, 2023	December 31, 2022
Bank deposit	0.00%~1.45%	0.00%~1.05%
Time Deposits	5.00%~5.43%	3.75%~4.20%

7. Financial Instruments at Fair Value through Profit or Loss

	December 31, 2023	December 31, 2022
<u>Financial assets - Current</u>		
Mandatorily measured at fair value through profit or loss		
Non-derivative financial assets		
- Non-principal-protected RMB wealth management products	\$ -	\$ 61,471
<u>Financial liabilities - Current</u>		
Held-for-trading		
derivative instruments (unhedged)		
- Redeemable shares (Note 17)	\$ -	\$ 1,620

The consolidated company non-principal-protected investment product contract with a bank. Upon initial recognition, the company classified the contract as held for trading and measured it at fair value through profit or loss.

8. Financial assets measured at fair value through other comprehensive income

	December 31, 2023	December 31, 2022
<u>Non-current</u>		
Debt securities investment		
Foreign company bonds	\$ 171,044	\$ 249,620

Please refer to Note 10 for information on credit risk management and impairment assessment related to debt instruments investments measured at fair value through other comprehensive income.

9. Financial assets measured at amortized cost

	December 31, 2023	December 31, 2022
<u>Current</u>		
Restricted bank deposits	\$ 4,270	\$ 4,343
Pledged certificate deposit	-	68,420
Fixed deposits with original maturities exceeding 3 months	<u>226,933</u>	<u>144,265</u>
	<u>\$ 231,203</u>	<u>\$ 217,028</u>

Interest rate ranges for financial assets measured at amortized cost as of the balance sheet date are as follows:

	December 31, 2023	December 31, 2022
Restricted bank deposits	0.30%	0.30%
Pledged certificate deposit	-	0.31% ~ 4.37%
Fixed deposits with original maturities exceeding 3 months	2% ~ 6.25%	1.65% ~ 5.10%

Please refer to Note 28 for information on bank deposits and pledged fixed deposits.

10. Credit Risk Management of Debt Instrument Investments

Debt instruments invested by the consolidated company are classified as financial assets measured at fair value through other comprehensive income:

	December 31, 2023	December 31, 2022
Total carrying amount	\$ 203,396	\$ 323,787
Loss allowance	( <u>1,119</u> )	( <u>28,841</u> )
Amortized cost	202,277	294,946
Fair value adjustments	( <u>31,233</u> )	( <u>45,326</u> )
	<u>\$ 171,044</u>	<u>\$ 249,620</u>

The consolidated company only invests in debt instruments with low credit risk as assessed in impairment evaluations. The credit rating information is provided by independent rating agencies. The company continuously monitors external rating information to supervise changes in the credit risk of the invested debt instruments. Additionally, it reviews other information such as the bond

yield curve and significant information about the debtors to assess whether there has been a significant increase in credit risk since the initial recognition of the debt instrument investment.

The company considers the historical default loss rates for each rating level provided by external rating agencies, the current financial condition of the debtors, and the future outlook for their respective industries. These factors are used to measure the 12-month expected credit losses or the expected credit losses over the remaining period for the debt instrument investments.

The consolidated company's current credit risk rating mechanism is as follows:

Credit Rating	Definition	Expected Credit Loss Recognition Basis
Normal	Low credit risk of the debtor and sufficient capacity to repay contractual cash flows	12-month expected credit loss
Abnormal	Credit risk has significantly increased since initial recognition	Credit losses during the remaining period of existence

Investments in debt instruments with credit ratings are subject to the following expected credit loss rates:

Credit Rating	December 31, 2023	December 31, 2022
Normal	0.37% ~ 1.58%	0.14% ~ 1.56%
Abnormal	-	45%

Changes in allowance for credit losses for debt instrument investments measured at fair value through other comprehensive income:

	<u>Credit Rating</u> Normal (12- month expected credit losses)
January 1, 2023 balance	\$ 28,841
Expected credit impairment loss	33,765
De-recognition	( 62,729)
Foreign exchange and other changes	<u>1,242</u>
December 31, 2023 balance	<u>\$ 1,119</u>
January 1, 2022 balance	\$ 2,840
Expected credit impairment loss	25,858
Foreign exchange and other changes	<u>143</u>
December 31, 2022 balance	<u>\$ 28,841</u>

11. Notes and accounts receivable (including related parties)

	<u>December 31,</u> 2023	<u>December 31,</u> 2022
<u>Notes receivable</u>		
Measurement at amortized cost	<u>\$ 8,934</u>	<u>\$ -</u>
<u>Accounts receivable</u>		
Measurement at amortized cost		
Total carrying amount	\$ 566,061	\$ 651,581
Less: Allowance for Doubtful Accounts	( <u>12,032</u> )	( <u>3,746</u> )
	<u>\$ 554,029</u>	<u>\$ 647,835</u>

The consolidated company has an average credit period for commodity sales ranging from 60 to 150 days, and no interest is charged on accounts receivable.

The company recognizes an allowance for credit losses on accounts receivable based on the expected credit losses over the remaining period. The expected credit losses consider the customer's past payment history, the increase in delayed payments beyond the average credit period, as well as the customer's past default records, current financial condition, and the economic situation of the industry. The company's historical credit loss experience shows no significant

differences in loss patterns among different customer groups. Therefore, there is no further distinction made among customer groups, and the expected credit loss rate is determined based solely on the number of days the accounts receivable are past due.

If there is evidence indicating that the counterparty is facing severe financial difficulties and the company cannot reasonably expect to recover the amount owed, the company directly offsets the corresponding accounts receivable. However, the company continues to pursue collection efforts, and any amounts recovered through collection are recognized in the income statement.

The allowance for doubtful accounts for notes and accounts receivable of the consolidated company is as follows :

December 31, 2023

	Not past due	Past due for 1 - 90 days	Past due for 91 - 180 days	Past due for more than 180 days	Total
Total carrying amount	\$ 533,635	\$ 21,066	\$ 5,284	\$ 15,010	\$ 574,995
Allowance for Credit Losses (Expected Credit Losses during the Remaining Lifetime of the Asset)	-	( 75)	( 264)	( 11,693)	( 12,032)
Amortized cost	<u>\$ 533,635</u>	<u>\$ 20,991</u>	<u>\$ 5,020</u>	<u>\$ 3,317</u>	<u>\$ 562,963</u>

December 31, 2022

	Not past due	Past due for 1 - 90 days	Past due for 91 - 180 days	Past due for more than 180 days	Total
Total carrying amount	\$ 591,747	\$ 49,477	\$ 5,818	\$ 4,539	\$ 651,581
Allowance for Credit Losses (Expected Credit Losses during the Remaining Lifetime of the Asset)	-	( 167)	( 291)	( 3,288)	( 3,746)
Amortized cost	<u>\$ 591,747</u>	<u>\$ 49,310</u>	<u>\$ 5,527</u>	<u>\$ 1,251</u>	<u>\$ 647,835</u>

Changes in the allowance for loss:

	Year 2023	Year 2022
Opening balance	\$ 3,746	\$ 2,632
Add: Provision of the year	8,509	857
Subtract: Actual write-off of the year	( 33)	-
Differences of Foreign Currency Translation	( 190)	257
Ending balance	<u>\$ 12,032</u>	<u>\$ 3,746</u>

12. Inventories

	December 31, 2023	December 31, 2022
Product inventories	\$ -	\$ 401
Raw material	147,933	211,733
Semi-finished goods	5,477	11,921
Work in process	16,194	8,111
Finished goods	<u>33,919</u>	<u>27,346</u>
	<u>\$203,523</u>	<u>\$259,512</u>

The nature of cost of goods sold is as follows:

	Year 2023	Year 2022
Already sold inventory cost	\$ 1,180,296	\$ 1,599,129
Inventory impairment loss	<u>19,698</u>	<u>8,959</u>
	<u>\$ 1,199,994</u>	<u>\$ 1,608,088</u>

### 13. Subsidiary

#### (1) Subsidiaries included in the consolidated financial statements

The composition of this consolidated financial report is as follows:

Name of Investment Company	Name of subsidiary	Nature of Business	Shareholding Description		Description
			2023 December 31	2022 December 31	
The Company	Cayman Shun On Electronic Co., Limited (Cayman Shun On)	Various investment businesses and operating trading businesses	100%	100%	-
	Swift Success Holding Limited (Swift Success Holding)	Various investment businesses	60%	60%	-
	Shun Min Holdings Limited (Shun Min Holdings)	Various investment businesses	100%	100%	1
	SOE CO., LTD (Japan SOE)	Various investment businesses and operating trading businesses	-	-	2
	Min Yih Electronic Co., Ltd. (Min Yih Electronic)	Engaging in the design, manufacturing, and distribution of automotive electronic products	51%	51%	3
	SFA American Inc. (SFAA)	Engaging in the design, manufacturing, and distribution of automotive electronic products	-	-	4
	Shun On Int'l Co., Ltd.	Various investment businesses and operating trading businesses	100%	100%	5
Cayman Shun On	Jiaxing Shun Xin Mould Technology Co., Ltd	Engaging in intelligent mold design, research and development, and related technical consulting services, as well as buying and selling businesses	100%	100%	-
Success Prime Holdings	Fuyi Investment Co., Ltd. (Fuyi Investment)	Various investment businesses	100%	100%	-
Fuyi Investment	Jiaxing Shunon Electronic Technology Co., Ltd (Jiaxing Shunon)	Engaging in the production and distribution of printed circuit boards and other switches	100%	100%	-
	Chongqing Shunon Electronic Technology Co., Ltd (Chongqing Shunon)	Engaging in the production and distribution of printed circuit boards and other switches	100%	100%	-
Shun Min Holdings	SOE Investments Limited	Various investment businesses	100%	100%	-
	Jiaxing Shun Min Electronic Co., Ltd. (Jiaxing Shun Min)	Engaging in the design, manufacturing, and distribution of automotive electronic products	100%	100%	6
SOE Investments Limited	Ningbo Shun Min Electronic Co., Ltd	Engaging in the design, manufacturing, and distribution of automotive electronic products	-	-	7

1. Cash capital increases by USD 1,000 thousand were conducted in March 2023.
2. Completed liquidation in June 2022.

3. The shareholders' meeting resolved to dissolve and liquidate in December 2023.
  4. Completed liquidation in July 2022.
  5. Suspended operations since June 2018.
  6. Cash capital increases by USD 1,000 thousand were conducted in March 2023.
  7. Liquidation was completed in August 2022.
- (2) No subsidiaries are excluded from the consolidated financial statements
- (3) Information on subsidiaries with significant non-controlling interests

Name of subsidiary	Principal place of business	Non-controlling interest ownership and voting rights percentage	
		December 31, 2023	December 31, 2022
Success Prime Holdings	Samoa	40%	40%

For information on the main business locations and countries of registration, please refer to Appendix 5.

Name of subsidiary	Allocation of profit/loss to Non-control equity		Non-control equity	
	Year 2023	Year 2022	December 31, 2023	December 31, 2022
Success Prime Holdings	\$ 17,200	\$ 13,295	\$ 223,488	\$ 210,170
Others	( 40,793 )	( 14,892 )	6,258	47,053
	( \$ 23,593 )	( \$ 1,597 )	\$ 229,746	\$ 257,223

The summarized financial information for the following subsidiaries,  
prepared before eliminating intercompany transactions:

Success Prime Holdings and its Subsidiary

	December 31, 2023	December 31, 2022
Current Assets	\$ 667,476	\$ 578,861
Non-current assets	143,816	176,789
Current Liabilities	( 247,191)	( 219,695)
Non-current liabilities	( 5,381)	( 10,529)
Equity	<u>\$ 558,720</u>	<u>\$ 525,426</u>
The equity is attributed to:		
Owner of the company	\$ 335,232	\$ 315,256
Non-control equity of Swift Success Holding Limited	<u>223,488</u>	<u>210,170</u>
	<u>\$ 558,720</u>	<u>\$ 525,426</u>
	Year 2023	Year 2022
Operating revenue	<u>\$ 993,219</u>	<u>\$ 1,115,388</u>
Net profit for the current year	\$ 43,000	\$ 33,238
Other comprehensive income	( 9,707)	7,398
Total comprehensive profit and loss	<u>\$ 33,293</u>	<u>\$ 40,636</u>
Net Profit Attributable to:		
Owner of the company	\$ 25,800	\$ 19,943
Non-control equity of Swift Success Holding Limited	<u>17,200</u>	<u>13,295</u>
	<u>\$ 43,000</u>	<u>\$ 33,238</u>
Total comprehensive income attributable to:		
Owner of the company	\$ 19,976	\$ 24,382
Non-control equity of Swift Success Holding Limited	<u>13,317</u>	<u>16,254</u>
	<u>\$ 33,293</u>	<u>\$ 40,636</u>

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	Year 2023	Year 2022
Cash flow		
Operating Activities	(\$ 67,482)	\$ 89,609
Investment activity	33,427	58,533
Funding activities	( 5,179)	( 5,854)
Net cash inflow (outflow)	(\$ 39,234)	\$ 142,288

#### 14. Property, Plant, and Equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Production tools	Leasehold improvements	Other equipment	Total
<u>Cost</u>								
January 1, 2022 balance	\$ 197,699	\$ 226,902	\$ 444,502	\$ 9,157	\$ 7,724	\$ 43,091	\$ 18,763	\$ 947,838
Add	-	-	14,632	6,230	4,357	3,713	843	25,775
Disposal	-	-	( 778)	( 2,213)	( 189)	-	( 1,705)	( 4,885)
Net exchange gain/loss	-	3,481	6,420	109	105	665	286	11,066
Reclassification	-	12,335	94,946	-	484	37,210	14,487	159,462
December 31, 2022 balance	<u>\$ 197,699</u>	<u>\$ 242,718</u>	<u>\$ 559,722</u>	<u>\$ 9,283</u>	<u>\$ 12,481</u>	<u>\$ 84,679</u>	<u>\$ 32,674</u>	<u>\$ 1,139,256</u>
<u>Accumulated depreciation</u>								
January 1, 2022 balance	\$ -	(\$ 156,764)	(\$ 305,013)	(\$ 5,005)	(\$ 2,499)	(\$ 7,242)	(\$ 15,628)	(\$ 492,151)
Disposal	-	-	547	701	169	-	1,100	2,517
Depreciation expenses	-	( 14,085)	( 31,714)	( 1,342)	( 2,607)	( 10,551)	( 1,440)	( 61,739)
Net exchange gain/loss	-	( 2,373)	( 4,464)	( 69)	( 62)	( 61)	( 259)	( 7,288)
December 31, 2022 balance	<u>\$ -</u>	<u>(\$ 173,222)</u>	<u>(\$ 340,644)</u>	<u>(\$ 5,715)</u>	<u>(\$ 4,999)</u>	<u>(\$ 17,854)</u>	<u>(\$ 16,227)</u>	<u>(\$ 558,661)</u>
Net at December 31, 2022	<u>\$ 197,699</u>	<u>\$ 69,496</u>	<u>\$ 219,078</u>	<u>\$ 3,568</u>	<u>\$ 7,482</u>	<u>\$ 66,825</u>	<u>\$ 16,447</u>	<u>\$ 580,595</u>
<u>Cost</u>								
January 1, 2023 balance	\$ 197,699	\$ 242,718	\$ 559,722	\$ 9,283	\$ 12,481	\$ 84,679	\$ 32,674	\$ 1,139,256
Add	-	-	5,803	-	225	-	70	6,098
Disposal	-	-	( 36,740)	( 2,230)	( 755)	( 125)	-	( 39,850)
Net exchange gain/loss	-	( 4,086)	( 8,729)	( 119)	( 143)	( 726)	( 354)	( 14,157)
Reclassification	-	-	4,901	-	597	-	483	5,981
December 31, 2023 balance	<u>\$ 197,699</u>	<u>\$ 238,632</u>	<u>\$ 524,957</u>	<u>\$ 6,934</u>	<u>\$ 12,405</u>	<u>\$ 83,828</u>	<u>\$ 32,873</u>	<u>\$ 1,097,328</u>
<u>Accumulated depreciation and impairment</u>								
January 1, 2023 balance	\$ -	(\$ 173,222)	(\$ 340,644)	(\$ 5,715)	(\$ 4,999)	(\$ 17,854)	(\$ 16,227)	(\$ 558,661)
Disposal	-	-	6,050	297	466	57	-	6,870
Depreciation expenses	-	( 14,580)	( 41,154)	( 748)	( 2,992)	( 12,928)	( 2,341)	( 74,743)
Impairment loss	-	-	( 793)	-	( 2,233)	( 28,036)	( 9,184)	( 40,246)
Net exchange gain/loss	-	3,208	6,234	106	119	439	304	10,410
December 31, 2023 balance	<u>\$ -</u>	<u>(\$ 184,594)</u>	<u>(\$ 370,307)</u>	<u>(\$ 6,060)</u>	<u>(\$ 9,639)</u>	<u>(\$ 58,322)</u>	<u>(\$ 27,448)</u>	<u>(\$ 656,370)</u>
Net at December 31, 2023	<u>\$ 197,699</u>	<u>\$ 54,038</u>	<u>\$ 154,650</u>	<u>\$ 874</u>	<u>\$ 2,766</u>	<u>\$ 25,506</u>	<u>\$ 5,425</u>	<u>\$ 440,958</u>

At the shareholders' meeting held in December 2023, Min Yih Electronic, a subsidiary company, resolved to dissolve and liquidate. Following this decision, the consolidated company conducted an assessment revealing that the

recoverable amount of certain machinery and equipment was lower than their carrying amount. Consequently, an impairment loss of 40,246 thousand was recognized for the year 2023.

Depreciation expenses are recognized on a straight-line basis over the following useful lives: Machinery and

Buildings	3 - 50 years
Machinery and equipment	1 - 10 years
Transportation equipment	3 - 5 years
Production tools	1 - 8 years
Leasehold improvements	3 - 5 years
Other equipment	1 - 10 years

Consolidated company's self-used property, plant, and equipment set as collateral for loans are as follows. Please refer to Note 28 for more details.

## 15. Leases Agreement

### (1) Right-of-use Assets

	December 31, 2023	December 31, 2022
Carrying amount of Right-of-Use Assets		
Land	\$ 4,590	\$ 4,829
Buildings	73,615	102,703
Transportation equipment	<u>270</u>	<u>433</u>
	<u>\$ 78,475</u>	<u>\$ 107,965</u>
	Year 2023	Year 2022
Additions to right-of-use assets	<u>\$ 472</u>	<u>\$ 50,587</u>
Depreciation expense of Right-of-Use Assets		
Land	\$ 162	\$ 162
Buildings	26,446	25,428
Transportation equipment	<u>163</u>	<u>186</u>
	<u>\$ 26,771</u>	<u>\$ 25,776</u>

(2) Lease liability

	December 31, 2023	December 31, 2022
Lease liabilities - Carrying amounts		
Current	\$ 22,709	\$ 26,340
Non-current	\$ 47,631	\$ 69,895

Discount rate ranges for lease liabilities as of December 31, 2022 and December 31, 2021 are as follows:

	December 31, 2023	December 31, 2022
Land and Buildings	1.5% ~ 5.0%	1.5% ~ 5.0%
Transportation equipment	1.46%	1.46% ~ 1.50%

(3) Other lease information

	Year 2023	Year 2022
Short-term lease expense	\$ 3,781	\$ 701
Lease expenses for low-value assets	\$ 164	\$ 79
The total cash outflow for leases	(\$ 28,386)	(\$ 27,875)

16. Short-term borrowings.

	December 31, 2023	December 31, 2022
<u>Secured Loans</u> ( Note 28)		
Bank loan	\$ 138,000	\$ 50,000
<u>Unsecured loans</u>		
Bank loan	60,000	-
	\$ 198,000	\$ 50,000
<u>Annual Interest Rate (%)</u>		
Secured loans	1.98%~2.17%	1.95%
Unsecured loans	2.02%~2.10%	-
<u>Maturity Date</u>		
Secured loans	113.5.22	112.4.19
Unsecured loans	113.5.22	-

The chairman of the company serves as the guarantor for the above unsecured loans.

17. Bonds payable

	December 31, 2023	December 31, 2022
Convertible Corporate Bonds with domestic guarantees	\$ 165,300	\$ 300,000
Less: Discount on company bonds payable	( 1,630)	( 6,185)
Less: Portion due within 1 year	( <u>163,670</u> )	( <u>293,815</u> )
	<u>\$ -</u>	<u>\$ -</u>

On November 22, 2021, the Company issued domestic secured convertible bonds with a face value of 300,000 thousand, bearing a 0% coupon rate. The bonds had a maturity period of 3 years. Holders had the right to convert each bond into the Company's common stock at a conversion price of 55.1 per share. The conversion period was from February 23, 2022 to November 22, 2024.

From the day following the end of the first 3 months after the issuance until 40 days before the maturity date, if the closing price of the company's common stock in the centralized trading market exceeds the conversion price by 30% for 30 consecutive business days, or if the outstanding balance of the bonds in circulation is less than 10% of the original total issuance, the company has the right to redeem all the bonds in cash at their face value.

From the second anniversary of the issuance date, bondholders had the right to request the Company to redeem their bonds in cash at face value.

These convertible bonds comprise both debt and equity components, with the equity component recognized under "Capital Surplus - Stock Options" in the equity section. The effective interest rate for the debt component at initial recognition was 1.0994%.

Additionally, embedded call and put options were considered separate instruments as per International Financial Reporting Standards No. 9 "Financial Instruments" due to their economic characteristics and risks being unrelated to the host debt instrument. They were accounted for as "Financial assets or liabilities measured at fair value through profit or loss" on a net basis.

18. Other payables

	December 31, 2023	December 31, 2022
Accrued salaries and bonuses	\$ 52,259	\$ 64,442
Payable Taxes and Duties	26,043	32,312
Labor fees payable	22,173	16,062
Payable Utilities (Water and Electricity) Fees	9,632	6,903
Others	<u>55,326</u>	<u>79,734</u>
	<u>\$ 165,433</u>	<u>\$ 199,453</u>

19. Equity

(1) Capital of ordinary share

	December 31, 2023	December 31, 2022
Number of authorized shares (in thousands)	<u>400,000</u>	<u>400,000</u>
Authorized capital stock	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Number of issued and fully paid shares (in thousands)	<u>147,906</u>	<u>147,906</u>
Issued capital stock	<u>\$ 1,479,063</u>	<u>\$ 1,479,063</u>

The issued ordinary shares have a par value of \$10 per share, and each share carries one voting right and the right to receive dividends.

The relevant information regarding the private placement of cash capital increase and the pending public issuance of ordinary shares by the company is as follows:

	First Meeting	Second Meeting
Shareholders' Meeting Resolution Date	105.6.8	107.6.29
Private Placement Reference Date	105.11.29	107.7.17
Number of shares (1000 shares)	50,000	13,953
Denomination (dollar)	10.00	10.00
Subscription Price (dollar)	11	43
Total Amount of Private Placement (Thousand dollars)	550,000	599,979

The rights and obligations of the aforementioned private placement shares are the same as the issued common shares of the company. However, according to the regulations of the Securities and Exchange Act, the private placement common shares can only apply for listing and trading on the exchange after a period of 3 years from the delivery date and conducting a subsequent public offering.

(2) Capital surplus

	December 31, 2023	December 31, 2022
Can be used to offset losses, distribute cash, or allocate to share capital (Note)		
Share premium	\$ 463,258	\$ 463,258
Difference between the actual disposal price of subsidiary equity and book value	984	984
Restricted employee rights shares already obtained	1,327	1,327
Inoperative share options	16,571	-
<u>It can only be used to cover losses</u>		
Shareholders overdue in receiving dividends	11	11
<u>Not available for any purposes</u>		
Convertible corporate bond subscription rights	<u>20,336</u>	<u>36,907</u>
	<u>\$ 502,487</u>	<u>\$ 502,487</u>

Note: This type of capital surplus can be used to offset losses. It can also be used to distribute cash or allocate to share capital when the company has no losses. The allocation to share capital is subject to a certain percentage of the paid-in capital each year.

(3) Retention of surplus and dividend policy

According to the Company's Articles of Incorporation, in the annual financial statements, if there is a surplus, the following order of allocation should be followed: payment of taxes, offsetting of accumulated losses,

allocation of 10% as statutory surplus reserves. Additionally, special surplus reserves may be set aside or reversed based on operational needs or legal requirements. After considering the business situation and balancing dividend policies, a portion of the surplus may be retained. The remaining balance, along with undistributed profits from previous years, should be proposed by the Board of Directors and distributed according to the resolution of the shareholders' meeting. If the distribution of dividends, statutory surplus reserves, or capital surplus reserves is to be made in cash, it requires a resolution approved by at least two-thirds of the attending directors, with the consent of the majority of the attending directors, and it needs to be reported to the shareholders' meeting. For the policy on the distribution of employee and director remuneration, please refer to Note 21(6) on employee and director remuneration.

Furthermore, according to the Company's Articles of Incorporation, the dividend policy primarily focuses on issuing stock dividends. Cash dividends may be distributed after considering the capital requirements of the company, but the distribution of cash dividends should not exceed 80% of the distributable earnings for the current year.

The statutory surplus reserve should be allocated until it reaches the total paid-in capital of the company. The statutory surplus reserve can be used to offset losses. When there are no losses, the portion of statutory surplus reserves exceeding 25% of the total paid-in capital can be allocated for capital increase and cash distribution.

For the fiscal year 2022, the Company incurred a loss, and on June 27, 2023, the resolution to offset the loss for the fiscal year 2022 was passed at the General Meeting of Shareholders.

The Board of Directors proposed the offsetting of the loss for the fiscal year 2023 on March 15, 2024, which is expected to be resolved at the General Meeting of Shareholders scheduled for June 26, 2024.

(4) Treasury shares

	Unit: 1,000 shares
<u>Reason for reacquisition</u>	<u>Transfer of shares to employees</u>
Number of shares as of January 1, 2023	1,400
Repurchased during the current year	<u>-</u>
Number of shares as of December 31, 2023	<u>1,400</u>
January 1, 2022 Number of shares held	1,400
Repurchased during the current year	<u>-</u>
December 31, 2022 Number of shares held	<u>1,400</u>

According to the resolution of the Board of Directors in December 2020, the Company decided to repurchase 1,600 thousand shares of its stock between December 24, 2020, and February 23, 2021, at prices ranging from \$27.90 to \$44.65. As of December 31, 2022, and 2023, the total amount of repurchased shares was 55,567 thousand dollars.

The treasury shares held by the company are subject to regulations under the Securities and Exchange Act, which prohibit pledging and restrict the rights to receive dividends and exercise voting rights.

20. Revenue

	<u>Year 2023</u>	<u>Year 2022</u>
Customer contract revenue		
Sales of goods revenue	\$ 1,231,549	\$ 1,685,239
Service and other operating income	<u>57,401</u>	<u>45,496</u>
	<u>\$ 1,288,950</u>	<u>\$ 1,730,735</u>

(1) Description of customer contracts

Sales revenue is derived from the sales of intelligent products (conductive films and automotive products). The consolidated company transfers the

primary responsibility for resale to the customer at the time of product shipment, and revenue and accounts receivable are recognized at that point.

(2) Contract Balances

	December 31, 2023	December 31, 2022
Notes receivable	<u>\$ 8,934</u>	<u>\$ -</u>
Accounts Receivable(including related parties)	<u>\$ 554,029</u>	<u>\$ 647,835</u>

21. Net loss for the period

The net loss for the period is composed of the following items:

(1) Interest revenue

	Year 2023	Year 2022
Bank deposit	<u>\$ 23,642</u>	<u>\$ 11,420</u>
Debt instruments measured at fair value through other comprehensive income in the financial statements.	13,679	16,745
Others	<u>664</u>	<u>-</u>
	<u>\$ 37,985</u>	<u>\$ 28,165</u>

(2) Others revenue

	Year 2023	Year 2022
Government grant income (Note 24)	\$ 10,940	\$ 16,250
Others	<u>23,654</u>	<u>12,439</u>
	<u>\$ 34,594</u>	<u>\$ 28,689</u>

(3) Other gains and losses

	Year 2023	Year 2022
Net gain on foreign currency exchange	\$ 8,898	\$ 78,391
Net gain (loss) from financial assets measured at fair value through profit or loss	433	( 2,769)
Gain (loss) on disposal of property, plants, and equipment	( 13,743)	348
Gain on disposal of prepaid equipment payment	167	194
Disposal loss from investments	( 4,858)	-
Others	( 4,299)	( 1,095)
	<u>(\$ 13,402)</u>	<u>\$ 75,069</u>

(4) Depreciation and Amortization

	Year 2023	Year 2022
Property, Plant, and Equipment	\$ 74,743	\$ 61,739
Right-of-use Assets	26,771	25,776
Intangible Assets	<u>11,037</u>	<u>7,532</u>
	<u>\$112,551</u>	<u>\$ 95,047</u>
Depreciation expenses aggregated by function		
Operating Cost	\$ 62,234	\$ 51,263
Operating expenses	<u>39,280</u>	<u>36,252</u>
	<u>\$101,514</u>	<u>\$ 87,515</u>
Amortization expense aggregated by function		
Operating Cost	\$ 523	\$ -
Operating expenses	<u>10,514</u>	<u>7,532</u>
	<u>\$ 11,037</u>	<u>\$ 7,532</u>

(5) Employee benefit expense

	<u>Year 2023</u>	<u>Year 2022</u>
Short-term employee benefits		
Wages and salaries	\$ 300,190	\$ 310,284
Health and labor insurance expense	27,118	24,291
Post-Employment Benefits		
Defined contribution plans	26,581	31,225
Other employee benefits	<u>32,171</u>	<u>38,067</u>
	<u>\$ 386,060</u>	<u>\$ 403,867</u>
Functional Consolidation		
Operating Cost	\$ 257,029	\$ 287,239
Operating expenses	<u>129,031</u>	<u>116,628</u>
	<u>\$ 386,060</u>	<u>\$ 403,867</u>

(6) Employees and Director Compensation

According to the Company's articles of incorporation, if the Company generates profits during the fiscal year, it is required to allocate 10% to 15% for employee compensation. The distribution can be made in the form of stock or cash, and it includes employees of the Company and its domestic and foreign controlled or subsidiary companies who meet certain conditions, which are determined by the authorization of the Board of Directors. The Company may also allocate an amount not exceeding 5% of the profits for director compensation, subject to a special resolution of the Board of Directors. However, if the Company has accumulated deficit, the priority is to allocate an amount to offset the deficit first.

In the fiscal years 2023 and 2022, the Company had accumulated deficits, so no provision was made for employee and director compensation.

For information on employee remuneration and directors' remuneration resolved by the Board of Directors of the Company, please visit the Taiwan Stock Exchange Public Information Observatory.

## 22. Income Tax

(1) The major components of income tax benefit (expenses) recognized in the statement of income are as follows:

	<u>Year 2023</u>	<u>Year 2022</u>
Current Income Taxes		
Generated in the current year	(\$ 3,334)	(\$ 17,512)
Adjustments for prior years	<u>1,422</u> ( <u>1,912</u> )	<u>211</u> ( <u>17,301</u> )
Deferred income tax		
Generated in the current year	<u>19,497</u>	<u>8,883</u>
Recognition of income tax benefit (expenses) in the statement of income.	<u>\$ 17,585</u>	( <u>\$ 8,418</u> )

The reconciliation of accounting income to income tax expense is as follows:

	<u>Year 2023</u>	<u>Year 2022</u>
Pre-tax net loss	( <u>\$ 216,240</u> )	( <u>\$ 83,832</u> )
Income tax benefit		
calculated at statutory tax rate (20%) on pretax net loss	\$ 43,248	\$ 16,766
Expenses not deductible for tax purposes	( 8,778 )	( 7,887 )
Deferred income tax impact of subsidiary earnings	19,750	9,260
Exempt income	-	9,406
Unrecognized loss carryforwards	( 44,215 )	( 28,801 )
Impact of applying different tax rates for consolidation entities	6,158	( 7,373 )
Adjustments for prior years	<u>1,422</u>	<u>211</u>
Recognition of income tax benefit (expenses) in the statement of income.	<u>\$ 17,585</u>	( <u>\$ 8,418</u> )

(2) Deferred tax assets and liabilities

Changes in Deferred Tax Assets and Liabilities are as follows:

Year 2023

	Opening balance	Recognized in income statement	Recognized in other comprehensi ve income statement	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Investment losses recognized under equity method	\$ 56,603	\$ 19,750	\$ -	\$ 76,353
Loss deduction	7,300	-	-	7,300
Others	<u>3,951</u>	<u>( 733)</u>	<u>( 643)</u>	<u>2,575</u>
	<u>\$ 67,854</u>	<u>\$ 19,017</u>	<u>( \$ 643)</u>	<u>\$ 86,228</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Others	<u>\$ 922</u>	<u>( \$ 480)</u>	<u>\$ -</u>	<u>\$ 442</u>

Year 2022

	Opening balance	Recognized in income statement	Recognized in other comprehensi ve income statement	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Investment losses recognized under equity method	\$ 47,343	\$ 9,260	\$ -	\$ 56,603
Loss deduction	7,300	-	-	7,300
Others	<u>1,502</u>	<u>( 49)</u>	<u>2,498</u>	<u>3,951</u>
	<u>\$ 56,145</u>	<u>\$ 9,211</u>	<u>\$ 2,498</u>	<u>\$ 67,854</u>

Deferred income tax liabilities				
Temporary differences				
Others	\$ 594	\$ 328	\$ -	\$ 922

(3) Information regarding unused loss carryforwards

As of December 31, 2023, the consolidated company has the following information regarding unused loss carryforwards:

Company name	Remaining Balance of Loss Carryforwards	Last Year of Utilization
The Company	\$ 246,068	Year 2024
	20,123	Year 2025
	26,998	Year 2027
	23,393	Year 2028
	5,134	Year 2029
	5,319	Year 2030
	120,979	Year 2031
	39,187	Year 2032
	<u>53,182</u>	Year 2033
	<u>\$ 540,383</u>	
JIAXING SHUN XIN MOULD TECHNOLOGY Co., Ltd.	<u>RMB 2,848</u>	Fiscal years 2024 to 2027
Chonkqing SHUNON Electronic Technology Co., Ltd.	<u>RMB 11,719</u>	Fiscal years 2024 to 2027
Jiaxing Shun Min Electronic Co., Ltd.	<u>RMB 30,784</u>	Year 2026 ~ 2027

As of December 31, 2023, a deferred tax asset of \$36,500 thousand has been recognized for the aforementioned loss carryforwards.

(4) Income Tax Assessment

For the company, tax assessments for the years prior to the 2021 fiscal year have been finalized by the tax authorities.

## 23. Loss Per Share

Used to calculate the net loss and weighted average number of ordinary shares for calculating loss per share as follows:

### Net loss for the current year

	<u>Year 2023</u>	<u>Year 2022</u>
Used to calculate the net loss for basic and diluted loss per share	<u>(\$175,062)</u>	<u>(\$ 90,653)</u>

### Number of shares

Unit: 1,000 shares

	<u>Year 2023</u>	<u>Year 2022</u>
Used to calculate the weighted average number of ordinary shares for basic and diluted loss per share	<u>146,506</u>	<u>146,506</u>

When calculating diluted earnings per share, assuming the employee compensation is to be issued in the form of stock, and when the potential common shares have a dilutive effect, they are included in the weighted average number of diluted shares outstanding to calculate diluted earnings per share. When calculating diluted earnings per share before the decision on the issuance of employee compensation shares for the following year, the dilutive effect of such potential common shares continues to be considered.

For the fiscal years 2023 and 2022, the consolidated company incurred net losses after tax. If the potential dilution effect of convertible bonds into common shares is taken into account, it is considered anti-dilutive and therefore not included in the calculation of loss per share.

## 24. Government grants

Electronic Co., Ltd. The company established Shun Min Holdings in the Jiaxing Xiuzhou High-tech Industrial Development Zone (hereinafter referred to as the Industrial Development Zone) in mainland China. Through this investment, Jiaxing Shun Min was established with a registered capital of USD 20,000 million. According to the investment agreement signed between the company and the management committee of the Industrial Development Zone:

- (1) The Management Committee agreed to provide a subsidy of 10,000 million RMB as industrial subsidy if the production is completed by the end of December 2020 (the main fixed assets arrive at the site and the first sales invoice is provided). The subsidy was obtained in February 2021, accounted for as deferred income, and transferred to profit or loss within the scope of the benefits of the industrial subsidy.

In addition, according to the supplementary agreement, the Company submitted a plan for reinforcing the factory building to the Industrial Development Zone during the lease period, and the full amount of the project expenditure was obtained as a subsidy from the Industrial Development Zone. The subsidy of 687 million RMB was obtained in May 2021, accounted for as deferred income, and transferred to profit or loss within the useful life of the factory building.

The recognition of the aforementioned grant income is as follows:

	Year 2023	Year 2022
Fixed assets - main body	\$ 6,856	\$ 15,703
Factory reinforcement project	545	547
	<u>\$ 7,401</u>	<u>\$ 16,250</u>

- (2) Rental subsidies received for leasing factory premises in an industrial development zone qualify for a five-year exemption, followed by a 50% reduction in rent. In 2023 and 2022, subsidies totaling RMB 3,147 thousand were received. These subsidies are recorded as deferred income and recognized in the income statement over the lease term of the right-of-use asset.

The above subsidies result in a reduction of depreciation and interest expenses as follows:

	Year 2023	Year 2022
Rent reduction	<u>\$ 12,444</u>	<u>\$ 12,583</u>

- (3) According to the investment agreement, if the consolidated company fails to achieve the investment targets, the management committee has the right to recover the subsidies already granted in proportion, subject to mutual agreement.
- (4) The subsidies received as mentioned above are recorded as deferred income as of December 31 in the years 2023 and 2022, amounting to 11,298 thousand and 17,446 thousand.
- (5) In addition, an agreement for capital expansion investment was signed in September 2022. Pursuant to the agreement, a subsidy of RMB 200 thousand was granted for every USD 1,000 thousand invested. Subsequently, RMB 800 thousand was acquired in March 2023.

The recognition of the aforementioned grant income is as follows:

	Year 2023
Investment incentives	\$ <u>3,539</u>

## 25. Capital Risk Management

The merged company conducts capital management to ensure the maximization of shareholder returns by optimizing the balance between debt and equity, while ensuring the ability to continue operating.

The capital structure of the merged company consists of the net debt (borrowings minus cash and cash equivalents) and equity. The company's top management reviews the capital structure on a quarterly basis, considering its cost of capital and associated risks, and balances the overall capital structure through measures such as issuing new shares or obtaining bank loans.

## 26. Financial Instruments

### (1) Fair Value Information - Financial Instruments Not Measured at Fair Value

Except for financial liabilities with significant differences between the carrying amount and fair value as listed in the table below, the management of the consolidated company believes that the carrying amount of financial assets and financial liabilities not measured at fair value approximates their fair value.

	December 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial Liability</u>				
Measurement at amortized cost				
- Convertible corporate bonds	\$ 163,670	\$ 166,953	\$ 293,815	\$ 301,170

The fair value of convertible corporate bonds is measured using Level 2 input values. The evaluation is based on the weighted average NT dollar price calculated by the Taiwan Stock Exchange on the reporting date.

(2) Fair Value Information - Financial instruments measured at fair value on a repetitive basis

1. Fair Value Hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value through other comprehensive income</u>				
Debt securities investment	<u>\$ 171,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,044</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value through profit or loss</u>				
Non-derivative financial assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,471</u>	<u>\$ 61,471</u>

Financial assets measured at fair value through other comprehensive income

Debt securities investment	<u>\$ 249,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 249,620</u>
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Financial liabilities at fair value through profit or loss

Derivative Instruments -

Puttable Instruments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,620</u>	<u>\$ 1,620</u>
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There was no transfer between Level 1 and Level 2 fair value measurements in 2023 and 2022.

2. Adjustments for Financial Instruments Measured at Level 3 Fair Value  
Year 2023

Financial Assets		Financial liabilities at fair value through profit or loss
		Derivative
Beginning balance		(\$ 1,620)
Redemption		3,450
Recognized in income statement		( 1,830)
Closing balance		\$ -
		Financial assets measured at fair value through profit or loss
		Non-Derivative instruments
Beginning balance		\$ 61,471
Disposal		( 61,471)
Closing balance		\$ -

Year 2022

Financial Assets		Financial assets measured at fair value through other comprehensive income (liabilities)
		Derivative
Beginning balance		\$ 510
Recognized in income statement		( 2,310)
Closing balance		(\$ 1,620)
Beginning balance		\$ 448,505
Purchases		340,666
Disposal		( 728,182)
Recognized in income statement		482
Closing balance		\$ 61,471

3. Valuation techniques and input values for Level 3 fair value measurement

<u>Financial instrument category</u>	<u>Valuation techniques and input values for level measurement</u>
Financial assets (liabilities) measured at fair value through profit or loss - derivative instruments	Valuation techniques and input values Binary tree convertible bond valuation model: The fair value of convertible bonds as financial assets or liabilities is evaluated based on observable stock prices, risk-free interest rates, and risk discount rates at the end of the reporting period.
Financial assets measured at fair value through profit or loss - Non-derivative instruments	(1) Determined based on future cash flow discount analysis. (2) Calculating expected returns based on counterparty quotes.

(3) Types of Financial Instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial Assets</u>		
Measured at fair value through profit or loss	\$ -	\$ 61,471
Measurement at amortized cost (Note 1)	1,568,556	1,543,202
Equity instrument with no open quotes measured at fair value		
Debt securities investment	171,044	249,620
<u>Financial Liability</u>		
Measurement at amortized cost (Note 2)	661,531	752,964
Measured at fair value through profit or loss	-	1,620

Note 1: The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, notes, and accounts receivable, other receivables, and deposits paid.

Note 2: The balance includes financial liabilities measured at amortized cost, such as short-term borrowings, accounts payable, other payables, corporate bonds payable, and deposits received.

(4) Objectives and Policies of Financial Risk Management

The main financial instruments of the consolidated company include debt instrument investments, time deposits, notes, accounts receivable, accounts payable, borrowings, lease liabilities, and corporate bonds payable. The financial management department of the consolidated company manages financial risks related to its operations based on internal risk assessments. These risks include market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk.

1. Market risk

The main financial risks undertaken by the consolidated company in its operating activities are foreign exchange rate risk (refer to (1) below) and interest rate risk (refer to (2) below).

(1) Exchange rate risk

The consolidated company engages in sales and purchases denominated in foreign currencies, resulting in exposure to exchange rate fluctuations.

The monetary assets and monetary liabilities denominated in non-functional currencies on the consolidated company's balance sheet are disclosed in Note 30.

Sensitivity analysis

The consolidated company is mainly exposed to fluctuations in the exchange rates of the US dollar and the Chinese yuan.

The sensitivity analysis conducted by the consolidated company uses a sensitivity ratio of 5% to report to senior management and represents the assessment of the reasonable potential range of exchange rate movements. When functional currencies relative to various foreign currencies depreciate by 5%, the consolidated company's pre-tax net losses for the years 2023 and

2022 would decrease by 24,888 million yuan and 9,587 million yuan, respectively.

(2) Interest Rate Risk

The consolidated company manages interest rate risk by maintaining an appropriate mix of fixed and floating rate instruments. The financial management department regularly assesses related risks to ensure the most cost-effective financial operations are implemented.

The carrying amounts of financial assets and liabilities exposed to interest rate risk as of the balance sheet date are as follows:

	December 31, 2023	December 31, 2022
Fair value measurement with interest rate risk		
- Financial Assets	\$387,799	\$331,392
- Financial Liabilities	234,010	390,050
Fair value with cash flow rate risk		
- Financial Assets	587,366	518,842
- Financial Liabilities	198,000	50,000

Sensitivity analysis

The sensitivity analysis is based on non-derivative instruments and is determined by the interest rate exposures on the balance sheet dates. The consolidated company reports to senior management using a rate change of +/- 50 basis points, which represents the reasonable range of potential interest rate fluctuations assessed by management.

If interest rates increase by 50 basis points, assuming all other variables remain constant, the consolidated company's pre-tax net losses for the years 2023 and 2022 would decrease by \$1,947 thousand and \$2,344 thousand.

## 2. Credit Risk

Credit risk refers to the risk of financial loss to the consolidated company due to the counterparty's default on contractual obligations. As of the balance sheet date, the maximum credit risk exposure arising from the counterparty's failure to fulfill obligations is primarily related to the carrying amount of financial assets recognized on the consolidated statement of financial position.

The consolidated company continuously assesses the financial condition of accounts receivable customers and may purchase credit insurance contracts when necessary. Apart from the largest customer, Group A, the consolidated company does not have significant credit risk exposure to any single counterparty or group of counterparties with similar characteristics. As of December 31, 2023 and 2022, the accounts receivable balance related to Group A amounted to \$450,888 thousand and \$303,190 thousand.

## 3. Liquidity risk

The consolidated company manages and maintains an adequate position of cash and cash equivalents to support its operations and reduce the impact of cash flow volatility. The management oversees the utilization of bank financing facilities and ensures compliance with loan contract terms.

Bank borrowings are an important source of liquidity for the consolidated company. As of December 31, 2023 and 2022, the unused portion of the short-term bank financing facilities is detailed in (2) Financing Facilities.

(1) Liquidity and Interest Rate Risk Table for Non-Derivative Financial Liabilities

The following table provides a breakdown of the remaining contractual maturities of non-derivative financial liabilities for the consolidated company. It includes cash flows for both interest and principal of the financial liabilities, undiscounted, based on the earliest possible repayment dates.

Bank borrowings that may be called for immediate repayment are listed within the earliest period in the table, without considering the probability of the bank exercising this right. The analysis for other non-derivative financial liabilities is prepared based on the agreed repayment dates.

December 31, 2023

	Within 3 months	3 months to 1 year	More than 1 years
No liabilities with interests	\$ 377,796	\$ -	\$ -
Lease liability	1,573	21,974	47,731
Floating rate instruments	600	198,166	-
Bonds payable	-	165,300	-
	<u>\$ 379,969</u>	<u>\$ 385,440</u>	<u>\$ 47,731</u>

December 31, 2022

	Within 3 months	3 months to 1 year	More than 1 years
No liabilities with interests	\$ 505,528	\$ -	\$ -
Lease liability	2,395	25,027	73,578
Floating rate instruments	-	50,024	-
Bonds payable	-	300,000	-
	<u>\$ 507,923</u>	<u>\$ 375,051</u>	<u>\$ 73,578</u>

(2) credit limit

	December 31, 2023	December 31, 2022
Unsecured Bank		
Financing Facility		
- Amounts Used	\$ 60,000	\$ -
- Amounts		
Unused	<u>173,698</u>	<u>380,000</u>
	<u>\$ 233,698</u>	<u>\$ 380,000</u>
Secured Bank		
Borrowing Limit		
- Amounts Used	\$ 303,300	\$ 350,000
- Amounts		
Unused	<u>412,705</u>	<u>74,960</u>
	<u>\$ 716,005</u>	<u>\$ 424,960</u>

## 27. Related Party Transactions

All transactions, account balances, income, and expenses between the Company and its subsidiaries (related parties) were fully eliminated upon consolidation and are therefore not disclosed in these notes. In addition to those disclosed in other notes, the transactions between the consolidated company and other related parties are as follows:

### (1) Related Party Names and Relationships

<u>Names of related parties</u>	<u>Relationship with the Consolidated Company</u>
Chicony Electronics Co., Ltd. (Chicony Electronics)	Other Related Parties (Director of the company)
Chicony Electronics Suzhou Co., Ltd. (Chicony Suzhou)	Other related parties (with the ultimate parent company being a director of the consolidated company)
Chicony Electronics Chongqing Co., Ltd. (Chicony Chongqing)	Other related parties (with the ultimate parent company being a director of the consolidated company)
Maorui Electronics Dongguan Co., Ltd. (Maorui Dongguan)	Other related parties (with the ultimate parent company being a director of the consolidated company)
Min En International Limited (Min En International)	Other Related Party (Substantive Related Party)
Minth Haila (Jiaxing) Automotive Components Co., Ltd. (Jiaxing Minth)	Other Related Party (Substantive Related Party)
Wuhan Hesheng Automotive Parts Co., Ltd. (Wuhan Hesheng)	Other Related Party (Substantive Related Party)
Wuhan Minhui Automotive Parts Co., Ltd. (Wuhan Minhui)	Other Related Party (Substantive Related Party)
Jiaxing Minhui Automotive Parts Co., Ltd. (Jiaxing Minhui)	Other Related Party (Substantive Related Party)
Jiaxing Xinding Mold Technology Co., Ltd. (Jiaxing Xinding)	Other Related Party (Substantive Related Party)
Jiaxing Xinyuan Precision Mold Technology Co., Ltd. (Jiaxing Xinyuan)	Other Related Party (Substantive Related Party)
Guangzhou Minhui Automotive Parts Co., Ltd. (Guangzhou Minhui)	Other Related Party (Substantive Related Party)

(Continue on next page)

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<u>Names of related parties</u>	<u>Relationship with the Consolidated Company</u>
Jiaxing Minsheng Automotive Parts Co., Ltd. (Jiaxing Minsheng)	Other Related Party (Substantive Related Party)
Ningbo Minth Automotive Electronics Technology Co., Ltd. (Ningbo Minth)	Other Related Party (Substantive Related Party)
Ningbo Xintai Machinery Co., Ltd. (Ningbo Xintai)	Other Related Party (Substantive Related Party)
Dayi Transportation Industry Manufacturing Co., Ltd. (Dayi Transportation)	Other Related Party (Substantive Related Party)
Dayi Jinmao Co., Ltd. (Dayi Jinmao)	Other Related Party (Substantive Related Party)
Minth International (Macau) Offshore Commercial Services Co., Ltd. (Minth International)	Other Related Party (Substantive Related Party)
Minth University of Science and Technology (Minth University of Science and Technology)	Other Related Party (Substantive Related Party)
Jiaxing Hongwang Automotive New Materials Technology Co., Ltd. (Jiaxing Hongwang)	Other Related Party (Substantive Related Party)
Jiaxing Leroad Special Vehicle Co., Ltd. (Jiaxing Leroad)	Other Related Party (Substantive Related Party)
SHARP FIT Automotive Technology Co., Ltd. (Tengxia Japan)	Affiliate company (Note)

Note: Not related parties as of the end of December 2021.

(2) Operating revenue

<u>Accounting item</u>	<u>Type/Name of Related</u>	<u>Year 2023</u>	<u>Year 2022</u>
Sales revenue	Other Related Parties		
	QunGuang Suzhou	\$ 497,642	\$ 622,213
	QunGuang Chongqing	505,220	510,655
	Jiaxing Minhui	7,265	310,202
	Others	<u>69,961</u>	<u>18,910</u>
		<u>\$ 1,080,088</u>	<u>\$ 1,461,980</u>
Other operating revenue	Other Related Parties		
	Ming Shi International	18,735	-
	Others	<u>27,989</u>	<u>-</u>
		<u>\$ 46,724</u>	<u>\$ -</u>

For transactions between related parties, the transaction prices and payment terms are comparable to those with unrelated parties.

(3) Receivables from related parties (Excluding loans to related parties)

<u>Accounting item</u>	<u>Type/Name of Related</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	Other Related Parties		
	QunGuang Suzhou	\$ 229,026	\$ 170,460
	QunGuang Chongqing	219,488	132,730
	Jiaxing Minhui	1,755	26,453
	Others	<u>29,696</u>	<u>8,397</u>
		<u>\$ 479,965</u>	<u>\$ 338,040</u>
Other receivables	Other Related Parties		
	Others	<u>\$ -</u>	<u>\$ 1,442</u>

(4) Payables to Related Parties

<u>Accounting item</u>	<u>Type/Name of Related</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other payables	Other Related Parties	<u>\$ 3,340</u>	<u>\$ 1,034</u>

(5) Lease Agreements

<u>Type/Name of Related</u>	<u>Year 2023</u>	<u>Year 2022</u>
<u>Acquisition of right-of-use assets</u>		
Dayi Jinmao	\$ -	\$ 50,100
Minth University of Science and Technology	<u>472</u>	<u>-</u>
	<u>\$ 472</u>	<u>\$ 50,100</u>

<u>Accounting item</u>	<u>Type/Name of Related</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Lease liabilities - current	Other Related Parties		
	Minen International	\$ 853	\$ 4,533
	Dayi Jinmao	4,022	3,953
	Minth University of Science and Technology	<u>182</u>	<u>-</u>
		<u>\$ 5,057</u>	<u>\$ 8,486</u>
Lease liabilities - non-current	Other Related Parties		
	Minen International	\$ -	\$ 3,445
	Dayi Jinmao	42,401	43,290
	Minth University of Science and Technology	<u>107</u>	<u>-</u>
		<u>\$ 42,508</u>	<u>\$ 46,735</u>

(6) Loans to related parties (Listed as other receivables)

Type/Name of Related	December 31, 2023	December 31, 2022
Other Related Parties		
Toshiba Corporation (Japan)	\$ -	\$ 30,710
Minus: Classified as current portion due within one year	<u>-</u>	( <u>30,710</u> )
	<u>\$ -</u>	<u>\$ -</u>

Refer to Note 29 for the consolidated company's loans to SHARP FIT Automotive Technology Co., Ltd in Japan.

(7) Key Executive Compensation

The total compensation for directors and other key management personnel is as follows

	Year 2023	Year 2022
Short-term employee benefits	\$ 17,125	\$ 18,155
Post-Employment Benefits	568	512
Resignation pay	<u>30</u>	<u>410</u>
	<u>\$ 17,723</u>	<u>\$ 19,077</u>

Directors' and other key management personnel's remuneration is determined by the remuneration committee based on individual performance and market trends.

## 28. Assets Pledged as Collateral

The assets listed below from the consolidated company have been utilized as collateral for borrowings from financial institutions, litigation, purchase of raw materials, and as performance guarantees for government subsidies:

	December 31, 2023	December 31, 2022
Land and Buildings	\$197,699	\$213,319
Pledged time deposits (financial assets measured at amortized cost)	-	68,420
Restricted bank deposits (financial assets measured at amortized cost)	4,270	4,343
	<u>\$201,969</u>	<u>\$286,082</u>

## 29. The significant matters and contractual commitments

(1) In January of the fiscal year 2022, our company and its subsidiary, Shun Min Holdings, along with Japan's SOE, signed a transaction agreement with Japan's Sharp Corporation, FOXCONN Interconnect Technology Singapore Pte. Ltd., and FOXCONN OE Technologies Singapore Pte. Ltd. regarding the FITED transaction. The agreement commits to repurchasing equity of FITED from our company, Shun Min Holdings, and Japan's SOE for a total amount of USD 14,117 thousand. The details of the agreement are as follows:

1. The company lost control over FITED and its subsidiaries as of the end of December 2021.
2. FITED and its subsidiaries have utilized the following fund loans and endorsement guarantees as of December 31, 2021. Sharp FIT Automotive Technology Co., Ltd should assist in returning the funds or settle the endorsement guarantees:

(1) The company's subsidiary, Cayman Chun-An, received a fund loan of USD 1,000 million from Sharp FIT Automotive Technology Co., Ltd, which was repaid in early April 2023.

(2) The company provided an endorsement guarantee of JPY 220,000 million for Sharp FIT Automotive Technology Co., Ltd, which matured in February 2022.

(3) The company provided an endorsement guarantee of USD 2,000 million for Tenga Wuxi, which matured in May 2022.

Sharp has committed to assisting in the repayment of the aforementioned (2) and (3), and the company no longer provides endorsement guarantees for Sharp FIT Automotive Technology Co., Ltd and Tenga Wuxi.

Sharp FIT Automotive Technology Co., Ltd. has repaid the aforementioned (1) in April 2023, and our subsidiary has ceased further lending to it.

3. The disposal proceeds of USD 14,117 thousand mentioned above, after Sharp Japan deducted a portion of the amount, were recovered in February 2022, totaling \$385,185 thousand (equivalent to USD 13,916 thousand).

(2) The Board of Directors of the Company also resolved on March 29, 2022:

1. The company's subsidiary, Cayman Chun-An, provided a fund loan of USD 1,000 thousand to SHARP FIT Automotive Technology Co., Ltd, from April 5, 2022 to April 5, 2023.
2. The company provided an endorsement guarantee of USD 2,000 thousand for Tenga Wuxi.

The aforementioned item 2 has been fully repaid and the endorsement guarantee has been released upon maturity in May 2022.

The aforementioned item 1 has been fully repaid upon maturity in April 2023.

### 30. Significant Foreign Currency Assets and Liabilities Information

The consolidated company's significant foreign currency assets and liabilities information is as follows:

#### December 31, 2023

	Foreign currency	Exchange rate	Carrying amount
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD	\$ 10,020	30.705 (USD: NT\$)	\$ 307,649
USD	10,736	7.083(USD: RMB)	329,649
			<u>\$ 637,298</u>
<u>Financial Liability</u>			
<u>Monetary items</u>			
USD	3,886	30.705 (USD: NT\$)	\$ 119,320
USD	659	7.083(USD: RMB)	20,230
			<u>\$ 139,550</u>

#### December 31, 2022

	Foreign currency	Exchange rate	Carrying amount
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD	\$ 9,118	30.71 (USD: NT\$)	\$ 280,014
USD	549	6.965(USD: RMB)	16,860
RMB	2,652	0.144(RMB: NT\$)	11,694
			<u>\$ 308,568</u>
<u>Financial Liability</u>			
<u>Monetary items</u>			
USD	1,265	30.71 (USD: NT\$)	\$ 38,848
USD	2,539	6.965(USD: RMB)	77,973
			<u>\$ 116,821</u>

In 2023 and 2022, the consolidated company reported gains on foreign currency exchange (realized and unrealized) of \$8,898 thousand and \$78,391 thousand. Due to the diverse functional currencies involved in the foreign currency transactions of the group entities, exchange gains and losses are not disclosed by specific foreign currency types.

### 31. Disclosure of Notes

#### (1) Information on Material Transactions:

1. Funds to be lent to others: Appendix One.
2. Endorsements or guarantees for others: None.
3. End-of-period holdings of marketable securities (excluding investments in subsidiaries, affiliated companies, and jointly controlled entities): Appendix Two.
4. Cumulative purchase or sale amount of the same marketable security reaches NT\$300 million or exceeds 20% of the paid-in capital: None.
5. Acquisition of property amounting to NT\$300 million or more, or exceeding 20% of paid-in capital: None.
6. Disposal of property amounting to NT\$300 million or more, or exceeding 20% of paid-in capital: None.
7. Sales or purchases with related parties amounting to NT\$100 million or more, or exceeding 20% of paid-in capital: Appendix Three.
8. Receivables from related parties amounting to NT\$100 million or more, or exceeding 20% of paid-in capital: Appendix Four.
9. Engaging in derivative instrument transactions: Note Seven.
10. Other: Business relationships and significant transactions between the parent company and its subsidiaries, as well as among subsidiary companies, including transaction details and amounts: Appendix Seven.

#### (2) Information related to investments in associates: Appendix Five.

#### (3) Information of Mainland China Investment:

1. Name of Mainland invested companies, principal business activities, paid-in capital, investment method, inward and outward fund flows, shareholding percentage, investment gains or losses, end-of-period investment book value, repatriated investment gains or losses, and investment limits in Mainland China: Appendix Six.
2. Significant transaction matters with invested companies in Mainland China conducted directly or indirectly through a third region, including

prices, payment conditions, and unrealized gains or losses: Appendices Three, Four, and Seven.

- (1) Purchase amounts and percentages, end-of-period balances and percentages of related accounts payable.
  - (2) Sales amounts and percentages, end-of-period balances and percentages of related accounts receivable.
  - (3) Amounts of property transactions and the resulting gains or losses.
  - (4) The year-end balances and purposes of bills endorsement guarantees or collateral provided.
  - (5) Maximum balance, end-of-period balance, interest rate range, and total interest expense for fund transfers.
  - (6) Other significant transactions impacting current earnings or financial position, such as provision or receipt of services, etc.
- (4) Information on major shareholders: Names of shareholders holding 5% or more of the shares, shareholding amounts, and percentages: Appendix Eight.

### 32. Department Information

#### (1) Segment Revenue and Operating Results

Segment information is provided to the key operating decision-makers for resource allocation and performance evaluation purposes, focusing on the types of products delivered.

In consideration of the consolidated company's primary business activities being predominantly related to the manufacturing and distribution of intelligent products (including conductive films and intelligent automotive products), and in order to facilitate effective resource management and reduce inter-departmental costs, a decision was made to establish a single Intelligent Manufacturing Department starting from 2018. Consequently, the consolidated company now operates and allocates resources through this single operational unit, without further delineation of specific product categories. Consequently, the consolidated statement of comprehensive income serves as the periodic review of operational outcomes for decision-makers. Given the absence of other significant product business units within

the consolidated company, departmental income, assets, and liabilities align with the consolidated financial statements. For comprehensive insights, please refer to the consolidated balance sheet and consolidated statement of comprehensive income.

(2) Total assets by department

The assets and liabilities of the consolidated company are not provided to the operational decision-makers, hence the non-disclosure of measurement amounts.

(3) Regional information

The main operations of the consolidated company are primarily in mainland China.

The revenue from external customers of the consolidated company is classified based on the location of operations, and the non-current assets are classified based on the location of the assets, both of which are primarily in mainland China.

(4) Major customer information

The companies that generate more than 10% of the consolidated company's total revenue from a single customer are as follows:

	Year 2023	Year 2022
Group A	<u>\$ 1,014,392</u>	<u>\$ 1,134,407</u>
Group B	<u>\$ 93,739</u>	<u>\$ 322,605</u>

Shun On Electronic Co., Limited and Subsidiary  
Loans to others  
Year 2023

Appendix One

Unit: NT\$ / Thousand Foreign Currency

Num ber	Company providing the loan Borrowers	Account Receivable	Accounts Payable and Receivable	Are they relate d parties	Current Maximum Balance	Closing balance	Actual Disbursement Amount	Range of Interest Rate	Nature of Fund Lending	Amounts of business transactions	Reason for the necessity of short- term funding	Itemized Amount of Provision for Doubtful Debt Accounts	Collaterals		Limit on individual funding loans (Note 1)	Funding and aggregate loan limit (Note 1)
													Name	Value		
0	The Company	Jiaxing Shun Min Electronic Co., Ltd.	Other receivables	Yes	\$ 353,108 (USD 11,500)	\$ -	\$ -	-	Short- term financ ing funds	\$ -	Operationa l needs	\$ -	-	-	\$ 620,514	\$ 620,514
1	SOE Investments Limited	Jiaxing Shun Min Electronic Co., Ltd.	Other receivables	Yes	200,749 (RMB 46,307)	200,720 (RMB 46,300)	200,720 (RMB 46,300)	1%~1.5%	Short- term financ ing funds	-	Operationa l needs	-	-	-	223,165	223,165

Note 1: The individual and overall limits for the company's lending to others are set at 40% of the net value of the most recent audited or reviewed financial statements by the company's accountants.

The individual and overall limits for lending funds to foreign companies in which the company directly or indirectly holds 100% of the voting shares are based on not exceeding 60% of the respective subsidiary's (lending party) most recent audited or reviewed financial statements' net worth.

Note 2: Offsetting has already been carried out in the preparation of the consolidated report.

Shun On Electronic Co., Limited and Subsidiary  
Details of held-to-maturity securities at the end of the year:  
December 31, 2023

Appendix Two

Unit: NT\$ thousands

held by the company.	The types and names of marketable securities	Relation to the issuer of the marketable securities	Account	Ending				Highest number of shares/units held during the period
				Number of shares / units (in thousands of shares/units)	Carrying amount	Percentage of ownership (%)	Fair value	
The Company	Foreign company bonds AT&T INC	None	Financial assets carried at fair value through other comprehensive income - non-current	1,500	\$ 35,667	-	\$ 35,667	1,500
Shun Min Holdings	Foreign company bonds Petróleos Mexicanos (PEMEX)	None	Financial assets carried at fair value through other comprehensive income - non-current	1,750	50,305	-	50,305	1,750
	HSBC Holdings PLC	None	Financial assets carried at fair value through other comprehensive income - non-current	1,700	50,435	-	50,435	1,700
	BNP Paribas	None	Financial assets carried at fair value through other comprehensive income - non-current	1,300	34,637	-	34,637	1,300

Note: For information on investment subsidiaries and mainland China investments, please refer to Appendices Five and Six.

Shun On Electronic Co., Limited and Subsidiary

Total purchases from or sales to related parties of at least NT\$ 100 million or 20% of the paid-in capital.

Year 2023

Appendix Three

Unit: NT\$ thousands

Company from which purchases (sales) are made	Counterparty	Relation	Transaction condition				Different conditions compared to a normal transaction and the reason for that		Accounts and notes receivable (payable)		Remarks
			Purchases (sales)	Amount	Percentage of the total purchases (sales)	Credit period	Unit price	Credit period	Balance	Ratio of Accounts Receivable (Payable) to Total purchases (sales)	
The Company	QunGuang Chongqing	The ultimate parent company of the company is a director of this company	Sale	(\$ 368,243)	( 94%)	90 days	\$ -	-	\$ 140,635	98%	
Jiaying Shunon	Jiaying Shunon	Subsidiary	Purchase	345,015	100%	90 days	-	-	( 118,625)	( 100%)	Note
	QunGuang Suzhou	The ultimate parent company of the company is a director of this company	Sale	( 502,210)	( 51%)	90 days	-	-	229,026	53%	
	QunGuang Chongqing	The ultimate parent company of the company is a director of this company	Sale	( 140,003)	( 14%)	90 days	-	-	78,853	18%	
	Chongqing SHUNON Electronic Technology Co., Ltd.	Sister company	Processing fees	156,311	100%	90 days	-	-	(14,971 )	( 11%)	Note

Note: Offsetting has already been carried out in the preparation of the consolidated report.

Shun On Electronic Co., Limited and Subsidiary

Accounts receivable from related parties amounting to NT\$100 million or more, or exceeding 20% of the paid-in capital.

December 31, 2023

Appendix Four

Unit: NT\$ thousand

Companies recorded as accounts receivable	Counterparty	Relation	Balance of receivable from related companies	Turnover rate (times)	Past due accounts receivable from related parties.		Amount collected after the due date (Note)	Itemized Allowance Amount for Bad Debts Loss amount	Remarks
					Amount	Treatment			
The Company	QunGuang Chongqing	The ultimate parent company of the company is a director of this company	Accounts receivable \$ 140,635	3.92	\$ 1,960	Post-period receivables	\$ 63,436	\$ -	
Jiaxing Shunon	The Company	Parent	Accounts receivable 118,625	4.40	584	Post-period receivables	57,041	-	Note
	QunGuang Suzhou	The ultimate parent company of the company is a director of this company	Accounts receivable 229,026	2.51	1,485	Post-period receivables	101,707	-	
SOE Investments Limited	Jiaxing Shun Min Electronic Co., Ltd.	Subsidiary	Other receivables 201,524	-	-	-		-	Note

Note 1: Amount collected after the due date as of February 29, 2024.

Note 2: Offsetting has already been carried out in the preparation of the consolidated report.

Shun On Electronic Co., Limited and Subsidiary  
Information regarding the names and locations of investee companies... etc.  
Year 2023

Appendix Five

Unit: NT\$ / Thousand Foreign Currency

Name of Investment Company	Name of Investee	Location	Primary business items	Original Investment Amount		End-of-Period Holdings			Investee's Net Income (Loss) for the current period	Investment (Gain) loss recognized in the current period	Remarks
				Ending of this reporting period	The end of last year	Number of shares (1000 shares)	Percentage (%)	Carrying amount			
The Company	Cayman Shun On	The Cayman Islands	Various investment activities and business trading	USD 3,836	USD 3,836	3,836	100%	\$ 90,679	USD 95	\$ 2,963	Subsidiary
	Success Prime Holdings	Samoa	Various investment businesses	USD 7,305	USD 7,305	7,305	60%	335,232	USD 1,380	25,800	Subsidiary
	Shun Min Holdings	British Virgin Islands	Various investment businesses	USD 34,200	USD 33,200	34,200	100%	866,964	( USD 4,093 )	( 127,515 )	Subsidiary
	Min Yih Electronic Co., Limited (Note 2)	Taiwan	Engaging in the design, manufacturing, and distribution of automotive electronic products	66,300	66,300	6,630	51%	6,513	( 83,252 )	( 42,458 )	Subsidiary
Success Prime Holdings	Fuyi Investment	The Cayman Islands	Various investment businesses	USD 12,134	USD 12,134	12,134	100%	USD 18,196	USD 1,380	Not applicable	Subsidiary

Note 1: For information regarding mainland China invested companies, please refer to Appendix Six.

Note 2: The shareholders' meeting resolved to dissolve and liquidate in December 2023.

Note 3: Shun On International Co., Ltd. ceased operations temporarily in June 2018, with a recorded balance of zero.

Note 4: Offsetting has already been carried out in the preparation of the consolidated report.

Shun On Electronic Co., Limited and Subsidiary  
Investment Information on Mainland China  
Year 2023

Appendix Six

Unit: NT\$ / Thousand Foreign Currency

Investee in mainland China	Primary business items	Paid-in capital	Investment method	Investment amount at the beginning of the period Investment amount accumulated from Taiwan Investment amount	Investment amount in the current period exported or withdrawn Investment amount		Ending of this reporting period Investment amount accumulated from Taiwan Investment amount	Investee's Net Income/(Loss) for the Period	Direct or indirect shareholding ratio of the company's investment	Current period recognized amount recognized in the current period	Period end investment book value	As of the end of the period, Inflows from investment returns
					Remitted out	Recovered						
Jiaxing Shunon	Engaging in the production and distribution of printed circuit boards and other switches	RMB 83,682	Investment through establishing a company (Fuyi Investment) in a third jurisdiction	USD 6,228 (Note 4 (1))	\$ -	\$ -	USD 6,228	RMB 14,971 (Note 1)	100%	RMB 14,971	RMB 139,998	\$ -
Chonkqing SHUNON Electronic Technology Co.,Ltd.	Engaging in the production and distribution of printed circuit boards and other switches	RMB 6,252	Same as above	USD 510 (Note 4 (2))	-	-	USD 510	( RMB 5,251 ) (Note 1)	100%	( RMB 5,251 )	( RMB 11,124 )	-
SOE Investments Limited	Various investment businesses	RMB 67,024	Investment through establishing a company (Shun Min Holdings) in a third jurisdiction	USD 10,000 (Note 4 (1))	-	-	USD 10,000	RMB 3,587 (Note 1)	100%	RMB 3,587	RMB 85,796	-
Jiaxing Shun Min Electronic Co., Ltd.	Engaging in the design, manufacturing, and distribution of automotive electronic products	RMB 102,741	Same as above	USD 14,000 (Note 4 (1))	USD 1,000	-	USD 15,000	( RMB 27,315 ) (Note 1)	100%	( RMB 27,315 )	RMB 53,928	-

JIAXING SHUN XIN MOULD TECHNOLOGY Co.,Ltd.	Engaging in intelligent mold design, research and development, and related technical consulting services, as well as buying and selling businesses	RMB 1,261	Investment through establishing a company (Cayman Shun On) in a third jurisdiction	USD 200 (Note 4 (3))	-	-	USD 200	( RMB 77 ) (Note 1)	100%	( RMB 77 )	( RMB 3,605 )	-
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The cumulative amount of investments transferred from Taiwan to mainland China at the end of the current period.	Investment amount approved by Investment Commission of the Ministry of Economic Affairs (MOEAIC)	Investment quota for investment in mainland China as regulated by the Investment Commission of the Ministry of Economic Affairs.
USD35,228 (Note 4 (1))	USD 45,529	Note 3
USD5,323 (Note 4(2)(3), Note 5) HK 11,673	USD 8,096 HK 16,218	

Note 1: Based on audited financial reports as the recognition basis.

Note 2: Based on unaudited financial reports as the recognition basis.

Note 3: According to the determination letter 11120413920 issued by the Industrial Development Bureau of the Ministry of Economic Affairs, Taiwan, under the "Principles for Reviewing Investment or Technical Cooperation in Mainland China," there is no limitation on the cumulative amount of investment in mainland China.

Note 4: The investment methods include:

(1) Indirect investment through subsidiaries of our company.

(2) Investment through the subsidiary, Cayman Jun An Electronics Co., Ltd., by using retained earnings, equipment, and spare parts. In 2018, 100% of the equity was transferred to Fuyi Investment.

(3) Investment through our subsidiary, Cayman Shun On Electronic Co., Limited, using profits, equipment, and spare parts.

Note 5: Includes the repatriation of investment amounts from Taiwan to mainland China in previous years, where the invested companies ceased operations and underwent liquidation, resulting in the repatriation of USD 4,613 million to third countries. This amount includes USD 277 million for Shanghai Junye, USD 594 million for Dongguan Quanli, USD 1,045 million for Dongguan Quanding, USD 2,617 million for Jiaxing Bo'an, and USD 80 million for Shenzhen Jun An.

Note 6: Ningbo Chunmin Electronics Co., Ltd. was dissolved in August 2022, and the remaining funds of RMB 33,267 thousand after liquidation have been repatriated to Ace Europe Investment Co., Ltd.

Shun On Electronic Co., Limited and Subsidiary  
Business Relationships and Significant Transactions between Parent and Subsidiary Companies  
Year 2023

Appendix Seven

Unit: NT\$ thousands

Number	Name of transaction party	Counterparty	Relationship with the transaction parties (Note 1)	Details of transactions			
				Account	Amount (Note 3)	Transaction terms (Note 2)	Ratio to total consolidated revenue or total assets
0	The Company	Jiaxing Shunon	1	Purchase	\$ 345,015	1	27%
			1	Accounts payable	118,625	1	5%
1	Jiaxing Shunon	Chonkqing SHUNON Electronic Technology Co., Ltd.	3	Processing fees	156,311	2	12%
			3	Accounts payable	14,971	2	1%
			3	Prepayments for purchases	68,932	2	3%
2	SOE Investments Limited	Jiaxing Shun Min Electronic Co., Ltd.	3	Other receivables	201,524	1	8%

Note 1: 1. Parent company vs subsidiary company

2. Subsidiary company vs parent company

3. Subsidiary company vs subsidiary company

Note 2: 1. General Transaction terms

2. Flexible Payments

Note 3: Disclose transaction amounts of NT\$10,000 thousand or above.

Note 4: Offset in the preparation of consolidated financial statements.

Shun On Electronic Co., Limited  
Information of Major Shareholders

December 31, 2023

Appendix Eight

Major Shareholder Name	Shareholdings	
	Number of Shares Held	Percentage of ownership
Min-Tai International Co., Ltd.	26,251,691	17.74%
Zhi Jia Investment Co., Ltd.	13,953,000	9.43%
E.SUN Bank entrusted the custody of Charm Ray Development Ltd.'s investment portfolio	13,125,000	8.87%
China Trust Commercial Bank entrusted custody of Long Hong Limited's investment portfolio.	12,600,000	8.51%
Chicony Technology Corporation	10,752,254	7.26%

Note: The information regarding major shareholders in this table is based on data provided by the Taiwan Depository & Clearing Corporation as of the last business day of the quarter, considering shares of common and preferred stock held by shareholders that have completed non-physical registration transfer (including treasury shares) and account for 5% or more of the total shares. The recorded share capital in the company's financial report may differ due to variations in calculation bases or other factors impacting the completion of non-physical registration transfers.

## **Auditor's Report**

To SHUN ON ELECTRONIC CO., LTD.:

### **Audit Opinion**

The individual balance sheets of Shun On Electronic Co., Ltd. as of December 31 for the years 2023 and 2022, along with the individual income statements, individual statements of changes in equity, individual cash flow statements, and notes to the individual financial statements (including a summary of significant accounting policies) for the periods January 1 through December 31 of the years 2023 and 2022, have been audited by our auditors.

According to the opinion of our auditor, the aforementioned individual financial statements have been prepared in accordance with the Securities Issuance Company Financial Reporting Standards and are sufficient to fairly present the financial position of Shun On Electronics Co., Ltd. as of December 31, 2023 and 2022, as well as the individual financial performance and individual cash flows for the period from January 1 to December 31, 2023 and 2022.

### **Basis of Audit Opinion**

We, as auditors, have conducted our audit work in accordance with the Regulations Governing the Audit Signatures of Certified Public Accountants and the Auditing Standards entrusted to us. Our responsibilities under those rules and standards are described in the section of the responsibilities of accountants auditing parent company only financial statements. The personnel affiliated with the accounting firm, in accordance with the regulations on independence, have maintained absolute independence from Shun On Electronic Co., Limited, and fulfilled other responsibilities under the code of professional ethics for accountants. Our auditors believe that they have

obtained sufficient and appropriate audit evidence to provide a basis for the audit opinion.

### **Key Audit Matters**

Key audit matters refer to the most significant matters in the audit of the financial statements of Shun On Electronic Co., Limited for the year of 2023, as determined by our professional judgment as auditors. These matters were addressed during the audit of the overall parent company only financial statements and in the formation of our opinion. We do not express our opinion on these matters separately.

Below is a description of the key audit matters relating to the financial statements of Shun On Electronic Co., Limited for the fiscal year 2023:

#### The authenticity of partial customer revenue - Investments accounted for using the equity method

The Shun On Electronic Co., Ltd. primarily sells intelligent products such as conductive films and automotive products. The revenue generated from certain customers in the current year has a significant impact on the individual financial statements. Furthermore, these clients hold significant stakes as shareholders and serve as directors within Shun On Electronic Co., Ltd. Considering the inherent risk of potential fraud in revenue recognition and the possibility of management pressure to achieve financial targets, we have identified the authenticity of revenue from these transactions as a key audit matter.

The principal audit procedures performed by our auditors regarding the aforementioned matter are as follows:

1. Understand and test the key internal control system related to revenue, and evaluating the effectiveness of its design and implementation.
2. Obtaining detailed records of revenue, selecting samples for detailed testing, examining documents such as orders, delivery notes, and invoices to confirm the authenticity of revenue recognition.
3. Obtaining detailed records of revenue, selecting samples to test significant differences in the allocation of cash receipts, and confirming the authenticity of revenue recognition.

**This is done to confirm the authenticity of the revenue transactions.**

Responsibilities of management and those charged with governance for the parent company only financial statements The responsibilities of management is to prepare appropriately stated parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Management is also responsible for maintaining necessary internal control relevant to the preparation of the parent company only financial statements to ensure that the parent company only financial statements are free from material misstatement by fraud or error.

In preparing the individual financial statements, the responsibility of the management also includes assessing the ability of Shun On Electronic Co., Ltd. to continue as a going concern, making relevant disclosures, and adopting the going concern basis of accounting unless the management intends to liquidate the company, cease operations, or has no other practical alternative apart from liquidation or cessation of operations.

The governance body of Shun On Electronic Co., Ltd., including the Audit Committee, bears the responsibility for overseeing the financial reporting process.

#### **Account's responsibilities for the audit of parent company only financial statements**

The objectives of accounts for auditing parent company only financial statements are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from any material misstatement due to fraud or error and to issue an accountant's report accordingly. It is reasonable assurance, which is a high level of assurance, but the audit work performed in accordance with the auditing standards cannot guarantee the detection of material misstatements in the individual financial statements. Misstatements may arise from fraud or errors. A misstated dollar amount, individually or in the aggregate, that could be reasonably predicted to influence the economic decision of the user of the parent company only financial statements can be viewed as material.

When conducting the audit in accordance with auditing standards, the auditor applies professional judgment and professional skepticism. We also performed the following tasks:

1. We identified and assessed the risks of material misstatement of the parent company only Individual financial statements, whether due to fraud or errors,

designed and performed audit procedures according to those risks, and obtained audit evidence that can sufficiently and appropriately form the basis for our opinion. The risk of material misstatement due to fraud is considered higher than that due to error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

2. In obtaining the necessary understanding of internal controls relevant to the audit, appropriate audit procedures are designed based on the prevailing circumstances. However, it should be noted that the objective is not to express an opinion on the effectiveness of the internal controls of Shun On Electronic Co., Ltd.
3. Evaluate the appropriateness of the accounting policies adopted by management and the reasonableness of the accounting estimates and related disclosures.
4. Based on the audit evidence obtained, a conclusion is drawn regarding the appropriateness of management's use of the going concern basis of accounting and whether there are significant uncertainties 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 will need to draw attention in our accountant's report to the related disclosures in the parent company only financial statements or to modify our opinion if such disclosures are inadequate. The conclusions are based on the audit evidence obtained up to the date of this accountant's report. However, future events or circumstances may arise that could lead to Shun On Electronic Co., Limited no longer having the ability to continue as a going concern.
5. We evaluated the overall presentation, structure and contents of the parent company only financial statements, including the attached notes, and whether the parent company on financial statements represent the underlying transactions and events in a fair manner.
6. Sufficient and appropriate audit evidence has been obtained regarding the financial information of Shun On Electronic Co., Limited as a whole, enabling us to express an opinion on the individual financial statements. As auditors, we are responsible for providing guidance, supervision, and execution of the audit engagement. It is our responsibility to form an audit opinion on the financial statements of Shun On Electronic Co., Limited.

The matters communicated by the auditor to the governance unit include the planned scope and timing of the audit, as well as significant audit findings (including significant deficiencies in internal control identified during the audit process).

The auditor also informs the governance unit that personnel within the auditor's firm who are subject to independence requirements have adhered to the relevant independence provisions in the Code of Ethics for Professional Accountants and communicates any relationships and other matters (including safeguards) that could reasonably be considered to affect the auditor's independence.

The key audit matters for the audit of the individual financial statements of Shun On Electronic Co., Ltd. for the year 2023 were determined based on communications with the governance body. We described these matters in the accountant's report, unless the laws and regulations prohibit such disclosure or under rare condition that we decide not to communicate a given matter because the negative impact from such communication may override its public benefits under reasonable assumption.

Deloitte Taiwan

Accountant Yu-Ling Cai

Accountant Wen-Qin Lin

Approval Number from Financial  
Supervisory Commission

Financial Supervisory Commission  
Approval Number: JG-Yin-Zhuan-Zi  
1100356048

Securities and Futures Bureau Approval  
Number

TCSC-Liu-Zi 0920123784

March 19, 2024

Shun On Electronic Co., Limited  
Individual Balance Sheets  
December 31, 2023 and 2022

Unit: NT\$ thousands

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note 6)	\$ 266,105	13	\$ 199,136	9
1140	Financial assets measured at amortized cost (Note 9)	-	-	135,982	6
1180	Accounts receivable - related parties (Note 11, 19, and 25)	143,274	7	52,565	3
1200	Other receivables (Note 25)	1,779	-	4,304	-
1220	Income tax assets	1,324	-	383	-
1479	Other current assets	<u>3,604</u>	<u>-</u>	<u>16,981</u>	<u>1</u>
11XX	Total Current Assets	<u>416,086</u>	<u>20</u>	<u>409,351</u>	<u>19</u>
	Non-current assets				
1517	Financial assets measured at fair value through other comprehensive income (Note 8 and 10)	35,667	2	32,457	1
1550	Investments accounted for using the equity method (Note 12)	1,299,388	63	1,415,313	66
1600	Property, plant, and equipment (Note 13 and 26)	203,063	10	205,008	10
1755	Right-of-Use Assets (Note 14 and 25)	1,084	-	7,704	-
1780	Intangible Assets	7,920	1	14,381	1
1840	Deferred tax assets (Note 5 and 21)	86,228	4	67,854	3
1900	Other non-current assets	<u>918</u>	<u>-</u>	<u>1,876</u>	<u>-</u>
15XX	Total Non-Current Assets	<u>1,634,268</u>	<u>80</u>	<u>1,744,593</u>	<u>81</u>
1XXX	Total Assets	<u>\$ 2,050,354</u>	<u>100</u>	<u>\$ 2,153,944</u>	<u>100</u>
	Liability and equity				
	Current Liabilities				
2100	Short-term borrowings (Note 15 and 26)	\$ 198,000	9	\$ 50,000	2
2120	Financial liabilities at fair value through profit or loss (Note 7 and 16)	-	-	1,620	-
2170	Accounts payable	4	-	575	-
2180	Accounts payable - related parties (Note 25)	118,625	6	38,274	2
2200	Other accounts payable (Note 17 and 25)	14,000	1	29,897	2
2280	Lease liabilities (Note 14 and 25)	1,199	-	4,694	-
2320	Convertible bonds payable due within one year (Note 16)	163,670	8	293,815	14
2399	Other current liabilities	<u>2,910</u>	<u>-</u>	<u>1,002</u>	<u>-</u>
21XX	Total current liabilities	<u>498,408</u>	<u>24</u>	<u>419,877</u>	<u>20</u>
	Non-current liabilities				
2570	Deferred income tax liabilities (Note 21)	442	-	922	-
2580	Lease liabilities (Note 14 and 25)	<u>217</u>	<u>-</u>	<u>3,718</u>	<u>-</u>
25XX	Total non-current liabilities	<u>659</u>	<u>-</u>	<u>4,640</u>	<u>-</u>
2XXX	Total liabilities	<u>499,067</u>	<u>24</u>	<u>424,517</u>	<u>20</u>
	Equity (Note 18)				
3100	Capital of ordinary share	1,479,063	72	1,479,063	69
3200	Capital surplus	502,487	25	502,487	23
3300	Accumulated losses	( 287,637)	( 14)	( 112,575)	( 5)
3400	Other equity	( 87,059)	( 4)	( 83,981)	( 4)
3500	Treasury shares	( <u>55,567</u> )	( <u>3</u> )	( <u>55,567</u> )	( <u>3</u> )
3XXX	Total equity	<u>1,551,287</u>	<u>76</u>	<u>1,729,427</u>	<u>80</u>
	Total liabilities and equity	<u>\$ 2,050,354</u>	<u>100</u>	<u>\$ 2,153,944</u>	<u>100</u>

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

Chairman: Jong-Hwa Chin

Manager: Shih-Chang Chen

Accounting Supervisor: Yi-Hui Yeh

Shun On Electronic Co., Limited  
Individual Statement of Comprehensive Income  
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand, except a loss per share of NT\$

Code		Year 2023		Year 2022	
		Amount	%	Amount	%
4000	Operating revenue (Note 19 and 25)	\$ 390,793	100	\$ 385,660	100
5000	Operating cost (Note 25)	<u>349,121</u>	<u>90</u>	<u>362,275</u>	<u>94</u>
5900	Operating gross profit	<u>41,672</u>	<u>10</u>	<u>23,385</u>	<u>6</u>
	Operating expenses ( Note 20 )				
6200	Selling and administrative expenses	55,903	14	67,086	17
6300	Research and development expenses	<u>38,473</u>	<u>10</u>	<u>41,123</u>	<u>11</u>
6000	Total operating expenses	<u>94,376</u>	<u>24</u>	<u>108,209</u>	<u>28</u>
6900	Net loss from operations	( <u>52,704</u> )	( <u>14</u> )	( <u>84,824</u> )	( <u>22</u> )
	Non-operating income and expenses ( Note 20 )				
7100	Interest revenue	11,070	3	5,252	1
7010	Others revenue	3,194	1	1,432	1
7030	Other gains and losses	( 9,541 )	( 3 )	45,927	12
7225	Excluding subsidiary profits	-	-	432	-
7050	Finance costs	( 5,368 )	( 1 )	( 4,576 )	( 1 )
7070	Share of profit or loss from subsidiaries accounted for using the equity method	( <u>141,210</u> )	( <u>36</u> )	( <u>64,162</u> )	( <u>17</u> )
7000	Total non-operating income and expenses	( <u>141,855</u> )	( <u>36</u> )	( <u>15,695</u> )	( <u>4</u> )
7900	Pre-tax net loss	( 194,559 )	( 50 )	( 100,519 )	( 26 )
7950	Tax benefit (Note 21)	<u>19,497</u>	<u>5</u>	<u>9,866</u>	<u>3</u>

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Code		Year 2023		Year 2022	
		Amount	%	Amount	%
8200	Net loss for the current year	( <u>175,062</u> )	( <u>45</u> )	( <u>90,653</u> )	( <u>23</u> )
	Other comprehensive income				
8360	Items may be subsequently reclassified to profit/loss				
8361	Exchange difference for conversion of financial statements of foreign operating institutions	( \$ 15,848 )	( 4 )	\$ 43,853	11
8367	Unrealized gains and losses on debt instruments measured at fair value through other comprehensive income	3,217	1	( 12,491 )	( 3 )
8370	Share of other comprehensive income from subsidiaries accounted for using the equity method	10,196	2	( 28,199 )	( 7 )
8399	Income tax related to components of other comprehensive income	( <u>643</u> )	<u>-</u>	<u>2,498</u>	<u>-</u>
8300	Other consolidated gains and losses for the year	( <u>3,078</u> )	( <u>1</u> )	<u>5,661</u>	<u>1</u>
8500	Total comprehensive income of the current year	( <u>\$ 178,140</u> )	( <u>46</u> )	( <u>\$ 84,992</u> )	( <u>22</u> )
	Loss per share (Note 22)				
9750	Basic	( <u>\$ 1.19</u> )		( <u>\$ 0.62</u> )	
9850	Diluted	( <u>\$ 1.19</u> )		( <u>\$ 0.62</u> )	

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

Chairman: Jong-Hwa Chin    Manager: Shih-Chang Chen    Accounting Supervisor: Yi-Hui Yeh

Shun On Electronic Co., Limited  
Statement of Changes in Equity  
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousands

Code		Capital of ordinary share	Capital surplus	Legal reserve	Special reserve	Accumulated losses		Exchange difference for conversion of financial statements of foreign operating institutions	Other equity	Total	Treasury shares	Total equity
									Financial assets measured at fair value through other comprehensiv e income with unrealized profits or losses			
A1	January 1, 2022 balance	\$ 1,479,063	\$ 502,487	\$ 15,512	\$ 60,123	(\$ 97,557)	(\$ 21,922)	(\$ 84,728)	(\$ 4,482)	(\$ 89,210)	(\$ 55,567)	\$ 1,814,851
D1	Net loss for the year 2022	-	-	-	-	( 90,653)	( 90,653)	-	-	-	-	( 90,653)
D3	Other comprehensive income after tax in 2022	-	-	-	-	-	-	43,853	( 38,192)	5,661	-	5,661
D5	Total comprehensive profit and loss in 2022	-	-	-	-	( 90,653)	( 90,653)	43,853	( 38,192)	5,661	-	( 84,992)
M3	Liquidation of subsidiary company	-	-	-	-	-	-	( 432)	-	( 432)	-	( 432)
Z1	December 31, 2022 balance	1,479,063	502,487	15,512	60,123	( 188,210)	( 112,575)	( 41,307)	( 42,674)	( 83,981)	( 55,567)	1,729,427
D1	Net loss for the year 2023	-	-	-	-	( 175,062)	( 175,062)	-	-	-	-	( 175,062)
D3	Other comprehensive income after tax in 2023	-	-	-	-	-	-	( 15,848)	12,770	( 3,078)	-	( 3,078)
D5	Total comprehensive profit and loss in 2023	-	-	-	-	( 175,062)	( 175,062)	( 15,848)	12,770	( 3,078)	-	( 178,140)
Z1	December 31, 2023 balance	<u>\$ 1,479,063</u>	<u>\$ 502,487</u>	<u>\$ 15,512</u>	<u>\$ 60,123</u>	<u>(\$ 363,272)</u>	<u>(\$ 287,637)</u>	<u>(\$ 57,155)</u>	<u>(\$ 29,904)</u>	<u>(\$ 87,059)</u>	<u>(\$ 55,567)</u>	<u>\$ 1,551,287</u>

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

Chairman: Jong-Hwa Chin

Manager: Shih-Chang Chen

Accounting Supervisor: Yi-Hui Yeh

Shun On Electronic Co., Limited  
Statement of Cash Flows for the Individual Entity  
January 1 to December 31, 2023 and 2022

Unit: NT\$ thousands

Code		Year 2023	Year 2022
	Cash flows from operating activities		
A10000	Pre-tax net loss for the current year	(\$ 194,559)	(\$ 100,519)
A20010	Items of income and expenses		
A20100	Depreciation expenses	7,363	7,158
A20200	Amortization expense	6,461	3,979
A20400	Net loss (gain) from financial assets measured at fair value through profit or loss	( 171)	2,130
A20900	Finance costs	5,368	4,576
A21200	Interest revenue	( 11,070)	( 5,252)
A22400	Share of profit or loss from subsidiaries accounted for using the equity method	141,210	64,162
A22500	Loss (gain) on disposal of property, plants, and equipment	124	( 348)
A24100	Net loss (gain) on foreign currency exchange	( 333)	5,033
A29900	Excluding subsidiary profits	-	( 432)
A29900	Benefit from lease modification	( 13)	( 85)
A30000	Changes in operating assets and liabilities		
A31130	Accounts receivable	-	4,183
A31160	Accounts receivable - related parties	( 90,709)	138,203
A31180	Other receivables	2,525	5,189
A31240	Other current assets	13,377	8,620
A32150	Accounts payable	( 571)	( 2,331)
A32160	Accounts payable - related parties	80,351	( 126,569)
A32180	Other payables	( 15,893)	3,868
A32230	Other current liabilities	1,908	( 782)
A33000	Cash flows from operations	( 54,632)	10,783

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Code		Year 2023	Year 2022
A33300	Interest paid	( 2,163 )	( 1,192 )
A33500	Income tax (paid) refunded	( 941 )	861
AAAA	Net cash flows from operating activities	( 57,736 )	10,452
	Cash flow from investing activities		
B00040	Obtain Financial Assets Measured at Amortized Cost	( 77,850 )	( 410,430 )
B00050	Disposal of Financial Assets Measured at Amortized Cost	214,038	313,718
B00200	Financial assets measured at fair value through profit or loss for disposal	-	369,535
B02300	Net cash inflow from the liquidation of subsidiary company	\$ -	\$ 37,037
B02700	Purchase of property, plant, and equipment	( 2,020 )	( 6,432 )
B02800	Proceeds from disposition of property, plants, and equipment	1,876	2,465
B03800	Decrease in guarantee deposits paid	4	-
B04500	Purchase of intangible assets	-	( 13,105 )
B07100	Increase in prepaid equipment	-	( 969 )
B07500	Interests received	11,056	5,658
BBBB	Net cash inflows from investment activities	147,104	297,477
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	258,000	50,000
C00200	Decrease in short-term borrowings	( 110,000 )	( 50,000 )
C01300	Redeemable convertible corporate bonds	( 134,700 )	-
C01700	Repayment of long-term loans	-	( 51,667 )
C04020	Principal repayment of leases	( 4,896 )	( 5,325 )
C05400	Acquisition of subsidiary company equity	( 30,937 )	( 344,433 )
CCCC	Net cash outflow from financing activities	( 22,533 )	( 401,425 )

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DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>134</u>	( <u>6,380</u> )
EEEE	Increase (decrease) in cash and cash equivalents for the current year	66,969	( 99,876 )
E00100	Beginning cash and cash equivalents balance	<u>199,136</u>	<u>299,012</u>
E00200	Year-end balance of cash and cash equivalents	<u>\$ 266,105</u>	<u>\$ 199,136</u>

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

Chairman: Jong-Hwa Chin      Manager: Shih-Chang Chen      Accounting Supervisor: Yi-Hui Yeh

Shun On Electronic Co., Limited  
Individual financial statement notes

January 1 to December 31, 2023 and 2022

(Unless otherwise specified, amounts are in thousands of New Taiwan Dollars.)

1. Company History

The company was established in January 1996, and its stock has been traded on the Taiwan Stock Exchange since January 21, 2008, following its listing on the Taipei Exchange starting from November 18, 2003. The company is primarily engaged in the research, manufacturing, and sales of intelligent products, including conductive films and automotive products.

The financial statements of the Company are presented in New Taiwan dollars, which is the functional currency of the Company.

2. Date and procedure of approval of the financial report

The individual financial report was approved by the board of directors on March 15, 2024.

3. Application of Newly Issued or Revised Accounting Standards and Interpretations

(1) The initial adoption of International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), Interpretations (IFRICs), and Standing Interpretations Committee (SICs) endorsed and issued by the Financial Supervisory Commission (FSC) (referred to as "IFRSs").

The application of the IFRS endorsed and issued by the Financial Supervisory Commission (FSC) will not result in significant changes to the accounting policies of the company.

(2) IFRS approved by the FSC applicable in 2024

Applicability of newly issued / revised / amended standards and interpretations	Effective date of the IASB's issued (Note 1)
Amendment to IFRS 16 "Leases: Lease liability in a sale and leaseback"	January 1, 2024 (Note 2)
The amendment of IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
The amendment of IAS 1 "Non-current Liabilities with Contractual Maturities"	January 1, 2024
The amendment of IAS 7 and IFRS 7 "Supplier Financing Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless otherwise stated, the above new/revised standards or interpretations are effective for annual reporting periods beginning on or after the respective dates.

Note 2: The seller and lessee should retrospectively apply the amendments to IFRS 16 for sale and leaseback transactions entered into after the initial application of IFRS 16.

Note 3: Certain disclosure requirements are exempted upon the initial application of this revision.

As of the date of the financial statements' approval, the company has assessed that the aforementioned amendments to the standards and interpretations would not have a significant impact on the financial position and financial performance.

(3) IFRS accounting standards issued by the IASB but not yet approved and effective by the FSC

Applicability of newly issued / revised / amended standards and interpretations	Effective date of the IASB's issued (Note 1)
Amendment to IFRS 10 and IAS 28 "Sales or Contributions of Assets between an Investor Undecided and its Associates or Joint Ventures"	Pending
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
The amendment of IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendment to IAS 21 "Lack of Convertibility"	January 1, 2025 (Note 2)

Note 1: Unless otherwise stated, the above new/revised standards or interpretations are effective for annual reporting periods beginning on or after the respective dates.

Note 2: This applies to annual reporting periods beginning on or after January 1, 2025. The impact of the figures shall be recognized in retained earnings as of the initial application date of this amendment. When the company adopts a non-functional currency as the reporting currency, the impact amount will be adjusted for the exchange differences of foreign operating institutions under equity as of the initial application date.

As of the date of the financial statements' approval, the company continues to assess the impact of the aforementioned amendments to the standards and interpretations on the financial position and financial performance. Any related impact will be disclosed once the assessment is completed.

#### 4. Summary of Significant Accounting Policies

##### (1) Compliance Statement

This parent company only financial report is prepared in accordance with Regulations Governing Preparation of Financial Reports by Securities Issuers.

##### (2) Preparation Foundation

Except for financial instruments measured at fair value, the individual financial statements of the entity are prepared on a historical cost basis.

Fair value measurement is classified into Level 1 to Level 3 according to the observability and significance of relevant inputs:

1. The input values of the first level refer to the quoted prices for identical assets or liabilities in active markets on the measurement date (without adjustment).

2. The input values of the second level refer to observable input values for the asset or liability, other than quoted prices included in level 1, either directly or indirectly derived from prices.
3. The input values of the third level refer to unobservable input values for the asset or liability.

When preparing the individual financial statements, the company applies the equity method for its investments in subsidiaries. To ensure that the profit or loss, other comprehensive income and equity for the current year presented in the individual financial statements are the same as those presented in the consolidated financial statements attributed to the owners of the Company, certain accounting treatment differences between the individual basis and consolidated basis are adjusted for "investments accounted for using the equity method," "share of profit or loss in associates and joint ventures accounted for using the equity method," "share of other comprehensive income in associates and joint ventures accounted for using the equity method" and related equity items.

(3) Classification of Assets and Liabilities as Current or Non-current.

Current assets include:

1. Primarily held for trading purposes.
2. Assets expected to be realized within 12 months after the balance sheet date.
3. Cash and cash equivalents (excluding those restricted for more than 12 months after the balance sheet date for the purpose of exchanging or settling liabilities).

Current Liability includes:

1. Primarily held for the purpose of trading;
2. Liabilities due for settlement within 12 months after the balance sheet date.
3. Liabilities that cannot be unconditionally postponed beyond 12 months after the balance sheet date.

Non-current assets or liabilities are classified as such if they do not meet the criteria for current assets or liabilities mentioned above.

(4) Foreign currency

When the Company conducts transactions in currencies other than its functional currency, the transactions are recorded in the functional currency using the exchange rate on the transaction date.

Foreign currency monetary items are translated into the functional currency using the closing exchange rate on each balance sheet date. Exchange differences arising from settlement of foreign currency monetary items or translation of foreign currency monetary items are recognized in profit or loss in the year in which they arise.

Foreign currency non-monetary items that are measured at fair value are translated into the functional currency using the exchange rate on the date when the fair value was determined. The exchange differences arising from this translation are recognized in profit or loss in the year in which they arise, except for those recognized in other comprehensive income as part of the fair value gain or loss.

Foreign currency non-monetary items that are measured at historical cost are translated into the functional currency using the exchange rate on the transaction date and are not re-measured.

In preparing the financial statements of the individual entity, the assets and liabilities of foreign operating entities (including subsidiaries operating in countries or using currencies different from the Company) are translated into New Taiwan Dollars at the exchange rates on each balance sheet date. Income and expense items are translated at the average exchange rates for the year, and any resulting exchange differences are recognized in other comprehensive income.

If the company disposes of the ownership interest in a foreign operating entity, any accumulated translation differences related to that foreign entity will be reclassified to the income statement.

#### (5) Investment in subsidiaries

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

Subsidiaries refer to entities that the Company has control over.

Under the equity method, the investment is initially recognized at cost, and subsequently adjusted for the Company's share of the subsidiaries' income or loss and other comprehensive income, as well as profit distribution. Additionally, changes in other equity of the subsidiaries that the Company is entitled to are recognized based on the Company's proportionate interest.

When assessing impairment, the Company considers the overall financial report and compares the cash generating units' recoverable amount with their carrying amount. If the recoverable amount of an asset increases in subsequent periods, any impairment loss previously recognized will be reversed and recognized as income. However, the carrying amount of the asset after the impairment loss reversal cannot exceed the carrying amount that would have been determined had no impairment loss been recognized, less any depreciation or amortization that would have been recognized.

When control over a subsidiary is lost, the remaining investment in the former subsidiary is remeasured at its fair value at the date when control is lost, and any difference between the fair value of the remaining investment and the carrying amount of the investment on the date control is lost, as well as any proceeds from the disposal of the investment, is recognized in the income statement for the current period. Furthermore, any amounts recognized in other comprehensive income related to the subsidiary are accounted for on the same basis as required for the disposal of assets or liabilities directly related to the Company.

#### (6) Property, Plant, and Equipment

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

Except for land, which is not depreciated, other property, plant, and equipment are depreciated on a straight-line basis over their estimated useful

lives. Significant components are depreciated separately. The estimated useful lives, residual values, and depreciation methods are reviewed at least annually, and the effects of any changes in accounting estimates are deferred.

When disposing of property, plant, and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement.

(7) Impairment of property, plant, and equipment, right-of-use assets, and intangible assets.

The company assesses on each balance sheet date whether there are any indicators of impairment for property, plant, and equipment, right-of-use assets, and intangible assets. If any impairment indicators exist, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is determined as the higher of the fair value less costs of disposal and the value in use. If the recoverable amount of an individual asset or cash-generating unit is lower than its carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to its recoverable amount, and the impairment loss is recognized in the income statement.

When an impairment loss reverses, the carrying amount of the asset or the cash-generating unit is increased to the revised recoverable amount. However, the increased carrying amount shall not exceed the carrying amount (net of amortization or depreciation) that would have been determined had no impairment loss been recognized in previous years. The reversal of impairment loss is recognized in the income statement.

## (8) Financial Instruments

Financial assets and financial liabilities are recognized in the individual balance sheet of the Company when they become one of the contractual terms of the tool.

When initially recognizing financial assets or financial liabilities, if they are not measured at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities measured at fair value through profit or loss are immediately recognized in profit or loss.

### 1. Financial Assets

The customary transactions of financial assets are recognized and derecognized on the accounting date of the transaction.

#### (1) Types of measurement

The types of financial assets held by the company include financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, and debt instruments investments measured at fair value through other comprehensive income.

##### A. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are valued accordingly. Interest income generated from these assets is recognized as interest income, and any gains or losses arising from remeasurement are recognized in other comprehensive income. Please refer to Note 24 for the determination of fair value.

##### B. Financial assets measured at amortized cost

If a financial asset held by the Company simultaneously satisfies the following two conditions, it shall be classified as a financial asset measured at amortized cost:

- a. It is held under a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- b. The contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, and other receivables) are initially recognized at the total carrying amount determined using the effective interest method, less any impairment losses. Any foreign exchange gains or losses are recognized in the income statement.

Interest income is calculated by applying the effective interest rate to the total carrying amount of financial assets.

Cash equivalents include highly liquid investments with maturities of three months or less from the acquisition date, which are readily convertible into known amounts of cash and have minimal value fluctuations. They are used to fulfill short-term cash commitments.

- C. Debt instruments measured at fair value through other comprehensive income in the financial statements.

If the company's debt instrument investments meet the following two conditions at the same time, they shall be classified as financial assets measured at fair value through other comprehensive income:

- a. The financial assets are held under a business model where the objective is to generate cash flows from collecting contractual cash flows and selling the financial assets; and
- b. The contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments measured at fair value through other comprehensive income are measured at fair value, and changes in their carrying amount including interest income computed using the effective interest method, foreign exchange gains or losses, impairment losses or reversals thereof, are recognized in profit or loss, while other changes are recognized in other comprehensive income. Upon disposal of the investments, amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(2) Impairment of Financial Assets

The Company recognizes impairment losses on financial assets (including accounts receivable) measured at amortized cost and debt instruments measured at fair value through other comprehensive income based on expected credit losses evaluated at each balance sheet date.

Allowance for doubtful accounts is recognized based on the expected credit losses over the remaining period of account receivable. For other financial assets, the Company first assesses whether there has been a significant increase in credit risk since initial recognition. If there has not been a significant increase, the Company recognizes allowance for impairment losses based on 12-month expected credit losses. If there has been a significant increase, the Company recognizes allowance for impairment losses based on the expected credit losses over the respective periods of existence.

Expected credit losses are weighted average credit losses using the risk of default as the weight. 12-month expected credit losses represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. The expected credit losses over the respective periods of existence represent the expected credit losses resulting from all possible default events during the expected periods of existence of the financial assets.

The impairment loss for all financial assets is reduced by adjusting their carrying amount through the provision account. However, the provision for impairment loss on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce their carrying amount.

(3) Disposal of Financial Assets

The Company only derecognizes financial assets when the rights to receive cash flows from the financial asset have expired or the Company has transferred the financial asset and has transferred substantially all risks and rewards of ownership to another entity.

When financial assets measured at amortized cost are derecognized as a whole, any difference between the carrying amount and the consideration received is recognized in profit or loss. When debt instruments measured at fair value through other comprehensive income are derecognized, the difference between their carrying amount and the sum of the consideration received and any cumulative gains or losses previously recognized in other comprehensive income is recognized in the income statement.

2. Equity Instruments

Equity instruments issued by the company are classified based on the substance of the contractual agreement and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Company are recognized at the amount of proceeds received, net of directly attributable issuance costs.

The repurchase of equity instruments by the company itself is recognized as a deduction from equity. Purchase, sale, issuance, or cancellation of the Company's own equity instruments are not recognized in the income statement.

3. Financial Liability

(1) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

(2) Derecognition of financial liabilities

When financial liabilities are derecognized, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the income statement.

4. Convertible corporate bonds

Convertible bonds issued by the company are classified separately as financial liabilities and equity instruments at the initial recognition, based on the substance of the contractual agreement and the definitions of financial liabilities and equity instruments.

At initial recognition, the fair value of the liability component is estimated using a market interest rate for similar non-convertible instruments, and it is subsequently measured at amortized cost using the effective interest method until the conversion or maturity date. The liability component that represents embedded non-equity derivatives is measured at fair value.

The conversion feature classified as equity is equal to the fair value of the entire compound instrument minus the fair value of the separately determined liability component, adjusted for the tax effect, and it is recognized as equity without subsequent measurement. When the conversion right is exercised, the related liability component and the amount recognized in equity will be reclassified to share capital and additional paid-in capital - premium on issuance. If the conversion right of the convertible bond is not exercised by the maturity date, the amount recognized in equity will be reclassified to additional paid-in capital - other.

The transaction costs related to the issuance of convertible bonds are allocated proportionally to the liability component (included in the liability carrying amount) and the equity component (included in equity); transaction costs related to the liability component are included in the

carrying amount of that liability component and amortized using the effective interest method during the subsequent period of the convertible bonds.

#### (9) Revenue Recognition

After identifying performance obligations in customer contracts, this company allocates transaction prices to each obligation and recognizes revenue upon satisfying each obligation.

##### Sales revenue

Sales revenue is derived from the sales of intelligent products (conductive films and automotive products). Upon product delivery, the primary responsibility for reselling is transferred to the customer, and the company recognizes revenue and accounts receivable at that point.

#### (10) Leases

At the contract inception date, the Company evaluates whether the contract is or contains a lease.

##### The company acts as the lessee.

Except for leases of low-value assets and short-term leases eligible for recognition exemptions, lease payments for other leases are recognized as expenses on a straight-line basis over the lease term. For these leases, the right-of-use assets and lease liabilities are recognized on the lease commencement date.

The right-of-use assets are initially measured at cost, including the initial measurement of lease liabilities, direct costs, and estimated costs of restoration of the underlying assets. Subsequently, they are measured at cost less accumulated depreciation, with adjustments for the remeasurement of lease liabilities. The right-of-use assets are presented separately in the individual statement of financial position.

Depreciation for the right-of-use assets is recognized on a straight-line basis from the lease commencement date until the earlier of the end of the useful life or the lease term.

The lease liabilities are initially measured at the present value of lease payments (including fixed payments and substantially fixed payments). If the implicit interest rate in the lease is readily determinable, it is used to discount lease payments. If the rate is not readily determinable, the lessee's incremental borrowing rate is used.

Subsequently, the lease liabilities are measured on an effective interest basis and presented at an amortized cost. Interest expenses are recognized over the lease term. If there are changes in future lease payments during the lease term, the lease liability is remeasured, and the right-of-use asset is adjusted accordingly. Lease liabilities are presented separately in the individual statement of financial position.

(11) Borrowing Costs

All borrowing costs are recognized in the income statement in the year they are incurred.

(12) Government grants

Government grants are recognized only when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received.

Government grants related to income are recognized as other income over the period of the related costs that they are intended to compensate, on a systematic basis.

If a government grant is used to compensate for expenses or losses that have already occurred or to provide immediate financial assistance to the company without any future related costs, it should be recognized in the period in which it is receivable in the income statement.

(13) Employee Benefits

1. Short-term employee benefits

The related liabilities for short-term employee benefits are measured at the non-discounted amount expected to be paid in exchange for employee services.

2. Post-Employment Benefits

The determined amount of retirement benefits to be provided under the retirement plan should be recognized as expenses during the period in which the employees provide services.

(14) Income Tax

Income tax expenses represent the sum of current income taxes and deferred income taxes.

1. Current Income Taxes

The current income (loss) of the company is determined in accordance with the Income Tax Act of the Republic of China, and the income tax payable (recoverable) is calculated based on this.

The income tax surcharge calculated in accordance with the Taiwan Income Tax Act on the undistributed earnings is recognized annually upon resolution by the shareholders' meeting.

The adjustment of previous-year income taxes payable is included in the current period's income taxes.

2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amounts of assets and liabilities and the tax bases used for calculating taxable income.

Deferred income tax liabilities are generally recognized for all temporary differences that are taxable, while deferred income tax assets are recognized when it is probable that there will be taxable income available against which the temporary differences or tax loss can be offset.

Deferred income tax liabilities are recognized for all temporary differences related to investment in subsidiaries, except for those

temporary differences that the Company can control the timing of their reversal and it is probable that the temporary differences will not reverse in the foreseeable future. In relation to such investments, deductible temporary differences are recognized as deferred income tax assets only when it is probable that sufficient taxable income will be available to realize the temporary differences and when it is expected to reverse within a foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and is reduced for any portion that is no longer probable to be realized. The carrying amount of items not previously recognized as deferred income tax assets is reviewed at each balance sheet date and is increased for any portion that it is probable to be realized in the future.

Deferred income tax assets and liabilities are measured at the enacted or substantively enacted tax rates and laws expected to apply to the period in which the deferred income tax assets and liabilities are expected to be settled or realized. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would arise from the manner in which the company expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

### 3. Current and Deferred Income Taxes

Current and deferred income tax are recognized in profit or loss, except for items related to current and deferred income tax that are recognized in other comprehensive income or directly in equity, in which case the current and deferred income tax are separately recognized in other comprehensive income or directly in equity.

5. Critical accounting judgments, estimates and key sources of assumption uncertainty

When adopting accounting policies, the management of the Company must make judgments, estimates and assumptions based on historical experience and other relevant factors for items that are not readily obtainable from other sources. Actual results may differ from estimates.

The company incorporates the economic impacts caused by various possibilities into the estimation of cash flows, growth rates, discount rates, profitability, and other significant accounting estimates. Management continuously reviews the estimates and underlying assumptions. If the revision to the estimate only affects the current period, it is recognized in the period of the revision. If the revision to the accounting estimate affects both the current period and future periods, it is recognized in the period of the revision and the future periods.

The main sources of estimation and assumption uncertainty for income taxes

Income Taxes

As of the end of the year 2023 and December 31, 2022, the deferred tax assets of the company have respective carrying amounts of NT\$86,228 thousand and NT\$67,854 thousand. Due to the unpredictability of future profits, tax losses of NT\$503,883 thousand and NT\$521,591 thousand have not been recognized as deferred tax assets. The realizability of deferred income tax assets depends primarily on whether there will be sufficient future profits or taxable temporary differences. If actual profits generated in the future are less than expected, there may be a significant reversal of deferred income tax assets, which would be recognized in the period in which the reversal occurs as an expense.

6. Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
Cash in treasury and working funds	\$ 218	\$ 380
Bank checks and demand deposits.	167,631	121,981
Equivalent to cash		
Bank time deposit with an original maturity of within 3 months	98,256	76,775
	<u>\$ 266,105</u>	<u>\$ 199,136</u>

The interest rate range for bank deposits and time deposits on the balance sheet date is as follows:

	December 31, 2023	December 31, 2022
Bank deposit	0.00%~1.45%	0.00%~1.05%
Time Deposits	5.00%~5.40%	4.20%

7. Financial Instruments at Fair Value through Profit or Loss

	December 31, 2023	December 31, 2022
<u>Financial liabilities - Current</u>		
Held-for-trading		
derivative instruments (unhedged)		
Puttable Instruments (Note 16)	\$ -	\$ 1,620

8. Financial assets measured at fair value through other comprehensive income

	December 31, 2023	December 31, 2022
<u>Non-current</u>		
Debt securities investment		
Foreign company bonds	\$ 35,667	\$ 32,457

Please refer to Note 10 for information on credit risk management and impairment assessment related to debt instruments investments measured at fair value through other comprehensive income.

9. Financial assets measured at amortized cost

	December 31, 2023	December 31, 2022
<u>Current</u>		
Pledged certificate deposit	\$ -	\$ 68,420
Fixed deposits with original maturities exceeding 3 months	-	67,562
	<u>\$ -</u>	<u>\$ 135,982</u>

Interest rate ranges for financial assets measured at amortized cost as of the balance sheet date are as follows:

	December 31, 2023	December 31, 2022
Pledged certificate deposit	-	0.31%~4.37%
Fixed deposits with original maturities exceeding 3 months	-	5.05%~5.10%

Please refer to Note 26 for information on pledged fixed-term deposits.

10. Credit Risk Management of Debt Instrument Investments

The debt instruments invested by the company are classified as financial assets measured at fair value through other comprehensive income:

	December 31, 2023	December 31, 2022
Total carrying amount	\$ 43,956	\$ 43,956
Loss allowance	( 49)	( 49)
Amortized cost	43,907	43,907
Fair value adjustments	( 8,240)	( 11,450)
	<u>\$ 35,667</u>	<u>\$ 32,457</u>

The company only invests in debt instruments with low credit risk as assessed in impairment evaluations. The credit rating information is provided by independent rating agencies. The company continuously monitors external credit rating information to oversee changes in the credit risk of the invested debt instruments. Additionally, it reviews other information such as the bond yield curve and significant information about the debtors to assess whether there has been a significant increase in credit risk since the initial recognition of the debt instrument investments.

The company considers historical default rates for each rating level provided by external rating agencies, the current financial condition of debtors, and the industry outlook to evaluate the 12-month expected credit loss of debt instrument investments.

The company's current credit risk rating mechanism is as follows:

Credit Rating	Definition	Expected Credit Loss Recognition Basis
Normal	Low credit risk of the debtor and sufficient capacity to repay contractual cash flows	12-month expected credit loss

Investments in debt instruments with credit ratings are subject to the following expected credit loss rates:

Credit Rating	December 31, 2023	December 31, 2022
Normal	0.14%	0.14%

Changes in allowance for credit losses for debt instrument investments measured at fair value through other comprehensive income:

	Credit Rating Normal (12-month expected credit losses)
December 31, 2023 and 2022 (Unchanged)	\$ 49

11. Accounts receivable - related parties

	December 31, 2023	December 31, 2022
Measurement at amortized cost		
Total carrying amount	\$ 143,274	\$ 52,565
Less: Allowance for Doubtful Accounts	-	-
	<u>\$ 143,274</u>	<u>\$ 52,565</u>

The average credit period for product sales by the company is 60 to 90 days, and no interest is charged on accounts receivable.

The Company recognizes the provision for credit losses on accounts receivable based on the expected credit losses over the life of the receivables. The expected credit losses consider the customer's past payment history, the increase in delayed payments beyond the average credit period, as well as the customer's past default records, current financial condition, and the economic situation of the industry. Based on the company's historical credit loss experience, there is no significant difference in loss patterns among different customer groups. Therefore, further differentiation of customer groups is not made, and the expected credit loss rates are determined based solely on the number of days the accounts receivable are overdue.

If there is evidence that the counterparty is facing severe financial difficulties and the company cannot reasonably expect to recover the amounts owed, the related accounts receivable are directly written off. However, the company continues its collection efforts, and any amounts recovered are recognized in the income statement.

The allowance for credit losses on accounts receivable for the fiscal year 2022 is as follows:

Year 2023

	Not past due	Past due for 1 - 90 days	Past due for 91 - 180 days	Total
Total carrying amount	\$ 141,314	\$ 1,960	\$	\$ 143,274
Allowance for Credit Losses (Expected Credit Losses during the Remaining Lifetime of the Asset)	-	-	-	-
Amortized cost	<u>\$ 141,314</u>	<u>\$ 1,960</u>	<u>\$</u>	<u>\$ 143,274</u>

Year 2022

	Not past due	Past due for 1 - 90 days	Past due for 91 - 180 days	Total
Total carrying amount	\$ 43,541	\$ 4,512	\$ 4,512	\$ 52,565
Allowance for Credit Losses (Expected Credit Losses during the Remaining Lifetime of the Asset)	-	-	-	-
Amortized cost	<u>\$ 43,541</u>	<u>\$ 4,512</u>	<u>\$ 4,512</u>	<u>\$ 52,565</u>

The company's main customers are reputable listed companies and groups. Based on past historical experience, there have been no overdue payments and the likelihood of non-recovery is extremely low. Therefore, the company has assessed the allowance for credit losses as zero for both the year 2023 and December 31, 2022.

12. Investments Accounted for Using the Equity Method

Investment in subsidiaries

	December 31, 2023	December 31, 2022
Non-listed (OTC) companies		
Cayman Shun On Electronic Co., Limited	\$ 90,679	\$ 87,512
Success Prime Holdings Ltd.	335,232	315,256
Shun Min Holdings Co., Ltd.	866,964	963,574
SOE CO., LTD	-	-
Min Yih Electronic Co., Ltd	6,513	48,971
SFA American Inc.	-	-
Shun On Int'l Co., Ltd.	-	-
	<u>\$ 1,299,388</u>	<u>\$ 1,415,313</u>

Name of subsidiary	Percentage of Ownership Interests and Voting Rights		Description
	December 31, 2023	December 31, 2022	
Cayman Shun On Electronic Co., Limited	100%	100%	
Success Prime Holdings Ltd.	60%	60%	
Shun Min Holdings Co., Ltd.	100%	100%	
SOE CO., LTD	-	-	1
Min Yih Electronic Co., Ltd.	51%	51%	2
SFA American Inc.	-	-	3
Shun On Int'l Co., Ltd.	100%	100%	4

1. Completed liquidation in June 2022.
2. The shareholders' meeting resolved to dissolve and liquidate in December 2023.
3. Completed liquidation in July 2022.
4. Suspended operations since June 2018.
5. The equity in net income and other comprehensive income of subsidiaries accounted for using the equity method is recognized based on the financial statements audited by independent accountants for the same period. Please

refer to Appendices Five and Six for details of the company's indirect subsidiaries.

13. Property, Plant, and Equipment

	December 31, 2023	December 31, 2022
Land	\$197,699	\$197,699
Machinery and equipment	4,243	3,156
Transportation equipment	-	2,007
Production tools	1,097	1,868
Leasehold improvements	<u>24</u>	<u>278</u>
	<u>\$203,063</u>	<u>\$205,008</u>

The company's property, plant, and equipment are used solely for internal purposes. Apart from recognizing depreciation expenses, there were no significant additions, disposals, or impairments during the years 2023 and 2022.

Depreciation expenses are recognized on a straight-line basis over the following useful lives: Machinery and

Machinery and equipment	1 - 5 years
Transportation equipment	5 years
Production tools	3 years
Leasehold improvements	3 years

The amount of property, plant, and equipment set as collateral for loans by the company can be found in Note 26.

14. Leases Agreement

(1) Right-of-use Assets

	December 31, 2023	December 31, 2022
Carrying amount of Right-of-Use Assets		
Buildings	\$ 814	\$ 7,271
Transportation equipment	<u>270</u>	<u>433</u>
	<u>\$ 1,084</u>	<u>\$ 7,704</u>
	Year 2023	Year 2022
Additions to right-of-use assets	<u>\$ 472</u>	<u>\$ 487</u>
Depreciation expense of Right-of-Use Assets		
Buildings	4,268	4,656
Transportation equipment	<u>162</u>	<u>186</u>
	<u>\$ 4,430</u>	<u>\$ 4,842</u>

(2) Lease liability

	December 31, 2023	December 31, 2022
Lease liabilities - Carrying amounts		
Current	<u>\$ 1,199</u>	<u>\$ 4,694</u>
Non-current	<u>\$ 217</u>	<u>\$ 3,718</u>

Discount rate ranges for lease liabilities as of December 31, 2022 and December 31, 2021 are as follows:

	December 31, 2023	December 31, 2022
Buildings	1.50%~1.54%	1.5%
Transportation equipment	1.46%	1.46%

(3) Other lease information

	Year 2023	Year 2022
Short-term lease expense	<u>\$ 450</u>	<u>\$ 518</u>
Lease expenses for low-value assets	<u>\$ 39</u>	<u>\$ 34</u>
The total cash outflow for leases	<u>(\$ 5,430)</u>	<u>(\$ 5,994)</u>

15. Borrowings

Short-term borrowings.

	December 31, 2023	December 31, 2022
<u>Secured Loans</u> (Note 26)		
Bank loan	\$ 138,000	\$ 50,000
<u>Unsecured Loans</u>		
Bank loan	<u>60,000</u>	<u>-</u>
	<u>\$ 198,000</u>	<u>\$ 50,000</u>
<u>Annual Interest Rate (%)</u>		
Secured loans	1.98%~2.17%	1.95%
Unsecured loans	2.02%~2.10%	-
<u>Maturity Date</u>		
Secured loans	113.5.22	112.4.19
Unsecured loans	113.5.22	-

The chairman of the company serves as the guarantor for the above unsecured loans.

16. Bonds payable

	December 31, 2023	December 31, 2022
Convertible Corporate Bonds with domestic guarantees	\$ 165,300	\$ 300,000
Less: Discount on company bonds payable	( 1,630)	( 6,185)
Less: Portion due within 1 year	<u>( 163,670)</u>	<u>( 293,815)</u>
	<u>\$ -</u>	<u>\$ -</u>

On November 22, 2021, the Company issued domestic secured convertible bonds with a face value of 300,000 thousand, bearing a 0% coupon rate. The bonds had a maturity period of 3 years. Holders had the right to convert each

bond into the Company's common stock at a conversion price of 55.1 per share. The conversion period was from February 23, 2022, to November 22, 2024.

From the day following the end of the first 3 months after the issuance until 40 days before the maturity date, if the closing price of the company's common stock in the centralized trading market exceeds the conversion price by 30% for 30 consecutive business days, or if the outstanding balance of the bonds in circulation is less than 10% of the original total issuance, the company has the right to redeem all the bonds in cash at their face value.

From the second anniversary of the issuance date, bondholders had the right to request the Company to redeem their bonds in cash at face value.

These convertible bonds comprise both debt and equity components, with the equity component recognized under "Capital Surplus - Stock Options" in the equity section. The effective interest rate for the debt component at initial recognition was 1.0994%.

Additionally, embedded call and put options were considered separate instruments as per International Financial Reporting Standards No. 9 "Financial Instruments" due to their economic characteristics and risks being unrelated to the host debt instrument. They were accounted for as "Financial assets or liabilities measured at fair value through profit or loss" on a net basis.

17. Other payables

	December 31, 2023	December 31, 2022
Accrued salaries and bonuses	\$ 6,394	\$ 14,805
Labor fees payable	3,252	3,647
Others	<u>4,354</u>	<u>11,445</u>
	<u>\$ 14,000</u>	<u>\$ 29,897</u>

18. Equity

(1) Capital of ordinary share

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Number of authorized shares (in thousands)	<u>400,000</u>	<u>400,000</u>
Authorized capital stock	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Number of issued and fully paid shares (in thousands)	<u>147,906</u>	<u>147,906</u>
Issued capital stock	<u>\$ 1,479,063</u>	<u>\$ 1,479,063</u>

The issued ordinary shares have a par value of \$10 per share, and each share carries one voting right and the right to receive dividends.

The relevant information regarding the private placement of cash capital increase and the pending public issuance of ordinary shares by the company is as follows:

	<u>First Meeting</u>	<u>Second Meeting</u>
Shareholders' Meeting Resolution Date	105.6.8	107.6.29
Private Placement Reference Date	105.11.29	107.7.17
Number of shares (1000 shares)	50,000	13,953
Denomination (dollar)	10.00	10.00
Subscription Price (dollar)	11	43
Total Amount of Private Placement (Thousand dollars)	550,000	599,979

The rights and obligations of the aforementioned private placement shares are the same as the issued common shares of the company. However, according to the regulations of the Securities and Exchange Act, the private placement common shares can only apply for listing and trading on the exchange after a period of 3 years from the delivery date and conducting a subsequent public offering.

(2) Capital surplus

	December 31, 2023	December 31, 2022
<u>Can be used to offset losses, distribute cash, or allocate to share capital (Note)</u>		
Share premium	\$ 463,258	\$ 463,258
Difference between the actual disposal price of subsidiary equity and book value	984	984
Restricted employee rights shares already obtained	1,327	1,327
Inoperative share options	16,571	-
<u>It can only be used to cover losses</u>		
Shareholders overdue in receiving dividends	11	11
<u>Not available for any purposes</u>		
Convertible corporate bond subscription rights	<u>20,336</u> <u>\$ 502,487</u>	<u>36,907</u> <u>\$ 502,487</u>

Note: This type of capital surplus can be used to offset losses. It can also be used to distribute cash or allocate to share capital when the company has no losses. The allocation to share capital is subject to a certain percentage of the paid-in capital each year.

(3) Retention of surplus and dividend policy

According to the Company's Articles of Incorporation, in the annual financial statements, if there is a surplus, the following order of allocation should be followed: payment of taxes, offsetting of accumulated losses, allocation of 10% as statutory surplus reserves. Additionally, special surplus reserves may be set aside or reversed based on operational needs or legal requirements. After considering the business situation and balancing dividend policies, a portion of the surplus may be retained. The remaining balance, along with undistributed profits from previous years, should be proposed by the Board of Directors and distributed according to the resolution of the

shareholders' meeting. If the distribution of dividends, statutory surplus reserves, or capital surplus reserves is to be made in cash, it requires a resolution approved by at least two-thirds of the attending directors, with the consent of the majority of the attending directors, and it needs to be reported to the shareholders' meeting. The employee and director remuneration distribution policy are governed by the provisions in the company's bylaws, as stated in Note 20 (4): Explanation of Employee and Director Remuneration.

Furthermore, according to the Company's Articles of Incorporation, the dividend policy primarily focuses on issuing stock dividends. Cash dividends may be distributed after considering the capital requirements of the company, but the distribution of cash dividends should not exceed 80% of the distributable earnings for the current year.

The statutory surplus reserve should be allocated until it reaches the total paid-in capital of the company. The statutory surplus reserve can be used to offset losses. When there are no losses, the portion of statutory surplus reserves exceeding 25% of the total paid-in capital can be allocated for capital increase and cash distribution.

For the fiscal year 2022, the Company incurred a loss, and on June 27, 2023, the resolution to offset the loss for the fiscal year 2022 was passed at the General Meeting of Shareholders.

- (4) The Board of Directors proposed the offsetting of the loss for the fiscal year 2023 on March 15, 2024, which is expected to be resolved at the General Meeting of Shareholders scheduled for June 26, 2024.

(5) Treasury shares

	Unit: 1,000 shares
<u>Reason for reacquisition</u>	<u>Transfer of shares to employees</u>
Number of shares as of January 1, 2023	1,400
Repurchased during the current year	<u>-</u>
Number of shares as of December 31, 2023	<u>1,400</u>
January 1, 2022 Number of shares held	1,400
Repurchased during the current year	<u>-</u>
December 31, 2022 Number of shares held	<u>1,400</u>

According to the resolution of the Board of Directors in December 2020, the Company decided to repurchase 1,600 thousand shares of its stock between December 24, 2020, and February 23, 2021, at prices ranging from \$27.90 to \$44.65. As of December 31, 2022, and 2023, the total amount of repurchased shares was 55,567 thousand dollars.

The treasury shares held by the company are subject to regulations under the Securities and Exchange Act, which prohibit pledging and restrict the rights to receive dividends and exercise voting rights.

19. Revenue

	<u>Year 2023</u>	<u>Year 2022</u>
Customer contract revenue		
Sales of goods revenue	\$ 371,371	\$ 385,660
Revenue from services and other operating income	<u>19,422</u>	<u>-</u>
	<u>\$ 390,793</u>	<u>\$ 385,660</u>

(1) Description of customer contracts

Sales revenue is derived from the sales of intelligent products (conductive films and automotive products). Upon product delivery, the

primary responsibility for reselling is transferred to the customer, and the company recognizes revenue and accounts receivable at that point.

(2) Contract Balances

	December 31, 2023	December 31, 2022
Accounts receivable - related parties	<u>\$ 143,274</u>	<u>\$ 52,565</u>

20. Net loss for the period

The net loss for the period is composed of the following items:

(1) Other gains and losses

	Year 2023	Year 2022
Net gain on foreign currency exchange	\$ 1,488	\$ 59,478
Net gain (loss) from financial assets measured at fair value through profit or loss	171	( 2,130)
Gain (loss) on disposal of property, plants, and equipment	( 124)	348
Others	( <u>11,076</u> )	( <u>11,769</u> )
	<u>(\$ 9,541)</u>	<u>\$ 45,927</u>

(2) Depreciation and Amortization

	Year 2023	Year 2022
Property, Plant, and Equipment	\$ 2,933	\$ 2,316
Right-of-use Assets	4,430	4,842
Intangible Assets	<u>6,461</u>	<u>3,979</u>
	<u>\$ 13,824</u>	<u>\$ 11,137</u>
Depreciation expenses aggregated by function		
Operating expenses	<u>\$ 7,363</u>	<u>\$ 7,158</u>
Amortization expense aggregated by function		
Operating expenses	<u>\$ 6,461</u>	<u>\$ 3,979</u>

(3) Employee benefit expense

	<u>Year 2023</u>	<u>Year 2022</u>
Short-term employee benefits		
Wages and salaries	\$ 47,536	\$ 57,857
Health and labor insurance expense	4,004	4,681
Post-Employment Benefits		
Defined contribution plans	2,575	2,715
Other employee benefits	<u>3,160</u>	<u>3,670</u>
	<u>\$ 57,275</u>	<u>\$ 68,923</u>
Functional Consolidation		
Operating expenses	<u>\$ 57,275</u>	<u>\$ 68,923</u>

(4) Employees and Director Compensation

According to the Company's articles of incorporation, if the Company generates profits during the fiscal year, it is required to allocate 10% to 15% for employee compensation. The distribution can be made in the form of stock or cash, and it includes employees of the Company and its domestic and foreign controlled or subsidiary companies who meet certain conditions, which are determined by the authorization of the Board of Directors. The Company may also allocate an amount not exceeding 5% of the profits for director compensation, subject to a special resolution of the Board of Directors. However, if the Company has accumulated deficit, the priority is to allocate an amount to offset the deficit first.

In the fiscal years 2023 and 2022, the Company had accumulated deficits, so no provision was made for employee and director compensation.

For information on employee remuneration and directors' remuneration resolved by the Board of Directors of the Company, please visit the Taiwan Stock Exchange Public Information Observatory.

21. Income Tax

- (1) The major components of income tax benefit recognized in the statement of income are as follows:

	<u>Year 2023</u>	<u>Year 2022</u>
Current Income Taxes		
Adjustments for prior years	\$ <u>-</u>	\$ <u>983</u>
Deferred income tax		
Generated in the current year	<u>19,497</u>	<u>8,883</u>
Recognition of income tax benefit in the statement of income	<u>\$ 19,497</u>	<u>\$ 9,866</u>

The reconciliation of accounting income to income tax expense is as follows:

	<u>Year 2023</u>	<u>Year 2022</u>
Pre-tax net loss	( <u>\$194,559</u> )	( <u>\$100,519</u> )
Income tax benefit calculated at statutory tax rate on pretax income	\$ 38,912	\$ 20,104
Expenses not deductible for tax purposes	( 8,778)	( 3,460)
Unrecognized loss carryforwards	( 10,637)	( 7,761)
Adjustments for prior years	<u>-</u>	<u>983</u>
Recognition of income tax benefit in the statement of income	<u>\$ 19,497</u>	<u>\$ 9,866</u>

(2) Deferred tax assets and liabilities

Changes in Deferred Tax Assets and Liabilities are as follows:

Year 2023

	Opening balance	Recognized in income statement	Recognized in other comprehen sive income statement	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Investment losses recognized under equity method	\$ 56,603	\$ 19,750	\$ -	\$ 76,353
Loss deduction	7,300	-	-	7,300
Others	<u>3,951</u>	<u>( 733 )</u>	<u>( 643 )</u>	<u>2,575</u>
	<u>\$ 67,854</u>	<u>\$ 19,017</u>	<u>( \$ 643 )</u>	<u>\$ 86,228</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Others	<u>\$ 922</u>	<u>( \$ 480 )</u>	<u>\$ -</u>	<u>\$ 442</u>

Year 2022

	Opening balance	Recognized in income statement	Recognized in other comprehen sive income statement	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Investment losses recognized under equity method	\$ 47,343	\$ 9,260	\$ -	\$ 56,603
Loss deduction	7,300	-	-	7,300
Others	<u>1,502</u>	<u>( 49 )</u>	<u>2,498</u>	<u>3,951</u>
	<u>\$ 56,145</u>	<u>\$ 9,211</u>	<u>\$ 2,498</u>	<u>\$ 67,854</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Others	<u>\$ 594</u>	<u>\$ 328</u>	<u>\$ -</u>	<u>\$ 922</u>

(3) Information regarding unused loss carryforwards

As of December 31, 2023, the information regarding the unused loss carryforwards is as follows:

Remaining Balance of Loss Carryforwards	Last Year of Utilization
\$ 246,068	2024
20,123	2025
26,998	2027
23,393	2028
5,134	2029
5,319	2030
120,979	2031
39,187	2032
53,182	2033
<u>\$ 540,383</u>	

As of December 31, 2023, a deferred tax asset of \$36,500 thousand has been recognized for the aforementioned loss carryforwards.

(4) Income Tax Assessment

For the company, tax assessments for the years prior to the 2021 fiscal year have been finalized by the tax authorities.

22. Loss Per Share

Used to calculate the net loss and weighted average number of ordinary shares for calculating loss per share as follows:

Net loss for the current year

	Year 2023	Year 2022
Used to calculate the net loss for basic and diluted loss per share	(\$175,062)	(\$ 90,653)
<u>Number of shares</u>		Unit: 1,000 shares
	Year 2023	Year 2022
Used to calculate the weighted average number of ordinary shares for basic and diluted loss per share	<u>146,506</u>	<u>146,506</u>

When calculating diluted earnings per share, assuming the employee compensation is to be issued in the form of stock, and when the potential common shares have a dilutive effect, they are included in the weighted average number of diluted shares outstanding to calculate diluted earnings per share. When calculating diluted earnings per share before the decision on the issuance of employee compensation shares for the following year, the dilutive effect of such potential common shares continues to be considered.

For the fiscal years 2023 and 2022, the company incurred net losses after tax. If the potential dilution effect of convertible bonds into common shares is taken into account, it is considered anti-dilutive and therefore not included in the calculation of loss per share.

23. Capital Risk Management

The Company engages in capital management to ensure its ability to continue operating, by optimizing the balance between debt and equity balances to maximize shareholder returns.

The Company's capital structure consists of net debt (borrowings less cash and cash equivalents) and equity. The company's top management reviews the capital structure on a quarterly basis, considering its cost of capital and associated risks, and balances the overall capital structure through measures such as issuing new shares or obtaining bank loans.

24. Financial Instruments

(1) Fair Value Information - Financial Instruments Not Measured at Fair Value

Except for financial liabilities with significant differences between the carrying amount and fair value as listed in the table below, the management of the company believes that the carrying amount of financial assets and financial liabilities not measured at fair value approximates their fair value.

	December 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial Liability</u>				
Measurement at amortized cost				
- Convertible corporate bonds	\$ 163,670	\$ 166,953	\$ 293,815	\$ 301,170

The fair value of convertible corporate bonds is measured using Level 2 input values. The evaluation is based on the weighted average NT\$ price calculated by the Taiwan Stock Exchange on the reporting date.

(2) Fair Value Information - Financial instruments measured at fair value on a repetitive basis

1. Fair Value Hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
<u>measured at fair value</u>				
<u>through other</u>				
<u>comprehensive income</u>				
Debt securities				
investment	\$ 35,667	\$ -	\$ -	\$ 35,667

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
<u>measured at fair value</u>				
<u>through other</u>				
<u>comprehensive income</u>				
Debt securities				
investment	\$ 32,457	\$ -	\$ -	\$ 32,457
<u>Financial liabilities at fair</u>				
<u>value through profit or</u>				
<u>loss</u>				
Derivative Instruments -				
Puttable Instruments	\$ -	\$ -	\$ 1,620	\$ 1,620

There was no transfer between Level 1 and Level 2 fair value measurements in 2023 and 2022.

## 2. Adjustments for Financial Instruments Measured at Level 3 Fair Value

### Year 2023

Financial Assets	Financial liabilities including derivative instruments are measured at fair value through profit or loss
Opening balance	(\$ 1,620)
Redemption	3,450
Recognized in income statement	( 1,830)
Ending balance	<u>\$ -</u>

### Year 2022

Financial Assets	Financial assets (liabilities) measured at fair value through profit or loss - derivative instruments
Opening balance	\$ 510
Recognized in income statement	( 2,130)
Ending balance	<u>(\$ 1,620)</u>

Financial Assets	Financial liabilities including non-derivative instruments are measured at fair value through profit or loss
Opening balance	\$ 369,535
Disposal	( 369,535)
Ending balance	<u>\$ -</u>

### 3. Valuation techniques and input values for Level 3 fair value measurement

Financial instrument category	Valuation techniques and input values for level measurement
Financial assets (liabilities) measured at fair value through profit or loss - derivative instruments	Valuation techniques and input values Binary tree convertible bond valuation model: The fair value of convertible bonds as financial assets or liabilities is evaluated based on observable stock prices, risk-free interest rates, and risk discount rates at the end of the reporting period.
Financial assets measured at fair value through profit or loss - Non-derivative instruments	(1) Determined based on future cash flow discount analysis. (2) Calculating expected returns based on counterparty quotes.

#### (3) Types of Financial Instruments

	December 31, 2023	December 31, 2022
<u>Financial Assets</u>		
Measurement at amortized cost (Note 1)	\$ 412,076	\$ 392,896
Equity instrument with no open quotes measured at fair value		
Debt securities investment	35,667	32,457
<u>Financial Liability</u>		
Measurement at amortized cost (Note 2)	487,907	397,756
Measured at fair value through profit or loss	-	1,620

Note 1: The balance includes financial assets measured at amortized cost, including cash and cash equivalents, accounts receivable, other receivables, and deposits held as guarantees.

Note 2: The balance includes financial liabilities measured at amortized cost, including short-term borrowings, accounts payable, other payables, and corporate bonds payable.

#### (4) Objectives and Policies of Financial Risk Management

The Company's main financial instruments include equity and debt instrument investments, fixed deposits, accounts receivable, accounts payable, borrowings, lease liabilities, and corporate bonds payable. The Company's financial management department manages financial risks related to its operations based on internal risk assessments. These risks include market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk.

#### 1. Market risk

The primary financial risks arising from the Company's operational activities are foreign exchange rate risk (as described in (1) below) and interest rate risk (as described in (2) below).

##### (1) Exchange rate risk

The Company engages in sales and purchases denominated in foreign currencies, resulting in exposure to exchange rate fluctuations.

As of the balance sheet date, the Company's monetary assets and monetary liabilities denominated in non-functional currencies, subject to exchange rate risk, are disclosed in Note 28.

##### Sensitivity analysis

The Company is primarily exposed to fluctuations in the exchange rate of the US dollar.

The sensitivity analysis conducted by the Company uses a sensitivity ratio of 5% to report to senior management and represents the assessment of the reasonable potential range of exchange rate movements. When the New Taiwan Dollar depreciates by 5% against the USD, the Company's pre-tax net losses for fiscal years 2023 and 2022 would decrease by NT\$9,434 thousand and NT\$12,058 thousand.

## (2) Interest Rate Risk

The Company manages interest rate risk by maintaining an appropriate mix of fixed and floating rate instruments. The financial management department regularly assesses the related risks to ensure the most cost-effective financial operations.

The carrying amounts of financial assets at risk of interest rate fluctuations on the balance sheet dates are as follows:

	December 31, 2023	December 31, 2022
Fair value measurement with interest rate risk		
- Financial Assets	\$ 98,256	\$212,757
- Financial Liabilities	165,086	302,227
Fair value with cash flow rate risk		
- Financial Assets	167,631	121,981
- Financial Liabilities	198,000	50,000

### Sensitivity analysis

The sensitivity analysis is based on non-derivative instruments and is determined by the interest rate exposures on the balance sheet dates. The company internally reports to senior management using a rate change of +/- 50 basis points, which represents the reasonable range of potential interest rate fluctuations assessed by management.

If interest rates increase by 50 basis points, assuming all other variables remain constant, the company's pre-tax net losses for the years 2023 and 2022 would increase by \$152 thousand and decrease \$360 thousand.

## 2. Credit Risk

Credit risk refers to the risk of financial loss to the Company arising from counterparties' failure to fulfill their contractual obligations. As of the balance sheet date, the maximum credit risk exposure resulting from counterparties' failure to perform obligations is primarily derived from

the carrying amounts of financial assets recognized in individual balance sheets.

The Company continuously assesses the financial condition of its accounts receivable customers and, if necessary, purchases credit guarantee insurance contracts. Apart from the Company's largest customer, Group A, there are no significant credit exposures to any single counterparty or group of counterparties with similar characteristics. As of December 31, 2022, and year 2023, accounts receivable attributable to Group A amounted to \$140,635 thousand and \$47,070 thousand.

### 3. Liquidity risk

Our company manages and maintains sufficient positions of cash and cash equivalents to support our operations and reduce the impact of cash flow fluctuations. The Company's management supervises the use condition of the bank financing amount and makes sure that the terms and conditions of the loan contracts are observed.

Bank loans are an important source of liquidity for the Company. As of the year 2023 and December 31, 2022, please refer to (2) Borrowing Limits for the unused short-term bank borrowing limits.

#### (1) Liquidity and Interest Rate Risk Table for Non-Derivative Financial Liabilities

The table below illustrates the remaining contractual maturities of non-derivative financial liabilities, based on the earliest possible repayment dates as determined by our company. The cash flows, including interest and principal, are presented on an undiscounted basis.

Bank borrowings that can be immediately called upon for repayment are included within the earliest periods in the table, without considering the probability of the bank exercising that right. The analysis for other non-derivative financial liabilities is prepared based on the agreed repayment dates.

December 31, 2023

	Within 3 months	3 months to 1 year	More than 1 years
No liabilities with interests	\$ 132,629	\$ -	\$ -
Lease liability	373	834	218
Floating rate instruments	600	198,166	-
Bonds payable	-	165,300	-
	<u>\$ 133,602</u>	<u>\$ 364,300</u>	<u>\$ 218</u>

December 31, 2022

	Within 3 months	3 months to 1 year	More than 1 years
No liabilities with interests	\$ 68,746	\$ -	\$ -
Lease liability	1,195	3,586	3,738
Floating rate instruments	-	50,024	-
Bonds payable	-	300,000	-
	<u>\$ 69,941</u>	<u>\$ 353,610</u>	<u>\$ 3,738</u>

(2) Credit limit

	December 31, 2023	December 31, 2022
Unsecured Bank Financing Facility		
- Amounts Used	\$ 60,000	\$ -
- Amounts Unused	<u>100,000</u>	<u>380,000</u>
	<u>\$ 160,000</u>	<u>\$ 380,000</u>
Secured Bank Borrowing Limit		
- Amounts Used	\$ 303,300	\$ 350,000
- Amounts Unused	<u>412,705</u>	<u>-</u>
	<u>\$ 716,005</u>	<u>\$ 350,000</u>

25. Related Party Transactions

In addition to the disclosures made in other notes, the transactions between our company and related parties are as follows.

(1) Related Party Names and Relationships

<u>Names of related parties</u>	<u>Relationships with the</u>
Cayman Shun On Electronic Co., Limited (Cayman Shun On)	Subsidiary
Swift Success Holding Limited (Swift Success Holding)	Subsidiary
Shun Min Holdings Limited (Shun Min Holdings)	Subsidiary
SOE CO.,LTD (Japan SOE)	Subsidiary
Min Yih Electronic Co., Ltd. (Min Yih Electronic)	Subsidiary
SFA America Inc. ( SFAA )	Subsidiary
Jiaxing Shun Xin Mould Technology Co.,Ltd	Subsidiary
SOE Investments Limited	Subsidiary
Jiaxing Shun Min Electronic Co., Ltd. (Jiaxing Shun Min)	Subsidiary
Fuyi Investment Co., Ltd. (Fuyi Investment)	Subsidiary
Jiaxing Shunon Electronic Technology Co., Ltd (Jiaxing Shunon)	Subsidiary
Chonkqing Shunon Electronic Technology Co., Ltd (Chonkqing Shunon)	Subsidiary
Chicony Electronics Co., Ltd. (Chicony Electronics)	Other Related Parties (Director of the company)
Chicony Electronics Suzhou Co., Ltd. (Chicony Suzhou)	Other related parties (with the ultimate parent company being a director of the consolidated company)
Chicony Electronics Chongqing Co., Ltd. (Chicony Chongqing)	Other related parties (with the ultimate parent company being a director of the consolidated company)
Min En International Limited (Min En International)	Other Related Party (Substantive Related Party)

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Names of related parties	Relationships with the
Ningbo Minth Automotive Electronics Technology Co., Ltd. (Ningbo Minth)	Other Related Party (Substantive Related Party)
Ningbo Xintai Machinery Co., Ltd. (Ningbo Xintai)	Other Related Party (Substantive Related Party)
Ta Hwa Educational Foundation (Ta Hwa University of Science and Technology)	Other Related Party (Substantive Related Party)
Dayi Transportation Industry Manufacturing Co., Ltd. (Dayi Transportation)	Other Related Party (Substantive Related Party)
Minth International (Macau) Offshore Commercial Services Co., Ltd. (Minth International)	Other Related Party (Substantive Related Party)
Jiaxing Leroad Special Vehicle Co., Ltd. (Jiaxing Leroad)	Other Related Party (Substantive Related Party)

(2) Operating transaction

Type/Name of Related	Sale		Purchase	
	Year 2023	Year 2022	Year 2023	Year 2022
Subsidiary				
Jiaxing Shunon	\$ -	\$ -	\$ 345,015	\$ 350,232
Others	<u>2,754</u>	<u>7,958</u>	<u>12</u>	<u>-</u>
	<u>2,754</u>	<u>7,958</u>	<u>345,027</u>	<u>350,232</u>
Other Related Parties				
QunGuang				
Chongqing	368,243	342,410	-	-
QunGuang				
Suzhou	-	30,178	-	-
Others	<u>12</u>	<u>3,200</u>	<u>53</u>	<u>-</u>
	<u>368,255</u>	<u>375,788</u>	<u>53</u>	<u>-</u>
	<u>\$ 371,009</u>	<u>\$ 383,746</u>	<u>\$ 345,080</u>	<u>\$ 350,232</u>

For transactions between related parties, the transaction prices and payment terms are comparable to those with unrelated parties.

(3) Receivables from Related Parties

Accounting item	Type/Name of Related	December 31, 2023	December 31, 2022
Accounts receivable	Subsidiary Jiaxing Shun Min Electronic Co., Ltd.	\$ 2,639	\$ 5,495
	Other Related Parties QunGuang Chongqing	<u>140,635</u>	<u>47,070</u>
		<u>\$143,274</u>	<u>\$ 52,565</u>
Other receivables	Subsidiary Cayman Shun On	<u>\$ 343</u>	<u>\$ 3,392</u>

(4) Payables to Related Parties

Accounting item	Type/Name of Related	December 31, 2023	December 31, 2022
Accounts payable	Subsidiary Jiaxing Shunon	<u>\$118,625</u>	<u>\$ 38,274</u>
Other payables	Subsidiary Other Related Parties	\$ 127	\$ -
		<u>72</u>	<u>87</u>
		<u>\$ 199</u>	<u>\$ 87</u>

(5) Lease Agreements

Accounting item	Type/Name of Related	December 31, 2023	December 31, 2022
Acquisition of right-of-use assets	Other Related Parties		
	Minth University of Science and Technology	\$ <u>472</u>	\$ <u>-</u>
Lease liabilities - current	Other Related Parties		
	Minen International	\$ 853	\$ 4,553
	Minth University of Science and Technology	<u>182</u>	<u>-</u>
		\$ <u>1,035</u>	\$ <u>4,553</u>
Lease liabilities - non-current	Other Related Parties		
	Minen International	\$ -	\$ 3,445
	Minth University of Science and Technology	<u>107</u>	<u>-</u>
		\$ <u>107</u>	\$ <u>3,455</u>

(6) Key Executive Compensation

	Year 2023	Year 2022
Short-term employee benefits	\$ 16,835	\$ 17,255
Post-Employment Benefits	556	487
Resignation pay	<u>30</u>	<u>298</u>
	\$ <u>17,421</u>	\$ <u>18,040</u>

Directors' and other key management personnel's remuneration is determined by the remuneration committee based on individual performance and market trends.

26. Assets Pledged as Collateral

The assets listed below from the company have been utilized as collateral for borrowings from financial institutions and as performance guarantees for government subsidies:

	<u>Year 2023</u>	<u>Year 2022</u>
Land	\$197,699	\$197,699
Pledged time deposits (financial assets measured at amortized cost)	<u>-</u> <u>\$197,699</u>	<u>68,420</u> <u>\$266,119</u>

27. The significant matters and contractual commitments

(1) In January of the fiscal year 2022, our company and its subsidiary, Shun Min Holdings, along with Japan's SOE, signed a transaction agreement with Japan's Sharp Corporation, FOXCONN Interconnect Technology Singapore Pte. Ltd., and FOXCONN OE Technologies Singapore Pte. Ltd. regarding the FITED transaction. The agreement commits to repurchasing equity of FITED from our company, Shun Min Holdings, and Japan's SOE for a total amount of USD 14,117 thousand. The details of the agreement are as follows:

1. The company lost control over FITED and its subsidiaries as of the end of December 2021.
2. FITED and its subsidiaries have utilized the following fund loans and endorsement guarantees as of December 31, 2021. Sharp FIT Automotive Technology Co., Ltd should assist in returning the funds or settle the endorsement guarantees:
  - (1) The company's subsidiary, Cayman Chun-An, received a fund loan of USD 1,000 thousand from Sharp FIT Automotive Technology Co., Ltd, which was repaid in early April 2023.
  - (2) The company provided an endorsement guarantee of JPY 220,000 thousand for Sharp FIT Automotive Technology Co., Ltd., which matured in February 2022.
  - (3) The company provided an endorsement guarantee of USD 2,000 million for Tenga Wuxi, which matured in May 2022.

Sharp has committed to assisting in the repayment of the aforementioned (2) and (3), and the company no longer provides endorsement guarantees for Sharp FIT Automotive Technology Co., Ltd and Tenga Wuxi.

Sharp FIT Automotive Technology Co., Ltd. has repaid the aforementioned (1) in April 2023, and our subsidiary has ceased further lending to it.

3. The disposal proceeds of USD 14,117 thousand mentioned above, after Sharp Japan deducted a portion of the amount, were recovered in February 2022, totaling \$385,185 thousand (equivalent to USD 13,916 thousand).

(2) The Board of Directors of the Company also resolved on March 29, 2022:

1. The company's subsidiary, Cayman Chun-An, provided a fund loan of USD 1,000 thousand to SHARP FIT Automotive Technology Co., Ltd, from April 5, 2022, to April 5, 2023.
2. The company provided an endorsement guarantee of USD 2,000 thousand for Tenga Wuxi.

The aforementioned item 2 has been fully repaid and the endorsement guarantee has been released upon maturity in May 2022.

The aforementioned item 1 has been fully repaid upon maturity in April 2023.

28. Significant Foreign Currency Assets and Liabilities Information

The Company Significant foreign currency assets and liabilities information are as follows:

December 31, 2023

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD	\$ 10,014	30.705 (USD: NT\$)	<u>\$ 307,488</u>
<u>Non-monetary items</u>			
USD	42,106	30.705 (USD: NT\$)	<u>\$ 1,292,875</u>
<u>Financial Liability</u>			
<u>Monetary items</u>			
USD	3,869	30.705 (USD: NT\$)	<u>\$ 118,810</u>

December 31, 2022

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial Assets</u>			
<u>Monetary items</u>			
USD	\$ 9,118	30.710 (USD: NT\$)	<u>\$ 280,014</u>
<u>Non-monetary items</u>			
USD	44,492	30.710 (USD: NT\$)	<u>\$ 1,366,342</u>
<u>Financial Liability</u>			
<u>Monetary items</u>			
USD	1,265	30.710 (USD: NT\$)	<u>\$ 38,848</u>

In 2023 and 2022, the company reported gains on foreign currency exchange (realized and unrealized) of \$1,488 thousand and \$59,478 thousand. Due to the diverse functional currencies involved in the foreign currency transactions of the group entities, exchange gains and losses are not disclosed by specific foreign currency types.

29. Disclosure of Notes

(1) Significant transaction matters:

1. Funds to be lent to others: Appendix One.
2. Endorsements or guarantees for others: None.
3. End-of-period holdings of marketable securities (excluding investments in subsidiaries, affiliated companies, and jointly controlled entities): See Appendix Two.
4. Cumulative purchase or sale amount of the same marketable security reaches NT\$300 million or exceeds 20% of the paid-in capital: None.
5. Acquisition of property amounting to NT\$ 300 million or more, or exceeding 20% of paid-in capital: None.
6. Disposal of property amounting to NT\$ 300 million or more, or exceeding 20% of paid-in capital: None.
7. Sales or purchases with related parties amounting to NT\$ 100 million or more, or exceeding 20% of paid-in capital: Appendix Three.
8. Receivables from related parties amounting to NT\$ 100 million or more, or exceeding 20% of paid-in capital: Appendix Four.
9. Engaging in derivative instrument transactions: Note Seven.

(2) Information related to investments in associates: Appendix Five.

(3) Information of Mainland China Investment:

1. Names of invested companies in Mainland China, main business activities, paid-in capital, investment methods, fund inflows and outflows, ownership percentage, current period profit or loss and recognized investment gains or losses, end-of-period investment book value, repatriated investment gains or losses, and investment limits for investment in Mainland China: Appendix Six.
2. Significant transaction matters with invested companies in Mainland China conducted directly or indirectly through a third region, including prices, payment conditions, and unrealized gains or losses: Appendices Three and Four.

- (1) Purchase amounts and percentages, end-of-period balances and percentages of related accounts payable.
  - (2) Sales amounts and percentages, end-of-period balances and percentages of related accounts receivable.
  - (3) Amounts of property transactions and the resulting gains or losses.
  - (4) The year-end balances and purposes of bills endorsement guarantees or collateral provided.
  - (5) Maximum balance, end-of-period balance, interest rate range, and total interest expense for fund transfers.
  - (6) Other significant transactions impacting current earnings or financial position, such as provision or receipt of services, etc.
- (4) Information on major shareholders: Names of shareholders holding 5% or more of the shares, shareholding amounts, and percentages: Appendix Seven.

Shun On Electronic Co., Limited

Loans to others

Year 2023

Appendix One

Unit: NT\$ / Thousand Foreign Currency

No.	Company providing the loan Borrowers	Account Receivable	Accounts Payable and Receivable	Are they related parties	Current Maximum Balance	Closing balance	Actual Disbursement Amount	Range of Interest Rate	Nature of Fund Lending	Amounts of business transactions	Reason for the necessity of short-term funding	Itemized Amount of Provision for Doubtful Debt Accounts	Collaterals		Limit on individual funding loans (Note)	Funding Limit for Loans (Note)
													Name	Value		
0	The Company	Jiaxing Shun Min Electronic Co., Ltd.	Other receivables	Yes	\$ 353,108 (USD 11,500)	\$ -	\$ -	%	Short-term financing funds	\$ -	Operational needs	\$ -	-	-	\$ 620,514	\$ 620,514
1	SOE Investments Limited	Jiaxing Shun Min Electronic Co., Ltd.	Other receivables	Yes	200,749 (RMB 46,307)	200,720 (RMB 46,300)	200,720 (RMB 46,300)	1%-1.5%	Short-term financing funds	-	Operational needs	-	-	-	223,165	223,165

Note: The individual and overall limits for lending funds to others by the company are based on 40% of the company's most recent audited or reviewed financial statements' net worth.

The individual and overall limits for lending funds to foreign companies in which the company directly or indirectly holds 100% of the voting shares are based on not exceeding 60% of the respective subsidiary's (lending party) most recent audited or reviewed financial statements' net worth.

Shun On Electronic Co., Limited  
Details of held-to-maturity securities at the end of the year:  
December 31, 2023

Appendix Two

Unit: NT\$ thousands

Holding company	The types and names of marketable securities	Relation to the issuer of the marketable securities	Account	Ending				Highest number of shares/units held during the period
				Number of shares / units (in thousands of shares/units)	Carrying amount	Percentage of ownership (%)	Fair value	
The Company	Foreign company bonds AT&T INC	None	Financial assets carried at fair value through other comprehensive income - non-current	1,500	\$ 35,667	-	\$ 35,667	1,500
Shun Min Holdings	Foreign company bonds Petróleos Mexicanos (PEMEX)	None	Financial assets carried at fair value through other comprehensive income - non-current	1,750	50,305	-	50,305	1,750
	HSBC Holdings PLC	None	Financial assets carried at fair value through other comprehensive income - non-current	1,700	50,435	-	50,435	1,700
	BNP Paribas	None	Financial assets carried at fair value through other comprehensive income - non-current	1,300	34,637	-	34,637	1,300

Note: For information on investment subsidiaries and mainland China investments, please refer to Appendices Five and Six.

Shun On Electronic Co., Limited

Total purchases from or sales to related parties of at least NT\$ 100 million or 20% of the paid-in capital.

Year 2023

Appendix Three

Unit: NT\$ thousands

Company from which purchases (sales) are made	Counterparty	Relation	Transaction condition				Different conditions compared to a normal transaction and the reason for that		Accounts and notes receivable (payable)		Remarks
			Purchases (sales)	Amount	Percentage of the total purchases (sales)	Credit period	Unit price	Credit period	Balance	Ratio of Accounts Receivable (Payable) to Total purchases (sales)	
The Company	QunGuang Chongqing	The ultimate parent company of the company is a director of this company	Sale	(\$ 368,243)	( 94%)	90 days	\$ -	-	\$ 140,635	98%	
Jiaxing Shunon	Jiaxing Shunon	Subsidiary	Purchase	345,015	100%	90 days	-	-	( 118,625)	( 100%)	
	QunGuang Suzhou	The ultimate parent company of the company is a director of this company	Sale	( 502,210)	( 51%)	90 days	-	-	229,026	53%	
	QunGuang Chongqing	The ultimate parent company of the company is a director of this company	Sale	( 140,003)	( 14%)	90 days	-	-	78,853	18%	
	Chonkqing SHUNON Electronic Technology Co.,Ltd.	Sister company	Processing fees	156,311	100%	90 days	-	-	( 14,971)	( 11%)	

Shun On Electronic Co., Limited

Accounts receivable from related parties amounting to NT\$100 million or more, or exceeding 20% of the paid-in capital.

December 31, 2023

Appendix Four

Unit: NT\$ thousands

Companies recorded as accounts receivable	Counterparty	Relation	Balance of receivable from related companies	Turnover rate (times)	Past due accounts receivable from related parties.		Amount collected after the due date (Note)	Itemized Allowance Amount for Bad Debts Loss amount	Remarks
					Amount	Treatment			
The Company	QunGuang Chongqing	The ultimate parent company of the company is a director of this company	Accounts receivable \$ 140,635	3.92	\$ 1,960	Post-period receivables	\$ 63,436	\$ -	
Jiaxing Shunon	The Company	Parent	Accounts receivable 118,625	4.40	584	Post-period receivables	57,041	-	
	QunGuang Suzhou	The ultimate parent company of the company is a director of this company	Accounts receivable 229,026	2.51	1,485	Post-period receivables	101,707	-	
SOE Investments Limited	Jiaxing Shun Min Electronic Co., Ltd.	Subsidiary	Other receivables 201,524	-	-	-		-	

Note: Amount collected after the due date as of February 29, 2024.

Shun On Electronic Co., Limited  
Information regarding the names and locations of investee companies... etc.  
Year 2023

Appendix Five Unit: NT\$ / Thousand Foreign Currency

Name of Investment Company	Name of Investee	Location	Primary business items	Original Investment Amount		End-of-Period Holdings			Investee's Net Income (Loss) for the current period	Investment (Gain) loss recognized in the current period	Remarks
				Ending of this reporting period	The end of last year	Number of shares (1000 shares)	Percentage (%)	Carrying amount			
The Company	Cayman Shun On	The Cayman Islands	Various investment activities and business trading	USD 3,836	USD 3,836	3,836	100%	\$ 90,679	USD 95	\$ 2,963	Subsidiary
	Success Prime Holdings	Samoa	Various investment businesses	USD 7,305	USD 7,305	7,305	60%	335,232	USD 1,380	25,800	Subsidiary
	Shun Min Holdings	British Virgin Islands	Various investment businesses	USD 34,200	USD 33,200	34,200	100%	866,964	( USD 4,093 )	( 127,515 )	Subsidiary
	Min Yih Electronic Co., Limited (Note 2)	Taiwan	Engaging in the design, manufacturing, and distribution of automotive electronic products	66,300	66,300	6,630	51%	6,513	( 83,252 )	( 42,458 )	Subsidiary
Success Prime Holdings	Fuyi Investment	The Cayman Islands	Various investment businesses	USD 12,134	USD 12,134	12,134	100%	USD 18,196	USD 1,380	Not applicable	Subsidiary

Note 1: For information regarding mainland China invested companies, please refer to Appendix Six.

Note 2: The shareholders' meeting resolved to dissolve and liquidate in December 2023.

Note 3: Shun On International Co., Ltd. ceased operations temporarily in June 2018, with a recorded balance of zero.

Shun On Electronic Co., Limited  
Investment Information on Mainland China  
Year 2023

Appendix Six

Unit: NT\$ / Thousand Foreign Currency

Investee in mainland China	Primary business items	Paid-in capital	Investment method	Investment amount at the beginning of the period Investment amount accumulated from Taiwan Investment amount	Investment amount in the current period exported or withdrawn Investment amount		Ending of this reporting period Investment amount accumulated from Taiwan Investment amount	Investee's Net Income/ (Loss) for the Period	Direct or indirect shareholding ratio of the company's investment	Current period recognized amount recognized in the current period	Period end investment book value	As of the end of the period, Inflows from investment returns
					Remitted out	Recovered						
Jiaxing Shunon	Engaging in the production and distribution of printed circuit boards and other switches	RMB 83,682	Investment through establishing a company (Fuyi Investment) in a third jurisdiction	USD 6,228 (Note 4 (1))	\$ -	\$ -	USD 6,228	RMB 14,971 (Note 1)	100%	RMB 14,971	RMB 139,998	\$ -
Chonkqing SHUNON Electronic Technology Co.,Ltd.	Engaging in the production and distribution of printed circuit boards and other switches	RMB 6,252	Same as above	USD 510 (Note 4 (2))	-	-	USD 510	( RMB 5,251 ) (Note 1)	100%	( RMB 5,251 )	( RMB 11,124 )	-
SOE Investments Limited	Various investment businesses	RMB 67,024	Investment through establishing a company (Shun Min Holdings) in a third jurisdiction	USD 10,000 (Note 4 (1))	-	-	USD 10,000	RMB 3,587 (Note 1)	100%	RMB 3,587	RMB 85,796	-
Jiaxing Shun Min Electronic Co., Ltd.	Engaging in the design, manufacturing, and distribution of automotive electronic products	RMB 102,741	Same as above	USD 14,000 (Note 4 (1))	USD 1,000	-	USD 15,000	( RMB 27,315 ) (Note 1)	100%	( RMB 27,315 )	RMB 53,928	-
JIAXING SHUN XIN MOULD TECHNOLOGY Co.,Ltd.	Engaging in intelligent mold design, research and development, and related technical consulting services, as well as buying and selling businesses	RMB 1,261	Investment through establishing a company (Cayman Shun On) in a third jurisdiction	USD 200 (Note 4 (3))	-	-	USD 200	( RMB 77 ) (Note 1)	100%	( RMB 77 )	( RMB 3,605 )	-

The cumulative amount of investments transferred from Taiwan to mainland China at the end of the current period.	Investment amount approved by Investment Commission of the Ministry of Economic Affairs (MOEAIC)	Investment quota for investment in mainland China as regulated by the Investment Commission of the Ministry of Economic Affairs.
USD 35,228 (Note 4 (1))	USD 45,529	Note 3
Note 5) USD 5,323 (Note 4(2)(3),	USD 8,096	
HK 11,673	HK 16,218	

Note 1: Based on audited financial reports as the recognition basis.

Note 2: Based on unaudited financial reports as the recognition basis.

Note 3: According to the determination letter 11120413920 issued by the Industrial Development Bureau of the Ministry of Economic Affairs, Taiwan, under the "Principles for Reviewing Investment or Technical Cooperation in Mainland China," there is no limitation on the cumulative amount of investment in mainland China.

Note 4: The investment methods include:

- (1) Indirect investment through subsidiaries of our company.
- (2) Investment through the subsidiary, Cayman Jun An Electronics Co., Ltd., by using retained earnings, equipment, and spare parts. In 2018, 100% of the equity was transferred to Fuyi Investment.
- (3) Investment through our subsidiary, Cayman Shun On Electronic Co., Limited, using profits, equipment, and spare parts.

Note 5: Including the investment amount of USD 4,613 thousand previously exported from Taiwan to mainland China, which has been repatriated to a third region after the invested companies ceased operations. This amount includes USD 277 thousand for Shanghai Junye, USD 594 thousand for Dongguan Quanli, USD 1,045 thousand for Dongguan Quanding, USD 2,617 thousand for Jiaxing Boan, and USD 80 thousand for Shenzhen Shun On.

Note 6: Ningbo Chunmin Electronics Co., Ltd. was dissolved in August 2022, and the remaining funds of RMB 33,267 thousand after liquidation have been repatriated to Ace Europe Investment Co., Ltd.

Shun On Electronic Co., Limited  
Information of Major Shareholders

December 31, 2023

Appendix Seven

Major Shareholder Name	Shareholdings	
	Number of Shares Held	Percentage of ownership
Min-Tai International Co., Ltd.	26,251,691	17.74%
Zhi Jia Investment Co., Ltd.	13,953,000	9.43%
E.SUN Bank entrusted the custody of Charm Ray Development Ltd.'s investment portfolio	13,125,000	8.87%
China Trust Commercial Bank entrusted custody of Long Hong Ltd.'s investment portfolio.	12,600,000	8.51%
Chicony Technology Corporation	10,752,254	7.26%

Note: The information regarding major shareholders in this table is based on data provided by the Taiwan Depository & Clearing Corporation as of the last business day of the quarter, considering shares of common and preferred stock held by shareholders that have completed non-physical registration transfer (including treasury shares) and account for 5% or more of the total shares. The recorded share capital in the company's financial report may differ due to variations in calculation bases or other factors impacting the completion of non-physical registration transfers.

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Shun On Electronic Co., Ltd.  
Detailed Statement of Cash and Cash Equivalents  
As of December 31, 2023

Detailed List 1

Unit: NT\$ thousands and  
Foreign Currencies

ITEM	Summary	Amount
Cash in Treasury		\$ 218
Checks and demand deposits	Mainly in New Taiwan Dollars: NT\$120,711 thousand, US Dollars: US\$928 thousand, Hong Kong Dollars: HK\$862 thousand, Euros: €12 thousand, Japanese Yen: ¥31,004 thousand, and Chinese Yuan: ¥1,823 thousand	167,631
Time Deposits	US\$3,200 thousand	<u>98,256</u>
Total		<u>\$ 266,105</u>

Note: The exchange rates for US Dollars, Japanese Yen, and Chinese Yuan are 30.705, 0.2172, and 4.3352.

Shun On Electronic Co., Limited  
Detailed Statement of changes in investment property accounted for using the equity method  
Year 2023

Detailed List 2 Unit: NT\$ thousands

	Opening balance		The annual increment		The annual decrement		Share of profit or loss from subsidiaries accounted for using the equity method	Exchange difference for conversion of financial statements of foreign operating institutions	Other comprehensive income	Ending balance				Remarks
	Number of shares (1000 shares)	Amount	Number of shares (1000 shares)	Amount	Number of shares (1000 shares)	Amount				Number of shares (1000 shares)	Percentage of ownership	Amount	Stockholders' equity	
Cayman Shun On	3,836	\$ 87,512	-	\$ -	-	\$ -	\$ 2,963	\$ 204	\$ -	3,836	100%	\$ 90,679	\$ 90,679	
Success Prime Holdings	7,305	315,256	-	-	-	-	25,800	( 5,824 )	-	7,305	60%	335,232	335,232	
Shun Min Holdings	33,200	963,574	1,000	30,937	-	-	( 127,515 )	( 10,228 )	10,196	34,200	100%	866,964	866,964	Note
Min Yih Electronic	6,630	<u>48,971</u>	-	<u>-</u>	-	<u>-</u>	( <u>42,458</u> )	<u>-</u>	<u>-</u>	6,630	51%	<u>6,513</u>	<u>6,513</u>	
Total		<u>\$ 1,415,313</u>		<u>\$ 30,937</u>		<u>\$ -</u>	( <u>\$ 141,210</u> )	( <u>\$ 15,848</u> )	<u>\$ 10,196</u>			<u>\$ 1,299,388</u>	<u>\$ 1,299,388</u>	

Note: The increase for the current year is from cash capital injection.

Shun On Electronic Co., Limited  
Detailed Statement of Operating Revenue  
Year 2023

Detailed List 3

Unit: NT\$ thousands

ITEM	Quantity (in thousands of units)	Amount
Sales revenue		
Intelligent Products	12,434	\$ 371,371
Revenue from services and other agency operations	-	<u>19,422</u>
Net operating revenue		<u>\$ 390,793</u>

Shun On Electronic Co., Limited  
Detailed Statement of Operating Expenses  
Year 2023

Detailed List 4

Unit: NT\$ thousands

Name	Selling and administrative expenses	Research expenses	Total
Payroll and pension expenses	\$ 28,402	\$ 21,709	\$ 50,111
Professional service fees	8,234	381	8,615
Depreciation	3,415	3,948	7,363
Others (Note)	<u>15,852</u>	<u>12,435</u>	<u>28,287</u>
Total	<u>\$ 55,903</u>	<u>\$ 38,473</u>	<u>\$ 94,376</u>

Note: The balances of each item do not exceed 5% of the balance of this account.

Shun On Electronic Co., Limited  
Detailed Statement of Employee Benefits, Depreciation, and Accrual Expenses for the Current Year  
January 1 to December 31, 2023 and 2022

Detailed List 5

Unit: NT\$ thousands

ITEM	Year 2023			Year 2022		
	Pertaining to operating costs	Pertaining to operating expenses	Total	Pertaining to operating costs	Pertaining to operating expenses	Total
Wages and salaries	\$ -	\$ 47,536	\$ 47,536	\$ -	\$ 57,857	\$ 57,857
Health and labor insurance expense	-	4,004	4,004	-	4,681	4,681
Pension expense	-	2,575	2,575	-	2,715	2,715
Director remuneration	-	1,710	1,710	-	2,065	2,065
Other employee benefit expense	<u>-</u>	<u>1,450</u>	<u>1,450</u>	<u>-</u>	<u>1,605</u>	<u>1,605</u>
Employee benefit expense	<u>\$ -</u>	<u>\$ 57,275</u>	<u>\$ 57,275</u>	<u>\$ -</u>	<u>\$ 68,923</u>	<u>\$ 68,923</u>
Depreciation expenses	<u>\$ -</u>	<u>\$ 7,363</u>	<u>\$ 7,363</u>	<u>\$ -</u>	<u>\$ 7,158</u>	<u>\$ 7,158</u>
Amortization expense	<u>\$ -</u>	<u>\$ 6,461</u>	<u>\$ 6,461</u>	<u>\$ -</u>	<u>\$ 3,979</u>	<u>\$ 3,979</u>

Note 1: The average number of employees was 46 in 2023 and 58 in 2022. Among them, the number of non-executive employees was 8 in both years, and their calculation basis aligns with the employee benefits expenses.

Note 2: The average employee benefits expenses for the current year and the previous year are 1,462 thousand and 1,337 thousand, respectively. The average salary expenses for the current year and the previous year are 1,251 thousand and 1,157 thousand, respectively. The adjustment in average salary expenses shows a variation of 8%.

Note 3: The company has established an audit committee and does not provide remuneration to supervisors.

Note 4: Please specify the company's compensation policy for salaries (including directors, executives, and employees).

(1) Director

Director's remuneration: According to Article 20 of the company's articles of incorporation, if the company generates profits in a fiscal year, 10% to 15% shall be allocated for employee compensation and up to 5% for director remuneration. The distribution can be made in the form of stock or cash, as determined by the board of directors.

Independent director's remuneration: The company provides fixed remuneration on a monthly basis.

Travel and miscellaneous expenses: For attending meetings of functional committees under the company's board of directors, the company provides reimbursement for travel expenses on a per occasion basis.

(2) Executives: The remuneration of appointed executives is determined by a remuneration committee consisting of three independent directors appointed by the board of directors. The committee is responsible for designing (and periodically reviewing) performance evaluation systems, assessing results, and establishing related compensation systems. The performance evaluation and remuneration of appointed executives are based not only on industry and market norms but also on individual performance, company performance, and the reasonable correlation with future risks.

(3) Employees: Employee compensation primarily includes base salary, bonuses, and employee benefits. The base salary is determined based on job responsibilities, taking into account the salary market conditions, company financial status, and organizational structure. Bonuses and employee benefits are linked to the company's annual profitability and individual performance evaluations. Employees have the opportunity for salary adjustments annually based on their performance and job level until they reach the maximum level for their position. The magnitude of salary adjustments is highly correlated with individual performance. Additionally, the company conducts annual salary evaluations based on market salary trends and business conditions.



淳安電子

SHUN ON ELECTRONIC CO., LTD.